

ILLINOIS COMMERCE COMMISSION

IAWC EXHIBIT 4.00

**DIRECT TESTIMONY OF
EDWARD J. GRUBB**

ILLINOIS-AMERICAN WATER COMPANY

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**DIRECT TESTIMONY
OF
EDWARD J. GRUBB**

1 **I. WITNESS INTRODUCTION**

2 **Q1. Please state your name.**

3 **A.** My name is Edward J. Grubb.

4 **Q2. Please state your business address.**

5 **A.** My business address is 100 N. Water Works Drive, Belleville, Illinois
6 62223.

7 **Q3. By whom are you employed and in what capacity?**

8 **A.** I am employed by Illinois-American Water Company (“Company” or
9 “IAWC”) as the Director of Finance. I am also the Assistant Treasurer for
10 IAWC.

11 **Q4. Please summarize your education, background, employment
12 experience, and your responsibilities as the Director of Finance.**

13 **A.** My background, qualifications and responsibilities are summarized in
14 Appendix A to this testimony.

15 **II. PURPOSE OF TESTIMONY**

16 **Q5. What is the purpose of your Direct Testimony?**

17 **A.** The purpose of my Direct Testimony is to address Business
18 Transformation Costs, Service Company Costs, ICC Management Audit
19 Costs and a Revenue Adjustment Clause Tariff.

20 **Q6. Are you sponsoring any exhibits with your Direct Testimony?**

21 **A.** Yes. IAWC Ex. 4.01 depicts projected capital expenditures associated
22 with the Company's Business Transformation program.

23 **III. BUSINESS TRANSFORMATION COSTS**

24 **Q7. Please explain IAWC's proposal to include the costs of Business**
25 **Transformation in the rate case.**

26 **A.** As described in detail in Mr. Twadelle's testimony (IAWC Ex. 9.00), the
27 Business Transformation program ("BT") is a unique project both in scope
28 and complexity. BT will implement new, integrated systems necessary to
29 allow the Company to continue providing high quality, reliable service to its
30 customers and to improve efficiency and quality of that service in the
31 future. There will be four areas of focus for BT. They are: (1) to replace
32 legacy systems near the end of their useful lives; (2) to promote operating
33 excellence, efficiency and economies of scale; (3) to enhance the
34 customer experience; and (4) to increase employee effectiveness and
35 satisfaction. To accomplish this "business transformation," the Company
36 is planning to invest over \$27.5 million of capital to implement an
37 Enterprise Resource Planning System ("ERP"), an Enterprise Asset
38 Management System ("EAM") and a Customer Information System
39 ("CIS"). The Company is proposing to include a level of investment in BT
40 in its rate base that is consistent with the use of a projected test year
41 ended September 30, 2013. In addition to the inclusion in rate base for
42 the investment, the Company is also requesting recovery of depreciation
43 expense for the BT related assets included in rate base, and to recover

44 test year operating expenses associated with BT such as hardware
45 maintenance and leases and software maintenance.

46 **Q8. What are the projected capital expenditures that the Company is**
47 **forecasting for BT?**

48 **A.** IAWC Exhibit 4.01 details the projected capital expenditures by year for
49 the ERP, EAM and CIS broken down by type of expenditure. Also
50 reflected on the exhibit is the amount of the projected capital to be placed
51 into utility plant in-service by year.

52 **Q9. Please describe the capital cost categories for BT.**

53 **A.** There are four distinct areas of capital cost related to BT: (1) physical
54 assets (primarily computer hardware); (2) software licenses; (3)
55 capitalized labor costs required to configure the base software package as
56 required, develop transition routines to transfer historical data from
57 existing systems, modify business processes to be compatible with the
58 new software, implement the go-live use of the software, and train
59 employees on the use of the new software; and (4) the initial planning
60 study that the ICC approved for inclusion in rate base in Docket No. 09-
61 0319.

62 **Q10. What are the projected utility plant in-service dates for BT systems**
63 **and what amounts are projected to be transferred to utility plant in**
64 **service?**

65 **A.** The projected in-service date for the ERP system is August 2012. The
66 total projected investment for the ERP system is \$12,434,121, with

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67 \$11,058,509 being placed into service in August 2012 and the remaining
68 \$1,375,612 being placed into service between September 2012 and
69 November 2013. As with EAM and CIS below, this timing reflects the
70 placement in service of the ERP system in August 2012. Certain
71 additional amounts (related to finalizing and stabilizing system operability)
72 will be placed in service in subsequent months. The amounts are
73 recorded when placed in service, and if not in service in the test year, are
74 not in rate base.

