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I N D E X

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
KARLA O. TEASLEY				
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4	IAWC 2.00(2d Rev), 2.01, 2.02, 2.03, 2.00R(2d Rev), 2.00SR	E-Docket	137
5	IAWC 4.00(p. 12-17)	E-Docket	258
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6	IAWC 8.00, 8.01, 8.02, 8.00R(Rev), 8.01R, 8.02R, 8.00SR(Rev), 8.01SR	E-Docket	238
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PROCEEDINGS

JUDGE JONES: Good morning. I call for hearing Docket Number 11-0767. This is titled in part Illinois-American Water Company, proposed general increase in water and sewer rates.

At this time we will take the various appearances orally for the record. If you have appeared previously at the prehearing conference or status hearing, you need not restate your business address or phone number or respell your name unless any of those things have changed or you simply prefer to do it that way. We will start with the appearance or appearances on behalf of Illinois-American Water Company.

MR. STURTEVANT: Good morning, Your Honor. Appearing on behalf of Illinois-American Water Company, Albert Sturtevant, Mark Whitt and Anne Zehr of Whitt Sturtevant, L.L.P. Our address is 180 North LaSalle, Suite 1822, Chicago, Illinois 60601. My phone number is (312) 251-3017.

JUDGE JONES: Thank you.

MR. REICHART: Good morning, Judge. Also

1 appearing on behalf of Illinois-American Water
2 Company, John J. Reichart and Kenneth C. Jones. We
3 have previously made appearances and provided
4 addresses in the record.

5 JUDGE JONES: Thank you. Are there any other
6 appearances on behalf of Illinois-American Water
7 Company?

8 (No response.)

9 Let the record show there are not.

10 Let's turn to the Commission Staff.

11 Are there appearances to be entered on behalf of the
12 Illinois Commerce Commission Staff?

13 MR. LANNON: Yes, Your Honor, appearing on
14 behalf of the Staff witnesses of the Illinois
15 Commerce Commission, Nicole Luckey, Mike Lannon and
16 Jim Olivero, and our addresses and phone numbers have
17 already previously been provided.

18 JUDGE JONES: Thank you. Other appearances?

19 MS. SATTER: Appearing on behalf of the People
20 of the State of Illinois, Timothy O'Brien and Susan
21 L. Satter, and we have previously submitted our
22 appearances.

1 JUDGE JONES: Okay, thank you. All right.

2 Other appearances?

3 MR. ROBERTSON: On behalf of the Illinois
4 Industrial Water Consumers, Ryan Robertson.

5 CAPTAIN MILLER: On behalf of the Federal
6 Executive Agencies, Captain Samuel Miller. My
7 business address is 139 Barnes Drive, Suite 1,
8 Tyndall Air Force Base, Florida. Tyndall is spelled
9 T-Y-N-D-A-L-L.

10 MR. BALOUGH: Good morning, Your Honor.
11 Appearing on behalf of the citizens of Champaign and
12 Urbana and the Villages of St. Joseph, Savoy and
13 Philo, Richard C. Balough and Carol Dancey Balough,
14 Balough Law Offices, LLC.

15 MR. ALPERIN: Good morning, Your Honor. Jeff
16 Alperin here on behalf of the Village of Bolingbrook.

17 JUDGE JONES: Thank you. Are there any other
18 appearances at this time?

19 (No response.)

20 All right. Let the record show there
21 are not.

22 I believe there were some witness

1 orders and cross examination schedules circulated
2 yesterday. Were there any changes in those or
3 questions about those?

4 MR. STURTEVANT: Your Honor, I believe it is
5 still basically the same as we laid it out in the
6 schedule that we circulated yesterday.

7 JUDGE JONES: Is the order of witnesses and the
8 days for the witnesses the ones --

9 MS. LUCKEY: I am sorry, Judge Jones, we can't
10 hear you on the bridge.

11 JUDGE JONES: Is that better?

12 MS. LUCKEY: That's much better. Thank you.

13 JUDGE JONES: The witness line-up and estimated
14 cross times are on the sheet that says Tuesday,
15 Wednesday and Thursday across the top?

16 MR. STURTEVANT: That's correct, Your Honor.
17 There is also a separate breakdown by witness. And I
18 understand from counsel for the AG that they do have
19 two changes, that they no longer have any cross
20 examination for Mr. Suits or for Mr. Herbert.

21 MS. SATTER: I just have one other question.
22 Would it be possible for Mr. Naumick to go in the

1 afternoon or does he have time constraints?

2 MR. STURTEVANT: Yes, I think that would be
3 fine. He may go in the afternoon. But, yes, that's
4 fine. He can go in the afternoon.

5 MS. SATTER: Judge, I have one question.

6 JUDGE JONES: Sure.

7 MS. SATTER: Is this proceeding on the
8 internet, do you know?

9 JUDGE JONES: It is not set up that way at this
10 time.

11 MS. SATTER: Thank you.

12 JUDGE JONES: Who were the two witnesses for
13 whom the Office of the Attorney General does not have
14 any questions?

15 MR. STURTEVANT: Mr. Suits, Illinois-American
16 witness Mr. Suits, and Illinois-American witness
17 Mr. Herbert.

18 JUDGE JONES: Thank you. Okay. Are there any
19 other questions or comments about the order of
20 witnesses?

21 (No response.)

22 Let the record show there are not, at

1 least now.

2 Do the parties have anything else to
3 take up upfront before we proceed with the calling
4 and cross examination of the witnesses?

5 MS. SATTER: Your Honor, we noticed that you
6 did grant the Motion to Admit the audit. And
7 although I don't think there is anything right now,
8 we will want to discuss with the Company some of the
9 confidentiality issues. So just letting you know
10 that I am hoping to take that up.

11 JUDGE JONES: All right. Thank you. Anything
12 else then before we proceed with the witnesses?

13 (No response.)

14 Let the record show that there is not,
15 at least at this time.

16 All right. Is Illinois-American Water
17 Company ready to proceed with its first witness?

18 MR. WHITT: We are, Your Honor, and the Company
19 would call Ms. Karla Teasley.

20 JUDGE JONES: Good morning. Please remain
21 standing for just a little bit and we will swear you
22 in.

1 (Whereupon the witness was duly
2 sworn by Judge Jones.)

3 KARLA O. TEASLEY
4 called as a witness on behalf of Illinois-American
5 Water Company, having been first duly sworn, was
6 examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. WHITT:

9 Q. Good morning, Ms. Teasley. Could you
10 please introduce yourself to the Commission by
11 stating your full name, your title and business
12 address.

13 A. My full name is Karla Olsen Teasley. My
14 title is President of Illinois-American Water
15 Company. My business address is 300 North Water
16 Works Drive, Belleville, Illinois.

17 Q. Ms. Teasley, do you have in front of you a
18 document marked IAWC Exhibit 1.00(Revised) and titled
19 Revised Direct Testimony of Karla O. Teasley with a
20 date of May 11, 2012?

21 A. Yes, I do.

22 Q. Is this your revised direct testimony in

1 this proceeding?

2 A. Yes, it is.

3 Q. Do you have any corrections to make to your
4 direct testimony?

5 A. No additional corrections.

6 Q. If I were to ask you the same questions
7 that appear in IAWC Exhibit 1.0 today, would your
8 answers be the same?

9 A. Yes.

10 Q. Do you also have in front of you a document
11 marked IAWC Exhibit 1.00SUPP titled Supplemental
12 Direct Testimony of Karla O. Teasley and dated March
13 9, 2012?

14 A. Yes, I do.

15 Q. Is this your supplemental direct testimony
16 in this proceeding?

17 A. Yes, it is.

18 Q. Do you have any corrections to your
19 supplemental direct testimony?

20 A. No, I do not.

21 Q. If I were to ask you the same questions
22 that appear in IAWC Exhibit 1.00SUPP today, would

1 your answers be the same?

2 A. Yes, they would.

3 Q. Do you have in front of you a document
4 marked IAWC Exhibit 1.00R titled Rebuttal Testimony
5 of Karla O. Teasley and dated March 29, 2012?

6 A. Yes, I do.

7 Q. Is this the rebuttal testimony you prepared
8 in this proceeding?

9 A. It is.

10 Q. Do you have any corrections to your
11 rebuttal testimony?

12 A. I do not.

13 Q. If I were to ask you the same questions
14 that appear in IAWC Exhibit 1.00R today, would your
15 answers be the same?

16 A. Yes, they would.

17 Q. Do you have in front of you a document
18 marked IAWC Exhibit 1.00SR-Part 1?

19 A. Yes.

20 Q. Is this surrebuttal testimony that you have
21 prepared in this proceeding?

22 A. It is.

1 Q. If I were to ask you the same questions
2 that appear in IAWC Exhibit 1.00SR-Part 1 today,
3 would your answers be the same?

4 A. Yes.

5 Q. Do you have in front of you a document
6 marked IAWC Exhibit 1.00SR-Part 2?

7 A. I do.

8 Q. Is this part two of your surrebuttal
9 testimony in this proceeding?

10 A. It is.

11 Q. Do you have any corrections to part two of
12 your surrebuttal testimony?

13 A. I do not.

14 Q. If I were to ask you the same questions
15 that appear in IAWC Exhibit 1.00SR-Part 2 today,
16 would your answers be the same?

17 A. Yes, they would.

18 MR. WHITT: With that, Your Honor, the witness
19 is available for cross.

20 JUDGE JONES: Thank you, Mr. Whitt. I believe
21 there were several parties who have cross examination
22 through counsel for Ms. Teasley. Who would like to

1 lead off?

2 MR. OLIVERO: Your Honor, Staff would go first,
3 if that's all right with everybody.

4 JUDGE JONES: All right. Mr. Olivero?

5 CROSS EXAMINATION

6 BY MR. OLIVERO:

7 Q. Thank you. Good morning, Ms. Teasley. My
8 name is Jim Olivero, and I represent the Staff
9 witnesses of the Illinois Commerce Commission. How
10 are you doing?

11 A. Very good. Thanks.

12 Q. I will have a number of questions for you.
13 The first thing, I guess, I just wanted to set forth
14 at the beginning here, since I am so bad on acronyms,
15 was to just get some general, I guess, acknowledgment
16 in terms of what acronyms stand for in some of the
17 questions that I may or may not have for you.

18 The first one being, IAWC,
19 Illinois-American Water Company, is that correct?

20 A. Correct.

21 Q. AWW would be American Water Works Company?

22 A. I believe that is -- I think, yeah, that is

1 correct, right.

2 Q. AWWSC, American Water Works Service
3 Company?

4 A. Yes.

5 Q. AWR is American Water Resources?

6 A. Correct.

7 Q. And I think some of the other attorneys may
8 have additional acronyms, but those are the ones that
9 I think affect my questions, so. And I may on some
10 instances shorten the service company from AWWSC to
11 just "Service Company." If you don't understand, I
12 guess, what company I am referring to, please ask for
13 clarification and I will make sure we are on the same
14 page.

15 Okay?

16 A. Thank you.

17 Q. Does American Water Works have regulated
18 subsidiaries other than Illinois-American Water
19 Company?

20 A. Yes, it does.

21 Q. And does Illinois -- or does American Water
22 Works have unregulated subsidiaries as well?

1 A. Yes, it does.

2 Q. Is American Water Resources one such
3 unregulated subsidiary?

4 A. Yes, it is.

5 Q. Is Illinois -- or is American Water Works
6 indifferent to revenues from its regulated
7 subsidiaries as compared to revenues from its
8 regulated -- or, I am sorry, unregulated
9 subsidiaries?

10 MR. WHITT: Objection, calls for speculation.

11 MR. OLIVERO: Well, it is her position as the
12 president that she would know whether those revenues
13 are or are not -- how those revenues compare to the
14 regulated company as opposed to an unregulated
15 company. I think it is an appropriate question, Your
16 Honor.

17 MR. WHITT: It would be if she were an officer
18 of American Water Works, Inc., which is what the
19 question asked, and she is not. She is the President
20 of one subsidiary of that holding company.

21 JUDGE JONES: Do you want the question read
22 back or do you want to rephrase it?

1 BY MR. OLIVERO:

2 Q. Ms. Teasley, do you have any supervisory
3 rolls involved with American Water or American Water
4 Works?

5 A. No, I do not.

6 Q. Ms. Teasley, you have testified that you
7 review the Illinois -- or, I am sorry, American Water
8 Works Service Company budgets, is that correct?

9 A. The service company, is that what you said?

10 Q. Correct.

11 A. Yes, I do.

12 Q. And you have reviewed each of the budgets
13 of the service company since 2008, have you not?

14 MR. WHITT: I just need to object here and
15 understand what budgets we are talking about. I
16 assume the question is limited to Illinois-American
17 budgets.

18 MR. OLIVERO: Well, I am looking at, I guess,
19 IAWC Exhibit 1 Revised, your direct testimony, page
20 31 on roughly line 701 or, I am sorry, 697 where it
21 seems to indicate the service company develops a
22 proposed annual budget outlining the services and

1 level of services Illinois-American will require in
2 an upcoming year. Those are the budgets that I am
3 referring to.

4 MR. WHITT: So it's the Illinois-American Water
5 Company specific budget.

6 MR. OLIVERO: Well, it is the service company's
7 in relationship to, I guess, what Illinois-American
8 has involved. And I believe later it says, "As the
9 Senior Financial Manager I review the proposed budget
10 and must approve the expenditures before they take
11 effect."

12 MR. WHITT: I am not sure that a foundation has
13 been made for questions about budgets or allocations
14 for anything other than any allocations to
15 Illinois-American Water.

16 JUDGE JONES: Do you want to rephrase your
17 question or do you want it read back?

18 MR. OLIVERO: Well, I know my question is if
19 she reviewed the service company budgets. And as I
20 think I have pointed out, the testimony seems to say
21 that, in her direct, the service company is one of
22 the budgets that she reviews which includes

1 Illinois-American's.

2 JUDGE JONES: I just need to know what your
3 specific question is, whether you want to go back
4 through and have that found by the court reporter,
5 read back, or do you want to restate it.

6 MR. OLIVERO: No, that's fine. I can just --
7 the question is, has Ms. Teasley reviewed the service
8 company budgets?

9 MR. WHITT: I don't mean to belabor this, Your
10 Honor, but I don't think there is clarity on what
11 budgets are being referred to.

12 JUDGE JONES: All right. Objection overruled.
13 The Company has opened the door on this by references
14 to service company budgets. If the witness is able
15 to answer the question, she can answer it. The
16 witness will not be limited to a yes or no answer.
17 And we will go from there. But I don't see how Staff
18 counsel is precluded from asking somewhat preliminary
19 questions of the witness about service company
20 budgets when he has pointed to this specific
21 testimony where there is reference to at least some
22 budgets developed by the service company.

1 All right. So that's the question.
2 Ms. Teasley, please answer it to the extent you are
3 able to do so.

4 THE WITNESS: A. I do review the budgets to
5 the extent of the portion that is allocated to
6 Illinois-American Water and we do look at that in
7 advance of a budget approval and then are aware of
8 that piece of the budget that then goes into the
9 overall Illinois-American Water budget.

10 BY MR. OLIVERO:

11 Q. All right. Thank you. And so with respect
12 to, I guess, that piece that applies to
13 Illinois-American, you have reviewed each of those
14 service company budgets since 2008 forward, correct?

15 A. Yes, that would be correct.

16 Q. And just following up on tying up all the
17 years subsequent, you would have reviewed the budget
18 for the service company for the test year during the
19 2009 rate case which was Docket 09-0319 as well, as
20 it pertains to Illinois-American?

21 A. Yes, at a high level, yes.

22 Q. And you reviewed the budget for the service

1 company as it pertains to Illinois-American for the
2 current test year as well?

3 A. Correct.

4 Q. Do the service company budgets include
5 charges associated with anticipated phone charges for
6 the call center as they pertain to Illinois-American?

7 A. There would be charges in the budget for
8 call center costs which would include phone charges
9 associated with those call center costs, yes.

10 Q. Okay. And can you explain that you know
11 the basis in the test year budget for the service
12 center's phone charges to Illinois-American Water
13 Company?

14 A. Can you rephrase the question? I am not
15 clear on what you are asking.

16 Q. Okay. I am asking just in terms of the
17 budget how are they allocated to Illinois-American in
18 terms of the costs that get charged to them for the
19 phone calls.

20 A. In the past they have been allocated on the
21 basis of customer count, but more recently they are
22 based on the number of calls. So there is a direct

1 tie to the number of calls in the budget for the
2 phone charges.

3 Q. And do you know when the change was made to
4 just be on the number of calls, I guess?

5 A. It's effective the first part of the early
6 2012.

7 Q. Do you know that the service company incurs
8 charges from the phone company based on the duration
9 of the calls? Are you aware of that?

10 A. That's probably beyond the detail that I
11 get into. I really look at the budgets at a high
12 level.

13 Q. Okay. And so would you know whether or not
14 the service center charges its affiliates an average
15 phone charge per call for each affiliate?

16 MR. WHITT: Objection, calls for speculation
17 and lack of foundation.

18 MR. OLIVERO: Well, if she knows in her
19 capacity as reviewing the budgets or that.

20 MR. WHITT: Well, the previous question and
21 answer established she is not aware of the details of
22 how the service company charges other affiliates.

1 question. I am not clear of what you are looking for
2 there, sir.

3 Q. Well, I guess what I am trying to get at
4 is, if calls from Illinois-American -- and actually I
5 have a subsequent one to that -- were either longer
6 or shorter than the average times, the methodology
7 that the service company uses in order to bill, I
8 guess, the subsidiaries, including Illinois-American
9 and that, would those be to the advantage or
10 disadvantage of, and in this instance
11 Illinois-American, that the calls were either longer
12 than the average or shorter than the average?

13 MR. WHITT: I just need to object as compound.
14 I am struggling to understand whether there is three
15 or four questions there.

16 JUDGE JONES: Do you understand the question,
17 Ms. Teasley?

18 THE WITNESS: Not completely.

19 JUDGE JONES: Do you want to break it down or
20 rephrase it?

21 BY MR. OLIVERO:

22 Q. All right. I am going back again to call

1 times into the call center. If the typical
2 Illinois-American call were to be longer than the
3 average for the service center in general, with that
4 as the base line would the service center's
5 methodology of recovering those phone charges from
6 its affiliates, would that be more advantageous to
7 Illinois-American if, as I said before, their calls
8 were longer than the average service center calls?

9 A. Again, I am not very familiar with the
10 methodology that's used. But as a general rule I
11 would say that it would not be advantageous to
12 Illinois-American Water.

13 Q. So then is it fair to say then, if they
14 were shorter than the average call to the service
15 center for Illinois-American, that would be
16 disadvantageous to Illinois-American? I am just
17 flipping it around. I am just trying to make sure I
18 --

19 A. I think you said the opposite of what I
20 just said.

21 Q. Well, I thought you said that, in response
22 to that answer, it was not advantageous. So I was

1 just saying, so if the average Illinois-American call
2 times were shorter in this instance than the average
3 service center calls, would that be advantageous or
4 disadvantageous to Illinois-American?

5 A. I think advantageous. You said
6 disadvantageous.

7 Q. Okay. I am sorry.

8 A. So that's why I was --

9 Q. And then do you know just generally is
10 Illinois-American's average call time longer than the
11 service center's call time? Is that a detail that
12 you would know?

13 A. I do not know.

14 MR. OLIVERO: Your Honor, I think that's all
15 the questions we would have of Ms. Teasley. Thank
16 you.

17 JUDGE JONES: Thank you, Mr. Olivero. Who
18 would like to go next? Ms. Satter?

19 MS. SATTER: We will have some cross exhibits,
20 so Mr. O'Brien is going to help facilitate that so it
21 will go quickly.

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CROSS EXAMINATION

BY MS. SATTER:

Q. Good morning, Ms. Teasley.

A. Good morning.

Q. How are you? I am Susan Satter from the Office of the Attorney General.

A. Very good. Thank you.

Q. I have a few questions for you. We are going to go through a lot of different subjects so I will try to focus us at each stop, so to speak.

Okay. In your direct testimony at page 18 you talk about cost control and specifically the rate case expense. And you compare the \$750,000 legal cost to the, what you call, the actual cost in the last rate case of \$1,049,000 approximately. Do you see that?

A. I do.

Q. So my question is that is it correct that the amount of legal expense that was included in the last rate Order, the '09 gas -- 0319 rate Order, was the amount of the estimated rate case expense submitted on the Company's schedules?

1 A. When you say the amount that was
2 included --

3 Q. In the revenue requirement.

4 A. In the request?

5 Q. In the revenue requirement that was
6 ultimately adopted, was the amount of rate case
7 expense -- let's do rate case expense rather than
8 legal -- was the amount of rate case expense the
9 amount that the Company has asked for and then
10 amortized over a period of time?

11 A. I am not certain. I think that probably
12 would be better asked of Rich Kerckhove.

13 Q. Now, on page 19 you talk about the service
14 company and savings associated with the affiliation
15 with American Water Works. And you say that
16 Illinois-American achieves economies of scale for
17 financing through American Water Capital Corporation?