75 The projected in-service date for the EAM system is March 2013.
76 The total projected investment for the EAM system is \$6,371,877, with
77 \$5,230,150 being placed into service in March 2013 and the remaining
78 \$1,141,727 being placed into service between April 2013 and April 2014.

79 And finally, the projected in-service date for the CIS system is
80 March 2013. The total projected investment for the CIS system is
81 \$8,655,376, with \$7,133,382 being placed into service in March 2013 and
82 the remaining \$1,521,994 being placed into service between April 2013
83 and April 2014.

84 **Q11. What are the operating costs associated with BT that the Company is**
85 **projecting to include in the revenue requirement for the test year?**

86 **A.** The projected operation and maintenance costs for the test year are
87 \$415,746. The amount is comprised of hardware lease cost (\$62,058),
88 hardware maintenance cost (\$139,541) and software maintenance cost
89 (\$214,147).

90 **Q12. How much of the revenue requirement is for depreciation expense**
91 **associated with BT assets?**

92 **A.** The forecasted level of average utility plant in service for BT for the
93 projected test year used to calculate depreciation expense is \$18,575,130.
94 The Company is proposing a depreciation rate of 7.43% for all software
95 assets (per the recommendation of Mr. Robinson (IAWC Ex. 12.00)). This
96 produces a test year level of depreciation expense for BT capital in the
97 amount of \$1,380,132.

98 **Q13. Does the requested revenue requirement in the current rate case**
99 **reflect IAWC's full projected investment in BT?**

100 **A.** No, it does not. Due to the in-service date of March 2013 for the CIS and
101 EAM, the Company's proposed rate base reflects 7/13ths of the rate base
102 investment for the BT implementation of EAM and CIS. The remaining
103 investment and associated depreciation for EAM and CIS will be reflected
104 and included in the Company's next rate case filing.

105 **Q14. On a per customer basis, what is the level of investment in BT?**

106 **A.** The overall BT investment budget for IAWC is \$27.5 million. Based on a
107 total customer base of 307,800, this equates to a total investment of \$89
108 per customer.

109 **Q15. Based on the above, what is the test year revenue requirement**
110 **associated with the BT project?**

111 **A.** The revenue requirement associated with BT for the projected test year is
112 \$3.3 million. For the average residential customer, the investment in BT
113 equates to 58 cents per the typical residential customer per month.

114 **IV. SERVICE COMPANY COSTS (BUSINESS SUPPORT SERVICES)**

115 **Q16. What is the test year level of Service Company fees?**

116 **A.** The Company is reflecting a test year level of Service Company fees of
117 \$20,449,560 as shown on IAWC Exhibit 7.02, Schedule C-2, Page 2 of 14,
118 Line 8. This line is labeled as Business Support Services – Service
119 Company. Note that, as IAWC’s President Ms. Teasley discusses in her
120 Direct Testimony (IAWC Ex. 1.00), projected incentive compensation
121 costs for both the Service Company and IAWC have been excluded from
122 the proposed rate increase. (Refer to Schedule C-2). Thus, the test year
123 level of Service Company fees expense excludes incentive compensation
124 expense for the Service Company.

125 **Q17. How was that level of expense determined?**

126 **A.** The level of Service Company fees represents the fees projected to be
127 incurred for the October 1, 2012 through September 30, 2013 test year.
128 The forecasted expenses are based on a detailed operating and capital
129 budget, by account and by Service Company functional group, which the
130 Service Company and IAWC prepare each year by evaluating the
131 Company’s operating needs as well as the level of costs needed to meet
132 the support service expectations of IAWC. This evaluation includes a
133 review of employee levels and its labor costs, employee benefits, contract

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134 services, rents, transportation costs, travel costs, building costs,
135 maintenance, depreciation, capital needs and other operating costs. This
136 annual process is critical in determining the appropriate cost to include in
137 IAWC's business plan. The Company's requested level of Service
138 Company fees thus is based on a detailed budget of the projected costs
139 for the Service Company to provide the services necessary to support
140 IAWC's operations in the test year and to provide utility service to its
141 customers.