18 A. Correct.

19 Q. So is it correct that the service company
20 provides assistance on financial matters or is it the
21 American Water Capital Corporation that provides
22 assistance on financial matters?

1 A. What do you mean by assistance on financial
2 matters?

3 Q. I thought that that was -- what you say in
4 your testimony is, "This entity," which I believe is
5 American Water Capital, "achieves economies of scale
6 by consolidating the financing requirements of all
7 the operating utilities in the American Water
8 system."

9 So my question is, does the American
10 Water Capital Corporation also provide financial
11 services assistance such as recommendations about
12 what types of capital instruments to use?

13 A. Yes, I would say that is true. They are
14 involved in helping us through bond issues and other
15 financial arrangements.

16 Q. And does the service company -- does
17 service company personnel also provide you with
18 services for managing your financial operations?

19 A. The service company provides a variety of
20 accounting and treasury and those related services,
21 not precisely the same but related.

22 Q. And Illinois-American pays American Water

1 Capital for the assistance that they provide in
2 connection with financing?

3 A. There would be two ways. One would be the
4 cost of the particular debt instrument that would
5 have to be paid as part of that issue, and then the
6 piece that is included in our overall service company
7 fees that it is budgeted and paid annually.

8 Q. Okay. Now, we would like to show you a
9 document that we are marking as AG Cross Exhibit 1.

10 (Whereupon AG Cross Exhibit 1
11 was marked for purposes of
12 identification as of this date.)

13 And for the record this is a copy of the
14 Schedule C13 that was filed with the original filing.
15 Do you have a copy of that?

16 A. I do have.

17 Q. And we would like it to be marked as AG
18 Cross Exhibit 1. And my question to you is, does
19 this document show the amounts that are either
20 projected to be paid in the test year on the first
21 page or partial projections or actual for the
22 subsequent pages of the amounts paid by

1 Illinois-American to American Water Capital as well
2 as other affiliates?

3 A. I must be honest, I am not familiar with
4 this document. It is not one that I have seen
5 before.

6 Q. Do you know whether the amounts that are
7 indicated here would be the amounts that would be in
8 your budget?

9 A. It appears from the document -- again, I
10 have not seen this document before -- that the dollar
11 amounts would be forecasted based on the period that
12 is noted in the date column.

13 Q. Would it be more appropriate to ask
14 Mr. Bernsen questions about this?

15 A. I believe so, since he is the witness
16 that's responsible for this document.

17 Q. Now, on page 22 of your direct testimony
18 you comment that in the test year the service company
19 fees were reduced by \$392,000 due to organizational
20 changes at the service company.

21 MR. WHITT: Counsel, could you --

22 Q. I am sorry, I think that's in your

1 supplemental testimony.

2 A. Yeah, I am sorry. I was finding it. Shall
3 I go to the supplemental?

4 Q. My question to you is, do you recall what
5 was allowed for service company costs in the last
6 rate case?

7 A. Not the precise amount.

8 Q. Do you recall whether it was 18,114,000?
9 Does that refresh your recollection?

10 A. Subject to check, that may be correct.

11 Q. Okay. So the amount that you are asking in
12 this case is actually more than the 18 million that
13 was allowed in the last rate case, right?

14 A. I believe the 18 million that was allowed
15 in the last rate case was held to five percent over
16 the amount that had been allowed in the previous
17 case.

18 Q. Now I would like to ask you some questions
19 about the participation of Illinois-American
20 employees in the development of the Business
21 Transformation project and services. I believe you
22 were asked in general you review the service company

1 charges to Illinois-American on a regular basis,
2 isn't that correct?

3 A. Correct.

4 Q. Do you do it on a monthly basis?

5 A. I don't personally review it on a monthly
6 basis, but I have staff that do review it on a
7 monthly basis.

8 Q. And do they report to you with their
9 issues?

10 A. They do. We have a monthly process of
11 reviewing all of our budgeted costs, addressing any
12 variances, explaining variances. That includes all
13 of the Illinois-American costs as well as the service
14 company costs that are charged to Illinois-American
15 Water.

16 Q. When you say the Illinois-American costs,
17 what do you mean by that?

18 A. Well, things like our production costs, our
19 labor costs that are directly state costs, our
20 materials and supplies, our transportation costs, all
21 of those types of costs.

22 Q. So part of your monthly budget review you

1 look at all of the costs incurred by the Company
2 which include service company costs as well as
3 internally generated costs?

4 A. Correct.

5 Q. Now, were you personally involved in the
6 development of the Business Transformation services
7 or equipment?

8 A. I have had a number of involvements over
9 the years. I have served on several national teams
10 that have been involved in the project. So I have --
11 I haven't been, you know, lead person, but I have had
12 involvement.

13 Q. How many other Illinois-American employees
14 were involved in the, I am going to call it, the
15 Business Transformation, BT. How many other
16 Illinois-American employees were involved in the
17 development of the BT?

18 A. We had a number. I can't give you a
19 precise number, but we have a number of our
20 management employees as well as some folks from our
21 call center and other areas that have participated in
22 a number of councils and teams that have been

1 involved in the effort over the last several years.

2 Q. Were service company people involved in the
3 BT process?

4 A. Yes.

5 Q. And were they involved on behalf of
6 Illinois-American?

7 A. I would say they would have been involved
8 on behalf of Illinois-American, just like they would
9 have been involved on behalf of the other regulated
10 utilities.

11 Q. So then how would the costs of those people
12 have been allocated to Illinois-American during the
13 development of the BT?

14 A. I do not have that level of detail.

15 Q. Do you know whether there were direct
16 allocations for service company personnel?

17 A. I would have to speculate on that.

18 Q. Do you know if service company people such
19 as Mr. Kaiser or Mr. Kerckhove and Mr. Rungren were
20 involved in the development of the BT project?

21 A. I am sure they have had various levels of
22 involvement over the last several years.

1 Q. But you don't know to what extent their
2 time was allocated to your company as opposed to any
3 other?

4 A. I wouldn't have that level of detail in my
5 head, so.

6 Q. Mr. Twadelle testifies that there were 125
7 workshops associated with the BT project. Do you
8 know if Illinois-American employees were involved in
9 these workshops?

10 A. They were involved in several.

11 Q. So to the extent that these were
12 Illinois-American employees, there were no additional
13 costs to the Company because the employee cost is
14 already reflected in the cost of service, is that
15 correct?

16 A. Generally, I don't think there would be any
17 additional costs unless they had to travel to another
18 location. Then there might be some travel costs
19 associated with that.

20 Q. And I would imagine that service company
21 employees were also involved in these 125 workshops?

22 A. Yes, I am sure there were a number of

1 service company employees involved.

2 Q. And, but you don't know to what extent
3 these service company charges for the years that this
4 project has been ongoing reflected that
5 participation?

6 A. Not the specific charges. That's where my
7 knowledge is lacking.

8 Q. Do you know whether the costs associated
9 with service company people attending these workshops
10 and participating in this process increased the total
11 service company charge by an amount, whether it is
12 \$100,000 or \$1 million?

13 A. I do not know for certain. I believe that
14 many of the costs have been charged directly to the
15 BT project, and so they would be -- they would be
16 included in those amounts.

17 Q. Do you know if any of those charges were
18 deferred? In other words, if it was a 2009-2010
19 meeting, do you know whether the costs associated
20 with those meetings were then deferred to a capital
21 count for the project?

22 A. Again, I don't have that level of detail.

1 I just know that a lot of costs obviously are being
2 charged to the BT project specifically.

3 Q. Do you know whether the service company
4 employees' time was allocated by number of
5 connections, number of employees, revenue levels, you
6 know, what the relevant allocator was?

7 A. I do not know.

8 MR. WHITT: Your Honor -- go ahead, sorry.

9 Q. So ultimately you don't know if the service
10 company charges to Illinois-American 2010 and 2011
11 included time spent on the BT project?

12 MR. WHITT: Your Honor, at this point, I have
13 let this go for some time, thinking that it might
14 eventually tie into the rate case somehow. But I
15 object on relevance grounds because the witness is
16 being asked about costs and charges that bear no
17 relation to the test year in this case.

18 JUDGE JONES: Ms. Satter?

19 MS. SATTER: I think service company charges
20 have been a key component to the rate cases over the
21 last several years, as indicated by both the
22 Commission Orders and the fact that there was an

1 audit of those Company charges. The extent of the
2 president's knowledge of these costs is relevant,
3 number one. And, number two, if we are going to
4 assess the reasonableness of the current service
5 company level, cost level, it is important to know
6 what we are comparing it to. And so that's why I am
7 asking whether the 2010 and 2011 charges, which are
8 reflected in the record and are being used as a
9 source of comparison, did or did not include the time
10 associated with the BT. If it did, that has a
11 certain set of implications. If it did or did not,
12 that has another sort of implications. So it is just
13 a question of fact.

14 JUDGE JONES: Thank you. Ms. Reporter, could
15 you read the question back, please?

16 (Whereupon the requested portion
17 of the record was read back by
18 the Reporter.)

19 JUDGE JONES: I will allow the question to the
20 extent the witness has an answer. To give
21 comparisons to other time periods with this
22 particular issue is something that should be

1 permissible to a reasonable extent.

2 THE WITNESS: A. I would say generally my
3 understanding is that, if work is being done for the
4 BT project, it was being charged to BT. But I cannot
5 tell you with certainty if any of those charges
6 reflect BT or don't reflect BT. I don't have that
7 knowledge.

8 BY MS. SATTER:

9 Q. Do you know whether the service company
10 allocated any BT development time to itself, in other
11 words, did not allocate it to an operating company?

12 A. I would be guessing on that question, so.

13 Q. Now, you also testified that the service
14 company provides services at an at-cost, non-profit
15 basis, correct?

16 A. Correct.

17 Q. And would you define the term "profit" as
18 the return an investor receives on a dollar amount
19 that is invested?

20 A. I think that's one definition, yes.

21 Q. Do you have another definition that you
22 would use that you were thinking about in relation to

1 this statement?

2 A. Generally, again service company fees are
3 provided at cost with no additional adder or, as you
4 mentioned the word, profit.

5 Q. But in addition to the salaries of the
6 people providing the services, Illinois-American pays
7 the service company an overhead allocation, correct?

8 A. The overhead allocation would include
9 things like the building and training, travel, those
10 kinds of things that are appropriate.

11 Q. Okay. So the cost of using equipment, is
12 that included in the overhead -- or let me strike
13 that. Let me rephrase it.

14 Is the cost of the equipment, for
15 example, computers, cars, included in overhead?

16 A. I don't know if that is specifically
17 covered in the, quote, overhead charge. I do know it
18 is paid for as part of the service company costs.

19 Q. So one way or the other it is included in
20 the service company charges that your company pays?

21 A. Correct, because that equipment is used by
22 those people to do their jobs.

1 Q. So in this case Illinois-American is asking
2 that the BT costs be included in Illinois-American's
3 rate base, correct?

4 A. Yes.

5 Q. So for the BT project, the cost is not
6 included in the service company overhead charges,
7 correct?

8 A. It is being capitalized as a part of rate
9 base in the rate case treatment.

10 Q. So then the answer would be that it is not
11 being included as an overhead charge?

12 A. It is not being included in the -- my
13 understanding of the service company charges is it is
14 being included separate as a capital investment.

15 Q. So is it correct that the service company
16 does not charge a profit on its expenses, in other
17 words, the salaried charge plus the overhead? Is
18 that how you see it?

19 A. Again, the service company costs are based
20 on actual costs of the labor and associated expenses
21 that are incurred by those individuals in doing their
22 work. And, again, the building that they sit in

1 obviously has to be paid for, the desks they use,
2 those kind of things have to be paid for.

3 Q. But it is also correct that the service
4 company is asking Illinois-American consumers to pay
5 a return on the capital costs associated with the BT
6 project?

7 MR. WHITT: Your Honor, I am going to object to
8 that question as beyond the scope of direct. The
9 witness generally identifies BT, just explaining what
10 it is, why it is necessary and whether there will be
11 benefits. Those are the four questions in her
12 testimony. She does not get into allocations and the
13 level of detail that she is being asked to provide.

14 JUDGE JONES: Response?

15 MS. SATTER: I am just following up on what she
16 meant by non-profit, and I am asking her specifically
17 about a profit or a capital cost that the Company is
18 asking for in connection with the service company
19 functions.

20 JUDGE JONES: Do you have in front of you where
21 that is in the witness' testimony?

22 MS. SATTER: Yes, page 23. It is the last

1 answer on line 523. It says essentially that "The
2 service company provides services at cost on a
3 non-profit basis."

4 MR. WHITT: I would just note, Your Honor, that
5 that's a separate section in the testimony from BT.

6 JUDGE JONES: Ms. Satter?

7 MS. SATTER: Whether it specifically says BT or
8 not, BT is part of the service company charges, part
9 of the service company functions. I don't think that
10 it is appropriate to say, well, you didn't use the
11 magic word so now I can't ask about it. This is
12 clearly of relevance to the case to how this charge
13 should be treated and whether or not it is accurate
14 to say that these service company operations or
15 functions are provided at cost on a non-profit basis.
16 This is precisely what cross examination is for.

17 MR. WHITT: If I may, Your Honor, I would just
18 note that Company witness Mr. Kerckhove explains the
19 allocations, and it is just a matter of who those
20 questions are directed to. And this is not the
21 witness the Company presented to discuss those
22 issues.

1 JUDGE JONES: Thank you. The objection is
2 overruled. It is sort of a close call, but I think
3 there has been a sufficient link made by Ms. Satter
4 to Ms. Teasley's testimony on this. So the question
5 will be allowed and we will ask Ms. Teasley to answer
6 to the extent she is able to do so.

7 Do you need that question read back?

8 THE WITNESS: Well, I would appreciate it.
9 Thank you.

10 JUDGE JONES: Ms. Reporter, would you read that
11 back, please?

12 (Whereupon the requested portion
13 of the record was read back by
14 the Reporter.)

15 THE WITNESS: A. I think it gets into what's
16 the appropriate accounting treatment for the way
17 Business Transformation is being handled as a company
18 and the nature of capital versus expense, and I am
19 not an accountant. So I would basically say that
20 that would be left to those that have that expertise.

21 BY MS. SATTER:

22 Q. So it is fair to say you don't know?

1 A. I agree.

2 Q. Now, in your supplemental direct you say
3 that the BT project was leading to a reorganization,
4 is that correct?

5 A. That is correct.

6 Q. And that reorganization was implemented in
7 April of this year, 2012?

8 A. Correct.

9 Q. And as a result of that reorganization, I
10 believe you testified that ten positions were
11 eliminated, is that correct?

12 A. Yes. There were a number of positions
13 impacted and a number more than ten, but we actually
14 reduced our head count by ten.

15 Q. In fact, you eliminated 17 positions?

16 A. But, again, we had to substitute some
17 positions based on the restructuring, and so it was a
18 net ten reduction.

19 Q. Okay.

20 A. Are you referring to a particular page or
21 section of my testimony?

22 Q. No, I am not.

1 A. Okay.

2 Q. And I believe that you testified that this
3 would result in a \$592,000 reduction in labor and O&M
4 expense?

5 A. Do you have a page reference?

6 Q. Page 2, line 37.

7 A. Is that the update? I am sorry, I have got
8 a lot of different testimonies here.

9 Q. SUPP.

10 A. Supplemental direct, okay. Again, page?

11 Q. Two.

12 A. Two. Yeah, that's the impact on the
13 projected test year of labor and O&M expense.

14 Q. And then on page 4, line 79, you refer to
15 \$521,000 in severance pay as a result of the
16 organizational restructuring?

17 A. Correct.

18 Q. Do you know for what period of time the
19 severance will be paid?

20 A. I believe most of that, if not all of that,
21 has already been paid.

22 Q. Oh, okay. So would it be fair to say the

1 \$592,000 savings is an ongoing savings, a recurrent
2 savings year after year?

3 A. Yes.

4 Q. Whereas the severance pay is a single
5 expense item?

6 A. It is a one-time payment.

7 Q. Now, in response to a Staff data request,
8 DLH-25.01, you have produced an announcement about
9 the reorganization.

10 If we could go off the record just a
11 minute, I want to check with counsel about a
12 confidential designation.

13 JUDGE JONES: Off the record for that purpose.

14 (Whereupon there was then had an
15 off-the-record discussion.)

16 JUDGE JONES: Back on the record.

17 MS. SATTER: Okay. We would like to show you
18 the response to DLH-25.01, marking it as AG Cross
19 Exhibit 2. On the off-the-record conversation with
20 the Company they agreed to withdraw the confidential
21 designation from the attachment, so this can be a
22 public document.

1 (Whereupon AG Cross Exhibit 2
2 was marked for purposes of
3 identification as of this date.)

4 Q. Are you familiar with the attachment to
5 this response?

6 A. I am familiar with it.

7 Q. And this appears to be your announcement to
8 your employees of the organizational changes at the
9 Company?

10 A. Correct.

11 Q. And it was issued on February 24, 2012,
12 correct?

13 A. Correct.

14 Q. Was it released to the entire work force?

15 A. When you say entire work force, what do you
16 mean by that?

17 Q. All of Illinois-American's employees?

18 A. Yes, it would be -- it appears that this is
19 what went out on either the e-mail or internet and
20 then may or may not have gotten in the hands of every
21 employee that doesn't have access to e-mail.

22 Q. Now, in the first paragraph of this

1 communication, the second line, you talk about
2 identifying opportunities to drive the principal of
3 valued price cost. Can you explain what that means?

4 A. It's a concept that our CEO from American
5 Water has been using to focus the Company on bringing
6 value, greater value, to the customer.

7 Q. Does it mean that the value is greater than
8 the price which is greater than the cost?

9 A. That's what it says, yes.

10 Q. So that's what it means?

11 A. Yes.

12 Q. So under this principle the price is above
13 cost, correct?

14 A. This would be generally from a customer
15 perspective. The value to the customer would be
16 greater than the price to the customer, greater than
17 the cost to the Company.

18 Q. Can you tell me what types of positions
19 were eliminated in the reorganization?

20 A. It was a combination of management and
21 administrative employees.

22 Q. Do you know whether the Company reduced the

1 payroll expense in this rate case to reflect the
2 elimination of these 17 positions?

3 A. I believe that's what I stated in my
4 testimony.

5 Q. The 592?

6 A. Yes.

7 Q. How do the 17 eliminated positions relate
8 to the functions that will be performed by the
9 Business Transformation systems?

10 A. Basically, what we are trying to do is
11 streamline the organization to provide greater value
12 to the customer for the same or lesser costs. One of
13 our initiatives is to keep our O&M expenses as flat
14 as possible going forward. And so we are trying to
15 get the organization basically prepared for optimal
16 implementation of Business Transformation.

17 Q. So to prepare your organization for optimal
18 implementation, does that mean that you are changing
19 your processes to achieve savings through these BT
20 systems?

21 A. In some cases we are changing processes.
22 It is a combination of getting our processes ready

1 for Business Transformation, getting our people
2 ready, making sure that we have the right people in
3 the right positions, again, to maximize the
4 effectiveness of the implementation.

5 Q. And the first step in that was the
6 reorganization that took place in February?

7 A. Well, I don't know if it was the first
8 step, but it was a step that was moving us in that
9 direction.

10 MR. WHITT: Counsel, I am sorry to interrupt.
11 Could we go off the record for a moment? I wanted to
12 inquire about a break since the witness has been on
13 for about two hours. If you could just get to a
14 stopping -- or an hour, but that's still a long time.

15 MS. SATTER: It's your call.

16 JUDGE JONES: Off the record. If you want to
17 talk about that, go ahead.

18 (Whereupon there was then had an
19 off-the-record discussion.)

20 JUDGE JONES: Back on the record.

21 BY MS. SATTER:

22 Q. Now, we talked about changes to

1 Illinois-American's internal structure that took
2 place in April. My next question is whether there
3 have been similar organizational design changes to
4 reduce the amount of services that Illinois-American
5 will receive from the service company as a result of
6 BT.

7 A. When you say design changes, I am not sure
8 what you mean by that.

9 Q. Well, let me strike that word. I think it
10 is an unnecessary word.

11 Have there been organizational changes
12 at the service company level that will reduce the
13 allocation to Illinois-American of service company
14 charges as a result of BT?

15 A. I believe there were some changes at the
16 service company level as well, and I believe that we
17 did reflect that as well in our update.

18 Q. Do you recall if there was a dollar savings
19 associated with that?

20 A. I believe there is one in testimony, but I
21 cannot recall the number.

22 Q. Would you expect the service company

1 employees to become more efficient with the BT
2 resources?

3 A. I think there will be benefits associated
4 with the BT systems.

5 Q. Will you expect fewer hours to be allocated
6 to Illinois-American as a result?

7 A. It's a few hours, when, under what time
8 frame, I am not sure what period you are talking
9 about.

10 Q. Do you think that the service company
11 employees would become more efficient so that they
12 would spend fewer hours doing the same amount of work
13 they are doing today?