142 **Q18. Has the level of Service Company fees projected to be incurred by**
143 **IAWC in the twelve months ended September 2013 increased since**
144 **its last rate case filing?**

145 **A.** Yes, the costs are projected to increase slightly. IAWC's projected level
146 of Service Company fees in its last rate case, ICC Docket No. 09-0319,
147 was \$21.2 million. The test year in the last rate case was the calendar
148 year 2010. The actual Service Company costs for 2010 were \$21.1
149 million. The Company is projecting a level of Service Company costs for
150 the twelve months ended September 2013 of \$21.9 million, or an annual
151 increase of just 1.38% from 2010 through the end of the projected test
152 year. This rate is lower than inflation. This analysis compares actual
153 Service Company costs incurred by IAWC in 2010 to the projected costs
154 to be incurred by IAWC for the twelve months ended September 2013,
155 including the costs associated with the Service Company incentive
156 compensation plans which IAWC is not requesting in this case.

157 **Q19. What specific services does the Service Company provide to IAWC?**

158 **A.** Within the Service Company are a number of departments, or “functions,”
159 which provide services necessary to support IAWC’s operations. IAWC
160 receives services from the Service Company to support the provision of
161 utility service to the customers of the Company, under the terms of a
162 Service Company Agreement dated January 1, 1989 and most recently
163 approved by the Commission in Docket No. 04-0595. The Service
164 Company functions that primarily serve the Company are the (1)
165 Customer Service Center; (2) Central Water Testing Laboratory; (3)
166 Information Technology Services Center; and (4) Shared Services Center.
167 Additional Service Company functions which provide necessary support
168 services to IAWC are Communications and External Affairs, Supply Chain,
169 Corporate Finance, Human Resources, Legal, Rates and Regulations,
170 and Operations Services.

171 **Q20. How does the Service Company determine what cost it will charge**
172 **for a particular service?**

173 **A.** Charges to IAWC for Service Company services are determined in
174 accordance with the Service Company Agreement approved by the
175 Commission. The Service Company charges IAWC and the other
176 American Water operating companies for the services it provides those
177 entities at cost. In other words, the Service Company is not a for profit
178 entity. If a Service Company employee is providing service for a specific
179 state, such as Illinois, his or her time and overhead for that work is direct

180 charged to IAWC. If that Service Company employee is performing work
181 that benefits more than one state, his or her time is charged according to
182 an allocation formula that is based on customer counts for those states.

183 **Q21. How does the Service Company bill IAWC for the support services it**
184 **provides to IAWC?**

185 **A.** Per the Services Agreement, the Service Company provides support
186 services to IAWC at the Service Company's actual cost. The Service
187 Company invoices IAWC for services provided on a monthly basis. The
188 monthly bill for those services is broken down into five expense
189 categories: labor, administrative overhead support services, labor related
190 overhead expenses, general and office related overheads, and other
191 vouchers/journal entries not charged as overhead. Every week, Service
192 Company management and professional employees complete an
193 electronic time sheet, detailing the time they have worked and the
194 operating company or operating companies whom their work supported.
195 Where a task benefits one operating company (e.g., work on a particular
196 rate case or engineering project), it is recorded as a direct charge to that
197 company. Where a task benefits a group of or all American Water
198 operating companies, the appropriate allocation formula is used.
199 Overhead expenses are similarly treated. At the end of the month, the
200 total hours worked directly for, or allocated to, IAWC are generated, and a
201 cost is determined based on the hourly rate of the management and
202 professional employees who performed the work. Administrative

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203 personnel also complete weekly electronic time sheets, but bill their time
204 to an overhead code. That time is then allocated to each operating
205 company in proportion to the total management and professional
206 employee labor costs assessed the operating company. Labor related
207 overhead expenses, such as employee benefits, payroll taxes, employee
208 medical and disability insurance premiums and pensions, and general
209 related overhead expenses, such as office rent, equipment leases,
210 telephone expenses, electricity charges, office supply costs, property
211 taxes, depreciation and office maintenance costs, are also allocated to the
212 operating companies in the same manner as administrative support
213 services. That is, those overhead expenses related to the Service
214 Company staff and facilities utilized by a particular operating company are
215 allocated to each operating company in proportion to the total
216 management and professional employee labor costs assessed that
217 operating company for the month within an overhead location. Finally,
218 other vouchers/invoices and journal entries, such as travel expenses,
219 software licenses and professional dues, are charged directly to the
220 operating company they benefit or are allocated among multiple operating
221 companies based on which companies benefit from the expenses
222 according to a customer allocation formula.