14 A. Potentially, depending on what they are
15 doing and how BT is impacting them. It will not
16 impact every individual the same.

17 Q. On an overall basis do you expect a
18 reduction in the service company charges as a result
19 of BT?

20 A. Not necessarily. I think what BT will do
21 is it may limit or manage cost increases in the
22 future. I don't know if it will necessarily decrease

1 existing costs.

2 Q. Did you review any of the American Water
3 documents concerning potential savings from the BT
4 system?

5 A. I have not.

6 Q. You have not. So even though you were on
7 some national committees to review the BT project,
8 you did not consider cost savings associated with the
9 project?

10 A. I am not saying we didn't consider cost
11 savings. I am saying I did not review any documents
12 related to cost savings.

13 Q. So that's something that you just don't
14 know about?

15 A. I don't have direct knowledge.

16 Q. Do you know whether there have been any
17 announcements within American Water about
18 organizational changes at the service company that
19 would be similar to your February 24
20 Illinois-American release?

21 A. As I stated earlier, there were some
22 streamlining changes at the service company as well.

1 I think they have been reflected in our update in
2 terms of cost changes.

3 Q. Have there been any further organizational
4 changes since this February 24 announcement?

5 A. Not that I am aware of.

6 MS. SATTER: Okay. We could take a break here
7 if you would like. I have basically one more area of
8 questions.

9 MR. WHITT: That would be appreciated.
10 Obviously, Your Honor, we'll follow your lead.

11 JUDGE JONES: How long a break are you
12 proposing?

13 MR. WHITT: Five minutes.

14 JUDGE JONES: Anybody have a problem with that?

15 (No response.)

16 All right. Let the record show we
17 hereby break for five minutes.

18 (Whereupon the hearing was in a
19 short recess.)

20 JUDGE JONES: Back on the record.

21 Okay. Ms. Satter, do you have some
22 questions, more questions?

1 MS. SATTER: Yes, thank you.

2 I would like to ask you to look at the
3 response to AG Data Request 8.5 which is a response
4 with the attachment being the service company
5 agreement which we will provide to you in just a
6 minute.

7 (Whereupon AG Cross Exhibit 3
8 was marked for purposes of
9 identification as of this date.)

10 Q. (By Ms. Satter) Ms. Teasley, do you
11 recognize this response and the agreement that's
12 attached to it?

13 A. I do recognize it.

14 Q. And is it correct that the attachment is
15 the service company agreement that governs the
16 relationship between Illinois-American Water Company
17 and the service company?

18 A. Yes, this appears to be a correct copy.

19 Q. And the original agreement was dated
20 January 1, 1989, is that right?

21 A. Yes.

22 Q. And is the only change to the agreement the

1 addendum which is the last page dated January --
2 dated July 1, 1999?

3 A. Yeah, I believe that to be the case.

4 Q. Now, is it correct that currently costs
5 associated with computer systems and software used by
6 service company personnel are charged to
7 Illinois-American under Section 2.3 of the agreement
8 that would be on page 9, if you know?

9 A. Well, are you talking about Article 2?

10 Q. Yeah.

11 A. Yes, this is just the method for the
12 payment as opposed to the types of things. I guess I
13 am unclear on what your question is.

14 Q. Turning to page 10 then, Allowance for
15 Overhead, would you agree that the agreement
16 authorizes the service company to charge
17 Illinois-American for overhead costs?

18 A. Pursuant to this article, yes.

19 Q. And the term "general overhead" is defined
20 in paragraph 3.2 on pages 10 and 11?

21 A. Yes, there is a definition of "general
22 overhead."

1 Q. Do you know whether equipment such as
2 computer systems and software have been included as
3 part of overhead under this agreement up to today?

4 A. I have not looked at specific charges. I
5 would say it is my understanding that those kinds of
6 items are included.

7 Q. So they haven't been separated out and
8 charged to Illinois-American in some other form, that
9 is exclusive of BT?

10 A. Not to my knowledge.

11 Q. Do you agree that all vendor-provided
12 contracts related to the BT project are between third
13 parties and American Water Service Company?

14 A. I would have to be surmising that. I have
15 not reviewed those agreements.

16 Q. But it is true that there are no contracts
17 for the Business Transformation that are directly
18 with Illinois-American Water, is that correct?

19 A. Correct.

20 Q. As president of Illinois-American do you
21 recall ever questioning any costs associated with the
22 BT project that were allocated to Illinois-American?

1 A. Yes.

2 Q. Which costs were those?

3 A. We have asked several times for more
4 detailed understanding of costs as we have gone
5 through the project that have been allocated to
6 Illinois-American Water in terms of our capital
7 program, and we have received additional
8 documentation in response to those requests.

9 Q. When you say with regard to your capital
10 program, can you tell me what the capital program was
11 for, which capital program you are referring to?

12 A. Well, again, BT is a capital investment and
13 so when the estimates are provided from the BT team,
14 then those are allocated to the states as part of our
15 capital program. So we then approve those estimates
16 or those allocations.

17 Q. Okay. So you might have questioned the
18 total cost that was being allocated to
19 Illinois-American for the BT expenses?

20 A. And looking for additional detail and
21 justification, yes.

22 Q. Were any costs reduced or withdrawn as a

1 result?

2 A. I don't recall any specific reductions. I
3 recall additional documentation being provided.

4 MS. SATTER: I don't have any more questions
5 for this witness. Thank you very much. But I would
6 move for the admission of AG Cross Exhibits 2 and 3,
7 and Number 1 we will direct to a different witness.

8 MR. WHITT: No objection.

9 JUDGE JONES: Okay. Anybody else?

10 MR. ALPERIN: Your Honor, the Village of
11 Bolingbrook has some questions of this witness. I am
12 not sure where I can sit.

13 MS. SATTER: We will make room.

14 JUDGE JONES: Before we get to Mr. Alperin's
15 questions, AG Cross Exhibits 2 and 3 have been
16 offered into the record and the Company has no
17 objections. Does anybody else have any objections to
18 that?

19 (No response.)

20 Let the record show they do not. AG
21 Cross Exhibits 2 and 3 are hereby admitted into the
22 evidentiary record.

1 (Whereupon AG Cross Exhibits 2
2 and 3 were admitted into
3 evidence.)

4 JUDGE JONES: Okay. Mr. Alperin, do you have
5 any questions of Ms. Teasley?

6 MR. ALPERIN: Thank you, Your Honor.

7 CROSS EXAMINATION

8 BY MR. ALPERIN:

9 Q. Ms. Teasley, good morning. My name is Jeff
10 Alperin. I represent the Village of Bolingbrook. I
11 just had a few questions for you today.

12 Do you have your direct testimony, the
13 revised version, up there with you?

14 A. I do.

15 Q. On page 24 you start talking or testifying
16 there about the agreement with the service company.
17 And there at the bottom on, it looks like, line 545,
18 in that range, you mention that Illinois-American is
19 not required to utilize the services provided by the
20 service company, is that right?

21 A. That's true.

22 Q. How does Illinois-American determine when

1 to use the service company and when to engage another
2 company?

3 A. We routinely look at opportunities to get
4 services for a number of areas that we feel are
5 specialized with things that the service company
6 either doesn't provide or can't provide as
7 effectively as we could get it, say, locally in the
8 state of Illinois. For example, we do a lot of
9 engineering design and construction with outside
10 providers in the state routinely. We use a lot of
11 rate regulatory legal services that are not through
12 the service company, again because they are either
13 localized, specialized or we feel like we can get
14 more appropriate services at even better cost or
15 value to the company.

16 Q. And let me turn your attention -- I think
17 you picked up on it already -- on page 26 of your
18 testimony of your revised direct. On the question of
19 does IAWC also engage outside providers other than
20 the service company, you mention that you do so when
21 the service company is unable to provide specialized
22 services needed to address specific situations,

1 correct?

2 A. True.

3 Q. As well as where use of a non-affiliate
4 provider is appropriate based on costs or other
5 considerations. Do you see that?

6 A. Yes.

7 Q. What do you mean -- first off, what do you
8 mean by other considerations?

9 A. Again, it could be value, it could be that
10 a localized provider would be more appropriate. You
11 know, for example, in the area of paving,
12 restoration, we use many localized outside providers.
13 It just depends on the need. And so we are looking
14 at what's the most efficient way to get the services
15 that the customer requires at the most reasonable
16 cost and value.

17 Q. When you say appropriate, you go to a
18 non-affiliate provider appropriate based on cost.
19 Let me focus your attention on that portion of your
20 testimony for a minute.

21 Do you routinely look -- I think your
22 testimony was you routinely look at other companies

1 to provide services, is that right?

2 A. Again, it depends on the areas but, yes, we
3 do look at other companies to provide services in
4 some areas.

5 Q. What process do you use, if any, in
6 determining whether another company, a non-affiliate
7 provider, can provide service to Illinois-American at
8 a lower cost than the service company?

9 A. In the engineering area, requests for
10 proposals is used frequently to get optimal pricing
11 and we have compared pricing from the Company
12 providers versus maybe a local or regional
13 engineering firm and made decisions on the basis of
14 the best value which includes cost considerations.

15 Q. All right. If you could turn back to page
16 24 of your testimony, your direct, up above there, on
17 lines 526 down through line 532 you mention the
18 different principal areas of support services
19 available to Illinois-American through the service
20 company, do you see that?

21 A. I see that.

22 Q. Now, where does the engineering fit in,

1 which category would that fit in of those you have
2 listed there in your testimony?

3 A. Operations services generally, I think,
4 covers the engineering area. Again, we have some
5 support that comes through the service company and
6 then obviously we provide our own Illinois-American
7 Water Company employees that do that as well as again
8 using a lot of different outside firms and
9 consultants.

10 Q. What about the field of communications and
11 external affairs? Do you routinely check to see if
12 there is some other company that can provide that
13 service to Illinois-American?

14 A. You know, routinely I am not sure if I
15 would agree with the word "routinely." We
16 periodically do look. For example, right now we are
17 using a part-time outside consultant to fulfill
18 communications support in the state of Illinois,
19 because that's what meets our needs the best at this
20 particular time instead of hiring another person. So
21 we are routinely looking at what is the most cost
22 effective service that we need that brings the most

1 value at the most reasonable cost for the customer.

2 Q. What percentage of your communications and
3 external affairs are provided by the service company
4 as opposed to some other company?

5 A. I would not have a percentage in mind. If
6 we look at the state only, we are probably maybe a
7 quarter of our service right now is being provided
8 externally as opposed to internally.