223 **Q22. On what basis does the Service Company allocate the costs of**
224 **services which benefit more than one of the operating companies?**

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225 **A.** Where appropriate, Service Company employees direct charge their time
226 to operating companies that benefit from the service provided. With
227 respect to its regulated affiliates, the Service Company allocates the costs
228 of services which are beneficial to all regulated affiliates in proportion to
229 the customer count of each regulated affiliate per the Service Company
230 Agreement. In this way, neither small nor large affiliates, and in turn their
231 customers, shoulder more than their fair share of the costs.

232 **Q23. Does IAWC review the bills it receives from the Service Company?**

233 **A.** Yes. The Service Company billing goes through a monthly review
234 process. First, Financial Planning and Analysis (FP&A) personnel of
235 IAWC review the actual Service Company bill to determine if there are any
236 unusual or substantial changes to the level of the bill. Second, the FP&A
237 team attends a monthly call with Service Company personnel to discuss
238 variances and drivers for the differences between actual and budgeted
239 levels of expense by functional area with the Service Company. Third, the
240 FP&A team reviews monthly and YTD actual vs. budget and prior year
241 cost reports. Fourth, the FP&A team reviews an hours report that details
242 the number of hours by function that were billed to IAWC in the month.
243 Fifth, the FP&A team reviews the monthly Service Company's Financial
244 Review Package and the quarterly Service Company Business
245 Performance Review package. From these reviews, IAWC personnel
246 review the Service Company billing in detail and are able to question not
247 just possible inappropriate charges, but also possible trends or other

248 issues that may have a material effect on the financial and/or operational
249 performance of the Company. It is this latter piece which I believe is
250 critical because it gives the Company an opportunity to understand cost
251 changes and key drivers of the business related to Service Company
252 costs. Further, I understand that the Service Company has financial and
253 operating controls in place that provide me with additional assurance that
254 the monthly costs charged to IAWC by the Service Company are accurate
255 and reasonable.

256 **Q24. What do you conclude about Service Company fees?**

257 **A.** IAWC's Service Company fees have not increased significantly since the
258 last case. In fact, they have increased at less than the rate of inflation.
259 They represent the costs of necessary support services to IAWC. The
260 services are provided at cost. These costs are reasonable and should be
261 approved.

262 **V. ICC MANAGEMENT AUDIT COSTS**

263 **Q25. Please describe Docket No. 10-0366 that was initiated by the Illinois**
264 **Commerce Commission ("ICC").**

265 **A.** On May 5, 2010, the Illinois Commerce Commission entered an
266 Amendatory Order in IAWC's last rate case, Docket No. 09-0319, in which
267 the Commission ordered that a management audit be performed. On
268 June 2, 2010, the ICC issued an Order to initiate an audit of IAWC's
269 Service Company fees, to be performed by Staff or by a firm independent
270 of IAWC, its affiliates, Staff or other parties to Docket No. 09-0319 (Docket

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271 No. 10-0366). The purpose of the independent audit of IAWC's Service
272 Company fees is to compare the costs of each service obtained from the
273 Service Company to the costs of such services had the services been
274 obtained through competitive bidding on the open market. (Docket No.
275 10-0366, June 10, 2010 Order Initiating Management Audit ("Initiating
276 Order"), p. 1.) In a Staff Report to the ICC, Staff determined that it was
277 necessary to engage an independent firm to conduct the audit in order to
278 meet the six-month timeframe imposed by the Amendatory Order. The
279 June 2, 2010 Initiating Order formally began the audit process. The ICC
280 Staff initiated the process to engage an independent firm and, on July 11,
281 2011, a contract was signed with NorthStar Consulting Group
282 ("NorthStar").

283 Q26. What does the Docket No. 10-0366 Initiating Order require of IAWC?

284 **A.** The Initiating Order sets forth certain tasks IAWC is required to undertake
285 related to the management audit, including, but not limited to: (1) during
286 the RFP process, compile and have ready for the independent auditor
287 certain specified information on the Service Company, its services and
288 their costs; (2) provide office space for the independent auditor; (3) be
289 available to explain IAWC record-keeping processes, contracting
290 processes and internal controls as determined necessary by the
291 independent auditor; and (4) participate in scheduled meetings with the
292 independent auditor and Staff to discuss audit-related issues, review audit

293 progress, and ensure adequacy of responses to the independent auditor's
294 requests. (Initiating Order, pp. 3-4.)