9 Q. And is that because of costs?

10 A. That's because of, again, it's a cost
11 factor, it is also value, it is the expertise of the
12 individuals or firm that you are using, the number of
13 different factors you need to consider.

14 Q. With respect to the next principal area of
15 support service, corporate finance, are there any
16 companies that Illinois-American is using based on
17 costs rather than service?

18 A. In the area of corporate finance I don't
19 believe we are using any outside firms specifically.
20 We do engage outside firms as partners in some of our
21 debt refinancing. So there are outside parties that
22 participate in, for example, our -- I am trying to

1 think of the word. Anyway, the bonding that we do
2 through the state of Illinois at low interest rates,
3 part of our activity financing, for example.

4 Q. Would that be a specialized service that is
5 not offered by the service company?

6 A. It would be a complement to the service
7 company services.

8 Q. But the service company itself doesn't over
9 those services, is that correct?

10 A. I don't believe in that particular case
11 they would provide that support. That would be
12 provided by an outside provider.

13 Q. With respect to the next category of
14 service available, customer service, does
15 Illinois-American utilize anybody other than its
16 service company to provide those services?

17 A. We do. For example, the call center, all
18 of the -- or most of the collection activity is
19 handled by an outside provider called GC Services.
20 So we do extensively use outside providers there. In
21 some of our billing areas we use outside providers to
22 assist with billing matters, printing, mailing, yeah,

1 we have a lot of different outside vendors that work
2 with us.

3 Q. Is there any specific processes in place to
4 insure that you are getting a low cost or to --
5 scratch that.

6 Is there any particular process that's
7 in place to insure that Illinois-American is getting
8 the lowest cost available with respect to the
9 services being offered by its service company?

10 A. I think there is a number of ongoing
11 processes. As we have described extensively in the
12 last rate case in the multiple studies that were done
13 and submitted as part of that case, each functional
14 area uses a number of processes to evaluate what
15 services should be provided by our in-house staff
16 versus what services can be obtained externally and
17 looking at survey documents and studies to make sure
18 that we are providing those service costs
19 effectually. Those studies and processes are on an
20 ongoing basis at the service company level as well as
21 Illinois-American Water.

22 Q. All right. Let me turn your attention to

1 the bottom of page 26 of your direct. You mention
2 that the service company -- and I am looking at page
3 26, line 592 -- the service company provides services
4 at its costs -- or, excuse me, at its cost without
5 profit or markup. Are you saying that the service
6 company doesn't make any profit whatsoever from its
7 agreement with Illinois-American?

8 A. Yes.

9 Q. And I think you testified earlier that you
10 are aware of the service company costs, is that
11 correct?

12 A. When you say aware, I am not sure what you
13 mean.

14 Q. Well, that's what I was going to get into
15 with you.

16 A. Okay.

17 Q. How do you know that the service company is
18 not making any profit off of its agreement with
19 Illinois-American?

20 A. As I think I mentioned earlier when I was
21 asked questions by Ms. Satter, we have an ongoing
22 process of reviewing. We have a budget that is

1 approved each year. Then we have an ongoing process
2 of reviewing those bills that come from the service
3 company, and there is an extensive breakdown of
4 charges that our finance staff, both at the corporate
5 level as well as the Illinois-American Water level,
6 are able to review of the charges. So they include
7 the labor charges, they include the overhead charges,
8 they include the miscellaneous expenses like travel
9 and materials and supplies and those kind of things.
10 So there is a great deal of detail that we are able
11 to review to make certain that there are no
12 inappropriate charges, and certainly a profit
13 component is not a part of those charges.

14 Q. Is the service company required to tell
15 you, let's say, if they get a certain specific item
16 at a lower cost? Are they required to tell you that
17 they can now get that item at a lower cost?

18 A. Are they required, I am not sure what you
19 mean by required. Required by whom?

20 Q. Required by your contract or your agreement
21 with them?

22 A. When you say tell us, I mean, those charges

1 would be reflected then in the bills. For example, I
2 think in my update testimony we talked specifically
3 about working with the supply chain group to
4 negotiate dramatic decreases in our power costs
5 through third-party suppliers. And so that would be
6 a partnership between our Illinois-American Water
7 staff and the service company to negotiate those
8 specific charges and then pass them through to the
9 customers.

10 Q. But on other charges -- first off, you are
11 not an employee of the service company, correct?

12 A. I am not.

13 Q. And you are not an officer of the service
14 company, correct?

15 A. Correct.

16 Q. So to a certain extent with respect to the
17 charges that you are not negotiating collaboratively
18 with them, you are relying on what the service
19 company is telling you their expenses are, correct?

20 A. I am relying not only on what they are
21 telling us but all of the documentation that is
22 readily available for review by my staff and

1 routinely subject to internal audits as well as their
2 own review. So I think we have a pretty robust
3 process for review of those charges.

4 Q. Is the service company a not-for-profit
5 corporation?

6 A. I don't know their legal status.

7 Q. Are they a publicly-traded corporation?

8 A. The parent company is a publicly-traded
9 entity.

10 Q. All right. Let's turn to your testimony at
11 page 34 of your revised direct. And I am focused
12 here on the audit up above on line 765. You mention
13 that you were to conduct an audit of IAWC's service
14 company fees to compare the cost of each service
15 obtained from the service company to the costs of
16 such services had they been obtained through
17 competitive bidding on the open market. Do you see
18 that?

19 A. I do.

20 Q. Are you aware -- and as I understand it,
21 North Star was the company that you hired to conduct
22 the audit, correct?

1 MR. WHITT: Could I have the question read? I
2 am sorry.

3 (Whereupon the requested portion
4 of the record was read back by
5 the Reporter.)

6 MR. WHITT: That's what I will make an
7 objection to.

8 MR. ALPERIN: Your Honor, you know, I will
9 withdraw that question.

10 Q. (By Mr. Alperin) And, Ms. Teasley, if you
11 look back down at page 34 of your testimony, line 773
12 down to 776, staff selected North Star to conduct the
13 audit, is that correct?

14 A. That's my understanding.

15 Q. Okay. Now, your testimony down there on
16 line 778 is that Illinois-American has complied with
17 the requirements set forth in the Order that made you
18 do the audit, is that correct?

19 A. That's also my understanding.

20 Q. Are you aware of how the requirement for
21 the competitive bidding on the open market was
22 satisfied?

1 MR. WHITT: I will object. It mischaracterizes
2 the Order that was referenced in the prior question
3 and answer which simply required the Company to
4 participate in an audit process.

5 MR. ALPERIN: Well, Your Honor, I think that
6 the statement is pretty clear that, to finish that
7 off, had they been obtained through competitive
8 bidding on the open market, I am just trying to
9 figure out how that component is satisfied.

10 MR. WHITT: But North Star was directed to do
11 the audit, not the company.

12 MR. ALPERIN: Well, I guess my reaction to that
13 would be her testimony is that Illinois-American has
14 complied with the requirements. So I think that
15 would be a requirement with respect to the --
16 competitive bidding would be a requirement of the
17 prior Order.

18 MR. WHITT: Well, may I be heard?

19 JUDGE JONES: Go ahead.

20 MR. WHITT: Your Honor, the Order simply
21 required the Company to participate in the audit
22 process. It then specifies what the auditor must do.

1 Among the things the auditor must do is make this
2 comparison. The Company is a participant in the
3 process, but it is not in charge of the process.
4 North Star and the Commission are.

5 JUDGE JONES: Is your question still a pending
6 question?

7 MR. ALPERIN: The question is still pending.

8 JUDGE JONES: Mr. Alperin, in referring to the
9 Initiating Order, where in that order -- where in
10 that Order are you --

11 MR. ALPERIN: Well, I am looking at -- and I
12 don't have the Order in front of me, but what I have
13 is Ms. Teasley's testimony that quotes the Order.
14 Page 34 of her testimony actually quotes the Order,
15 Your Honor, and line 765 down to 768.

16 JUDGE JONES: Ms. Reporter, could you read the
17 question back, please?

18 (Whereupon the requested portion
19 of the record was read back by
20 the Reporter.)

21 JUDGE JONES: I am afraid that question is
22 really not clear as I am not sure what's being asked

1 there. So the objection is sustained. But that's
2 without prejudice to your pursuing your question,
3 that line of question, with a different one.

4 MR. ALPERIN: Fair enough, Your Honor.

5 Q. (By Mr. Alperin) Ms. Teasley, I just
6 wanted to clarify, as you sit here today you are not
7 aware of whether the service company is a
8 not-for-profit corporation?

9 A. I am not aware of that.

10 MR. ALPERIN: All right. I have no further
11 questions. Thank you.

12 JUDGE JONES: Thank you, Mr. Alperin. Did
13 someone else have questions? Mr. Balough?

14 MR. BALOUGH: No, Your Honor.

15 JUDGE JONES: I believe that concludes the
16 cross then. Let me make sure. Were there any other
17 parties who were intending to cross this witness?

18 (No response.)

19 Let the record show there are not.

20 Does the Company have redirect?

21 MR. WHITT: We may, Your Honor. Would it be
22 appropriate if we could take a very short recess to

1 confer with the witness?

2 JUDGE JONES: We pretty much just took a
3 recess. That's one of the problems with doing it
4 that way.

5 MR. WHITT: If I could just confer with counsel
6 then for a moment?

7 JUDGE JONES: Go ahead.

8 (Pause.)

9 MR. WHITT: We have no redirect, Your Honor.

10 JUDGE JONES: Well, thank you, Mr. Whitt.

11 Ms. Teasley, your examination is concluded.

12 THE WITNESS: Thank you, Your Honor.

13 (Witness excused.)

14 MR. LANNON: Your Honor, were you going to
15 break for lunch or perhaps, what I was thinking, was
16 we could get Mr. Suits on. We have Ms. Luckey in
17 Chicago waiting to do a short cross of him. If we
18 can get him on and off before lunch, that would be
19 advantageous to us.

20 MR. WHITT: That would be fine with the
21 Company.

22 JUDGE JONES: Anybody have a problem with that?

1 (No response.)

2 All right. Then that is what we will
3 do.

4 MR. WHITT: Your Honor, the Company would call
5 Mr. Barry Suits as its next witness.

6 (Whereupon the witness was duly
7 sworn by Judge Jones.)

8 JUDGE JONES: Thank you. Please be seated.

9 Off the record very briefly regarding
10 configurations here.

11 (Whereupon there was then had an
12 off-the-record discussion.)