295 **Q27. Has IAWC complied with the requirements of the Docket No. 10-0366**
296 **Initiating Order?**

297 **A.** Yes. During the RFP process, IAWC compiled and made ready
298 information regarding the Service Company as specified by the Initiating
299 Order. Since the start of the audit in July 2011, the Company also has
300 provided office space for use by NorthStar personnel when on IAWC
301 grounds. Space has also been made available at the Service Company's
302 headquarters in New Jersey. IAWC has worked diligently to timely make
303 available Company personnel in response to requests for interviews from
304 NorthStar and to timely provide complete responses to NorthStar's data
305 requests. To date, NorthStar has conducted 65 interviews of IAWC and
306 Service Company employees in interviews in Belleville, Illinois, Alton,
307 Illinois and Woodcrest, New Jersey. Three additional interviews are
308 scheduled to be completed by November 4, 2011. To date, IAWC also
309 has received 408 data requests from NorthStar and has responded to 386
310 of those data requests, providing nearly 11,000 pages of information and
311 documents to NorthStar. IAWC will respond to the remaining requests,
312 and all additional ones, in accordance with the agreed scheduling. IAWC
313 has dealt fairly and openly with NorthStar at all times to ensure a complete
314 and effective management audit.

315 **Q28. What are the costs of the audit that IAWC must incur?**

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316 **A.** IAWC has incurred, and will continue to incur, the cost of the fees charged
317 by the independent auditor selected by the Commission to perform the
318 Audit, NorthStar. This amount, as set forth in the contract between
319 NorthStar and the ICC, is \$392,100. In addition to that cost, IAWC will
320 also incur other incremental costs for the audit including: (1) charges for
321 the services of outside counsel retained to represent IAWC in the audit
322 process and Docket No. 10-0366 (estimated at \$250,000); (2) charges for
323 the services of an outside audit support consultant retained to assist IAWC
324 in responding to the audit (estimated at \$211,000); and (3) incremental
325 charges for internal services (including Service Company services)
326 specific to the management audit, such as charges for time to prepare for
327 and participate in interviews and respond to data requests, costs to
328 provide workspace for NorthStar and data room management, and other
329 administrative charges related to providing NorthStar the information it
330 requests throughout the course of the audit and in reviewing and
331 responding to the final audit report prepared by NorthStar (estimated at
332 \$261,000). The total estimated cost of the audit is \$1,114,100 and is
333 reflected in Schedule C-2.12.

334 IAWC has also been ordered by the ICC to pay the cost of
335 NorthStar to prepare for and participate in the Docket No. 10-0366
336 proceeding and related proceedings, and the reasonable cost of NorthStar
337 to retain counsel to represent it in those proceedings. At this time, those
338 costs and additional costs expected to be incurred by the Company

339 related to the evidentiary hearing in Docket No. 10-0366 have not been
340 estimated since the final audit report has not been issued by NorthStar.
341 When the Company has the opportunity to review the audit report, an
342 estimate of those additional costs will be determined and incorporated into
343 the Company's request for rate recovery.

344 **Q29. For the management audit, has IAWC complied with the Docket No.**
345 **09-0319 Order's directive to provide estimates of the costs of certain**
346 **studies?**

347 **A.** Yes. On February 15, 2011, IAWC filed a Notice of Provision of Cost
348 Estimates with the Commission in Docket No. 10-0366 which provided an
349 estimate of the cost of the audit, including the incremental costs incurred
350 by the Company related to the audit. At the time of filing that Notice, the
351 cost of NorthStar to perform the audit was not known. Now that
352 NorthStar's cost is known, IAWC has included that amount in the Audit
353 Cost projection above.

354 **Q30. Please address the Company's proposal for recovery of the costs of**
355 **the management audit.**

356 **A.** Recovery of the costs identified above ("Audit Costs") is authorized by
357 Section 8-102 of the Act, which provides that "[t]he cost of an independent
358 audit shall be borne initially by the utility, but shall be recovered as an
359 expense through normal ratemaking procedures." (220 ILCS 5/8-102.)
360 This requirement was reiterated by the Commission in its Docket No. 09-
361 0319 Amendatory Order and in its Docket No. 10-0366 Initiating Order.

362 The Audit Costs are incremental costs of, and are incurred solely as a
363 result of, the management audit. They represent reasonable, prudent and
364 necessary expenditures to support and facilitate the performance of the
365 management audit. Under Section 8-102, they are to be “recovered as an
366 expense through normal ratemaking procedures.” Accordingly, IAWC is
367 proposing to amortize the estimated cost of the audit, \$1,114,100, over
368 five years, and to reflect in rates an amortization amount of \$222,820, as
369 well as a return on the unamortized balance.

370 **VI. REVENUE ADJUSTMENT CLAUSE (“RAC”)**

371 **Q31. What is a RAC?**

372 **A.** A Revenue Adjustment Clause or “RAC” is a mechanism that allows a
373 utility to recover its authorized revenue requirement or cost of service that
374 is reflected in the rates authorized by the Commission.

375 **Q32. IAWC proposing a RAC in this case?**

376 **A.** Yes.

377 **Q33. Why is IAWC proposing a RAC in this case?**

378 **A.** Once new rates are determined and put into effect as a result of a rate
379 case, the variability in weather, declining customer usage patterns and the
380 number of customers can have a profound effect on a water utility’s actual
381 billed revenues. This is true for IAWC. The declining usage trend and its
382 effect on IAWC are addressed in the Direct Testimony and exhibits of Mr.
383 Naumick (IAWC Ex. 8.00). As discussed by Mr. Naumick, IAWC is
384 experiencing annual declining sales of 1.90% for its residential customers

385 and of 1.08% for its commercial customers. These declines are significant
386 and have a material impact on the Company. They are also factors not
387 within the control of the utility.

388 **Q34. How does IAWC propose to address the effects of these variables?**

389 **A.** IAWC proposes to address the effects of these variables through the
390 proposed RAC. Specifically, IAWC proposes that the allowed levels of
391 metered revenue and production expenses (*i.e.*, Fuel, Power and
392 Chemical Expense) allowed in this case constitute base levels. Going
393 forward, actual monthly booked levels of revenue and production costs will
394 be tracked and compared to the base levels. At the end of twelve months,
395 the net differences will be identified and any net overages or net shortfalls
396 will be refunded or surcharged, as the case may be, to metered
397 customers. A revised surcharge or credit request will be filed annually,
398 proposing the refund or surcharge that will become effective upon a
399 submission of an information sheet similar to QIP. The credit or surcharge
400 will be included in its entirety on the customers' next bill. This simple
401 mechanism balances the need of the Company for a stable revenue
402 stream and assures that only the levels of revenue and production
403 expense allowed by the Commission are reflected in the customers' bills—
404 no more and no less.

405 **Q35. If the RAC is approved by the ICC, how will it operate once the ICC**
406 **issues an Order in this proceeding?**

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407 **A.** The RAC tariff identifies a formula that will be used to calculate a
408 surcharge/credit percentage (SC%) that will be applied to each water
409 customer's bill after approval of the tariff rider by the Commission. This
410 SC% is calculated by dividing the amount of the targeted revenues, net of
411 production costs (TR) by the actual revenues net of the production costs
412 based on the authorized production cost per 1,000 gallons of water (AR)
413 minus one. The formula is $SC\% = (TR / AR) - 1$. This percentage will then
414 be applied to each metered water customer's bill for one year. Each year
415 after the Commission issues a rate Order, the Company will file for an
416 information sheet to place the RAC into effect for one year and then file
417 appropriate information sheets for each subsequent year for a new RAC.
418 In each twelve month period that the RAC is in place, the Company will
419 track the RAC revenues and will refund to the customers any over
420 collection of the targeted RAC revenue amount (TA) which is defined as
421 $TA = TR - AR$. If the Company under collects the RAC revenue, no
422 adjustment to collect this under collection will be proposed by the
423 Company.

424 **Q36. Have other jurisdictions adopted revenue adjustment mechanisms?**

425 **A.** Yes. Clauses similar to that proposed here have been successfully used
426 for some time in New York and California. I would also note that the
427 Commission has approved on a permanent basis a volume balancing
428 adjustment rider (Rider VBA) for Peoples' Gas, which has similar features
429 to Rider RAC.

430 **Q37. Has IAWC filed a tariff provision addressing the RAC?**

431 **A.** The RAC tariff has been filed with IAWC's case.

432 **Q38. Does this conclude your testimony?**

433 **A.** Yes.