13 JUDGE JONES: Back on the record.

14 BARRY L. SUITS

15 called as a witness on behalf of Illinois-American
16 Water Company, having been first duly sworn, was
17 examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. WHITT:

20 Q. Mr. Suits, could you please introduce
21 yourself by stating your full name, title and
22 business address.

1 A. My name is Barry L. Suits. My title is
2 Vice President of Operations. My business address is
3 300 North Water Works Drive, Belleville, Illinois
4 62223.

5 Q. Mr. Suits, do you have in front of you a
6 document marked IAWC Exhibit 2.0 (2d Revised) titled
7 Second Revised Direct Testimony of Barry L. Suits
8 dated May 11, 2012?

9 A. I do.

10 Q. Is this, in fact, your second revised
11 direct testimony in this proceeding?

12 A. It is.

13 Q. Do you have any corrections to your
14 testimony?

15 A. Not to that document, no.

16 Q. If I were to ask you the same questions
17 that appear in IAWC Exhibit 2.0 (2d Revised) today,
18 would your answers be the same?

19 A. Yes, they would.

20 Q. Do you also have in front of you a document
21 marked IAWC Exhibit 2.01 through 2.03 -- my
22 apologies, does your second revised direct testimony

1 also include Exhibits 2.01 through 2.03?

2 A. Yes, it does.

3 Q. Do you have in front of you a document
4 marked IAWC Exhibit 2.00SR titled Surrebuttal
5 Testimony of Barry L. Suits and dated May 9, 2012?

6 A. Yes, I do.

7 Q. Is this the surrebuttal testimony you
8 prepared in this proceeding?

9 A. Yes, it is.

10 Q. Do you have any corrections to your
11 surrebuttal testimony?

12 A. No, I don't.

13 Q. If I were to ask you the same questions
14 that appear in IAWC Exhibit 2.00SR today, would your
15 answers be the same?

16 A. Yes, they would.

17 Q. And I skipped your rebuttal testimony so
18 let's pick that up. Do you have in front of you IAWC
19 Exhibit 2.00R Revised titled Revised Rebuttal
20 Testimony of Barry L. Suits?

21 A. Yes, I do.

22 Q. Is this revised rebuttal testimony that you

1 have prepared for this proceeding?

2 A. Yes, it is.

3 Q. Do you have any corrections to your revised
4 rebuttal testimony?

5 A. Yes, I did have one.

6 Q. Could you identify that for us?

7 A. On page 3, line 49, in the phrase "water
8 loss prevention," the word "loss" should be "line,"
9 L-I-N-E.

10 Q. Subject to that correction, if I were to
11 ask you the same questions that appear in IAWC
12 Exhibit 2.00R Revised today, would your answers be
13 the same?

14 A. Yes, they would.

15 MR. WHITT: With that the witness is available
16 for cross.

17 JUDGE JONES: Thank you, Mr. Whitt.

18 Ms. Luckey, do you have some cross questions for the
19 witness?

20 MS. LUCKEY: I do.

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CROSS EXAMINATION

BY MS. LUCKEY:

Q. Good afternoon, Mr. Suits. My name is Nicole Luckey, and I will be asking you just a couple questions on behalf of Staff of the Illinois Commerce Commission.

Can you hear me okay down there?

A. Yes, I can.

Q. Great. On page 2, approximately lines 26 through 44 of your surrebuttal testimony you refer to training materials for the call center customer service representatives or CSRs, is that correct?

A. Yes.

Q. Do these training materials also include an American Water Works Service Company or AWWSC CSR training manual?

A. I don't know the answer to that question.

Q. If it is helpful, Mr. Suits, I can refer you to line 35 of your surrebuttal where you state that you did indeed review that.

A. Well, I state that Mr. Sackett testifies what the AWWSC CSC training manual clearly states.

1 So that's the extent to which I understand that
2 manual, is what Mr. Sackett testified to.

3 Q. So you are familiar that a manual does
4 indeed exist, is that correct?

5 A. Yes.

6 Q. And have you reviewed that manual?

7 A. Not in detail, no.

8 Q. Are you aware, Mr. Suits, if that manual
9 outlines any actions taken by the Field Resources
10 Coordination Center or FRCC?

11 A. No, I am not.

12 Q. Are you aware if the training manual
13 outlines or describes any actions taken by the IAWC
14 field technician?

15 A. It is generally my understanding that the
16 manual is there for the benefit of the
17 representatives at the customer service center and
18 does not direct the actions of the employees of
19 Illinois-American Water in the field that serve the
20 customer.

21 Q. Are you aware whether or not the manual
22 names or describes the purpose of the Field Resources

1 Coordination Center?

2 A. No, I am not.

3 Q. Are you aware if the manual mentions or
4 describes the purpose of the field technicians?

5 A. Specifically, no, I am not, although I am
6 sure there is some reference to field technicians in
7 as much as the customer service center and the FRCC
8 create service orders or work orders that are then
9 transferred to our employees at Illinois-American
10 Water to work in the field.

11 Q. So do you believe the training manual
12 outlines or describes any actions taken by the field
13 technician?

14 MR. WHITT: Your Honor, I am going to object to
15 these questions for lack of foundation. I don't
16 think it is fair to ask the witness what is or is not
17 contained in a manual when he doesn't have the manual
18 in front of him.

19 MS. LUCKEY: I think he stated that he is
20 generally familiar with the manual, and I am just
21 asking him generally whether he is aware the manual
22 discusses these. He has testified that -- you know,

1 he has testified about the manual in his rebuttal and
2 I believe in his surrebuttal as well.

3 JUDGE JONES: Anything further?

4 (No response.)

5 Ms. Reporter, could you read the
6 question back, please?

7 (Whereupon the requested portion
8 of the record was read back by
9 the Reporter.)

10 JUDGE JONES: Objection overruled. I will
11 allow the question. It does not appear to assume any
12 facts not in evidence. It is his cross, and the
13 witness will not be required to answer it in a yes or
14 no manner. Subject to all that, please answer the
15 question if you have an answer to give.

16 THE WITNESS: A. As I mentioned earlier, I
17 have reviewed that manual only to the extent that
18 Mr. Sackett testified to. And in the lines she
19 pointed me to in my testimony, there is actually a
20 reference to work that would be done by
21 Illinois-American Water employees, in other words,
22 verifying the location of a leak to determine if that

1 is the responsibility of Illinois-American Water.

2 BY MS. LUCKEY:

3 Q. Thank you. Mr. Suits, are you aware if the
4 Field Resources Coordination Center have written
5 procedures that govern the actions of its employees?

6 A. I am generally aware that they do not have
7 a procedures manual that governs the actions of their
8 employees.

9 Q. Are there written procedures not contained
10 in the manual?

11 A. I don't know.

12 Q. Does IAWC have written procedures that
13 outline the Company's manner of responding to service
14 orders?

15 A. We have a number of different documents
16 that we use to govern our employees' actions in the
17 field, including in some cases procedures, in many
18 case training materials that we use to train our
19 employees on customer service, amongst other things.
20 So we do have materials that are used for the
21 training and guidance of our employees working in the
22 field.

1 Q. And when you say materials, would this be a
2 manual provided to them or would this be something
3 more informal?

4 A. It is not in the form of one manual. It
5 would be in the form of training materials on a
6 specific topic. As I mentioned, customer service
7 might be one example of that. Another example might
8 be confined space entry for safety reasons. In each
9 of those specific areas we would provide information
10 to the employees on guiding them with the work they
11 are doing in the field.

12 Q. And do you know if any of these materials
13 were provided to Staff in response to a data request
14 for such information?

15 A. To my knowledge they were not.

16 Q. And is there a reason they were not
17 provided in response to Staff's request?

18 MR. WHITT: I will object and I would like to
19 know what request is being referred to.

20 MS. LUCKEY: Specifically, I believe Staff
21 requested training materials in DAS-6.01 and 8.03,
22 but that would be subject to check.

1 service order comments from your response?

2 A. Yes, I did.

3 Q. And did you review those before you wrote
4 your rebuttal testimony?

5 A. No, I did not.

6 Q. Did you review those before you submitted
7 your surrebuttal testimony?

8 A. No, I did not.

9 MS. LUCKEY: I have nothing further.

10 JUDGE JONES: Thank you, Ms. Luckey.

11 Mr. Alperin, did you have any
12 questions for Mr. Suits?

13 MR. ALPERIN: No questions of this witness.
14 Thank you, Your Honor.

15 JUDGE JONES: Mr. Balough, did you have any
16 questions?

17 MR. BALOUGH: No questions, Your Honor.

18 JUDGE JONES: All right. Thank you, sir.

19 Is there any other cross for this
20 witness?

21 (No response.)

22 Let the record show there is not.

1 Is there redirect?

2 MR. WHITT: There is not, Your Honor. If we
3 could as a matter of housekeeping get exhibits
4 admitted for witnesses who have testified this
5 morning, if we could do that before the break?

6 JUDGE JONES: Let's go ahead and take that up
7 regarding Mr. Suits' testimony first. He has
8 identified those evidentiary items. Do you have a
9 motion to make with regard to those?

10 MR. WHITT: Yes, Your Honor. We would -- the
11 Company would move for the admission of Mr. Suits'
12 testimony that was previously identified during
13 direct.

14 JUDGE JONES: Regarding 2.01 through 2.03, do
15 you want those treated as separate exhibits or as
16 attachments to and part of 2.00? I think right now
17 they are referred to as exhibits.

18 MR. WHITT: Yeah, I think they are different
19 dates, Your Honor. It may be best just to keep them
20 as separate exhibits.

21 JUDGE JONES: Thank you. Any objections to the
22 admission of those exhibits from Mr. Suits?

1 (No response.)

2 All right. Let the record show there
3 are not. Accordingly, those evidentiary items are
4 admitted into the evidentiary record. They are
5 admitted as filed on the dates noted in the exhibit
6 list and this morning.

7 (Whereupon IAWC Exhibits 2.00(2d
8 Rev), 2.01, 2.02, 2.03, 2.00R(2d
9 Rev) and 2.00SR were admitted
10 into evidence.)

11 JUDGE JONES: The correction was to 2.00R
12 revised, is that right?

13 MR. WHITT: Yes, Your Honor.

14 JUDGE JONES: So probably the best way to
15 handle that one is for there to be a corrected
16 version of that filed on e-Docket that contains that
17 correction but is otherwise identical, assuming no
18 objections to that process. Does anyone have an
19 objection to doing it that way?

20 (No response.)

21 All right. Let the record show they
22 do not. That way the version admitted would be

1 exactly as it appears or will appear on e-Docket. Is
2 the Company agreeable to making that filing?

3 MR. WHITT: We will do that, Your Honor, and we
4 could probably accomplish that today.

5 JUDGE JONES: We will allow 14 days for that,
6 but you are free to do it sooner, if you would like.

7 MR. WHITT: Your Honor, we would need to make a
8 similar motion with respect to Ms. Teasley's exhibits
9 which I do not believe I moved to have admitted into
10 the evidentiary record and would like to do so at
11 this time. Those exhibits were identified in
12 Ms. Teasley's direct.

13 JUDGE JONES: Thank you. Are there any
14 objections to the admission of the exhibits,
15 including testimony exhibits, sponsored by
16 Ms. Teasley?

17 (No response.)

18 All right. Let the record show there
19 are not. Those exhibits are hereby admitted into the
20 evidentiary record as they appear on e-Docket on the
21 dates filed. Those exhibits numbers and filing dates
22 are identified on the exhibit list and also were

1 identified this morning so I will not read them at
2 this time. So those exhibits are also admitted into
3 the evidentiary record.

4 (Whereupon IAWC Exhibits
5 1.00(Rcv), 1.00SUPP, 1.00R,
6 1.00SR-Part 1 and 1.00SR-Part 2
7 were admitted into evidence.)

8 JUDGE JONES: Okay. Mr. Suits, forgot to
9 mention that your cross examination is completed, so
10 you are free to move away from that area, if you
11 would like to.

12 THE WITNESS: Yes, I would like to.

13 (Witness excused.)

14 JUDGE JONES: Off the record regarding
15 scheduling.

16 (Whereupon there was then had an
17 off-the-record discussion.)

18 JUDGE JONES: We hereby break for lunch for one
19 hour.

20 (Whereupon the hearing was in
21 recess from 12:25 to 1:25 p.m.)

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AFTERNOON SESSION

JUDGE JONES: Back on the record.

Before we proceed with the next Illinois-American Company witness, were there any other matters the parties wanted to briefly address?

(No response.)

Is Illinois-American ready to proceed with its next witness?

MR. WHITT: We are, Your Honor, and the Company would call Ms. Karen Cooper.

(Whereupon the witness was duly sworn by Judge Jones.)

JUDGE JONES: Please be seated.

KAREN H. COOPER

called as a witness on behalf of Illinois-American Water Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITT:

Q. Good afternoon, Ms. Cooper. Could you please introduce yourself by stating your full name, title and business address.

1 A. Yes. My name is Karen H. Cooper. I am the
2 Manager of Business Services for the American Water
3 Works Customer Service Center. My business address
4 is 1410 Discovery Parkway, Alton, Illinois 62002.

5 Q. Ms. Cooper, do you have in front of you a
6 document that is marked as IAWC Exhibit 15.00R
7 accompanied by IAWC Exhibit 15.01R and the testimony
8 is titled Rebuttal Testimony of Karen Cooper dated
9 March 29, 2012?

10 A. Yes, I do.

11 Q. Do you have any corrections to your
12 testimony?

13 A. No, I don't.

14 Q. If I were to ask you the same questions in
15 IAWC Exhibit 15.00R today, would your answers be the
16 same?

17 A. Yes.

18 Q. You also have in front of you a document
19 marked IAWC Exhibit 15.00SR entitled Surrebuttal
20 Testimony of Karen Cooper and dated May 9, 2012?

21 A. Yes.

22 Q. And is this the surrebuttal testimony you

1 have prepared for this proceeding?

2 A. Yes, it is.

3 Q. I may not have actually asked you that
4 question with respect to your rebuttal testimony, but
5 is Exhibit 15.00R your rebuttal testimony?

6 A. Yes, it is.

7 Q. Okay. And with respect to your surrebuttal
8 testimony, if I were to ask you the same questions
9 that appear in IAWC Exhibit 15.00SR today, would your
10 answers be the same?

11 A. Yes, they will.

12 MR. WHITT: Thank you. The witness is
13 available for cross.

14 JUDGE JONES: Thank you. It appears that the
15 Commission Staff has questions for Ms. Cooper, is
16 that correct?

17 MR. LANNON: Yes, Your Honor, we do.

18 JUDGE JONES: Mr. Lannon?

19 CROSS EXAMINATION

20 BY MR. LANNON:

21 Q. Hello, Ms. Cooper, how are you? I am Mike
22 Lannon. I represent the Staff.

1 First we have some more acronyms. I
2 forget where my colleague left off. Let's just go
3 over a few of these so that it is not a problem here
4 and it should be helpful to the court reporter.

5 CSR, I think they may have already
6 mentioned that, but that is Customer Service
7 Representative, is that right?

8 A. Yes, that is correct.

9 Q. And CSRs are Customer Service
10 Representatives, correct?

11 A. I am sorry, could you --

12 Q. Sure, I will repeat it. CSRs as in plural
13 is the same as CSR but Rs, and that would be Customer
14 Service Representatives, is that correct?

15 A. Yes. Yes, it is.

16 Q. Okay. ESO, Emergency Service Order, is
17 that correct?

18 A. Yes. For the purpose of answering some
19 questions, we don't typically use that acronym, but I
20 understand in the course of this that that's what
21 that means.

22 Q. Okay. It has shown up either in our

1 testimony or in yours?

2 A. Yes, it has.

3 Q. Thanks. I want to start off with a couple
4 other ones. SLAP, that is S-L-A-P and that stands
5 for Service Line Awareness Program, is that right?

6 A. Yes.

7 Q. And one more, CCAP I believe stands for
8 Call Center Awareness Program, is that right?

9 A. Yes, it is.

10 Q. Okay. Now, are those the same thing?

11 A. Yes. CCAP and SLAP are essentially the
12 same program.

13 Q. Okay. And under SLAP/CCAP, charges are
14 paid to AWR, which is American Water Resource
15 Company, I believe -- are paid based on the number of
16 transfers, phone transfers, is that correct?

17 A. Under the SLAP program the Customer Service
18 Center direct bills the AWR for transfers made under
19 that program.

20 Q. So I am sorry, what was the answer to my
21 question?

22 A. I am sorry, can you repeat the question?

1 Q. Yes. Under SLAP, charges to AWR are paid
2 based on the number of transfers, correct?

3 A. Yes, they are.

4 Q. Thank you. Now, you mentioned Customer
5 Service Center which is another acronym that I don't
6 know if we have addressed yet. That's sometimes
7 called CSC, is that right?

8 A. Yes, that's correct.

9 Q. Is that the same as SSC, Shared Service
10 Center?

11 A. No, it is not.

12 Q. Okay. Now, you are the manager, I believe
13 -- well, first of all, you work for AWWSC, correct?

14 A. That's correct.

15 Q. That's the service company in short, right?

16 A. Correct.

17 Q. And you are the Manager of Business
18 Services responsible for, among other things, client
19 relations between CSC or the Customer Service Center
20 and operating companies; I believe that's what you
21 testified to, among other things, correct?

22 A. That's correct.

1 Q. And you are physically located at the Alton
2 CSC?

3 A. That's correct. My office is in Alton.

4 Q. And there is one other CSC that's very
5 similar to Alton, correct?

6 A. There is a second location of our Customer
7 Service Center in Pensacola, Florida.

8 Q. Okay. Now, you have already testified that
9 SLAP charges that AWR are paid are based on the
10 number of transfers. I take it that you do track the
11 number of statements read, is that right?

12 A. No. The number of statements read was not
13 tracked.

14 Q. Okay. Are you familiar with AWW's 10K for
15 2011?

16 A. No, I am sorry.

17 Q. Well -- hang on just a second, okay.

18 (Pause.)

19 We have sent some DRs out and I believe you
20 responded to them about the number of calls from
21 other regulated utilities into the service center.
22 Are you familiar at all with that?

1 A. Could you show me the DR that we are
2 talking about? I don't remember it.

3 Q. Oh, you know what, it is in a series that
4 you haven't answered and that would be the DAS Series
5 11 and there is a DAS Series 10 out there, both of
6 which came in very late to the Company and you have
7 answered just a few of them. It is my understanding
8 that you are not going to answer the rest of them,
9 but I will ask you some questions about it, okay, in
10 lieu of the DR answer.

11 Now, your AWW's 10K 2011 is a very
12 lengthy document. I have one page printed out from
13 it.

14 And, Your Honor, we would be happy to
15 file the entire 10K on e-Docket electronically. But
16 in the interest of preserving resources, we did not
17 print the whole thing up?

18 MR. WHITT: Your Honor, perhaps I should
19 address this before the question is even asked, but
20 the witness has just testified she is not familiar
21 with AWW's 2011 10K. That being the case, there
22 can't be a foundation for any questions based on that

1 10K or any portion of it.

2 MR. LANNON: Your Honor, we are only interested
3 in the tables on what I would call Staff Cross
4 Exhibit 1.0 about the number of calls that came in
5 and that were answered by CSC.

6 Now, on page 15 of her rebuttal or,
7 excuse me, on Exhibit 15, page 5, she testifies to
8 the number of customer calls in total and the number
9 of transfers and the percentage of the total. This
10 is just a very similar set of numbers. It is a
11 breakdown of the total, actually.

12 MR. WHITT: Your Honor, in addition to the
13 elementary problem of a lack of foundation and no
14 authentication, with respect to the content of the
15 document it is hearsay.

16 MR. LANNON: Your Honor, this is an SEC filing.
17 We can take administrative notice of it, if you want.
18 But this is an exception to the hearsay rules as a
19 business document relied on by many people.

20 JUDGE JONES: Is there a question pending?

21 MR. LANNON: No, there is not.

22 JUDGE JONES: All right. We will get to any

1 objections to questions when we have questions on
2 this, if we have questions on this.

3 You mentioned Staff Cross Exhibit 1.0.
4 Did you --

5 MR. LANNON: That would be the page 9 of the
6 AWW 2011 10K filed with the SEC, the Securities and
7 Exchange Commission.

8 JUDGE JONES: Is there a notation on the copy
9 you gave the court reporter or no?

10 MR. LANNON: I am sorry. I am not sure I gave
11 the court reporter a copy. I believe I gave you one,
12 Your Honor.

13 JUDGE JONES: You did.

14 (Whereupon ICC Staff Cross
15 Exhibit 1 was marked for
16 purposes of identification as of
17 this date.)

18 JUDGE JONES: I don't think there is anything
19 pending right now in the way of a question, right?
20 If you want to proceed with your questions, then we
21 will see where that takes us.

22

1 BY MR. LANNON:

2 Q. Okay. Ms. Cooper, can you look at the
3 table at the top of page 9 there?

4 MR. WHITT: Objection, lack of foundation as to
5 what this document is.

6 MR. LANNON: Your Honor, I have already
7 provided that information.

8 MR. WHITT: Well, the witness has to
9 authenticate it.

10 MR. LANNON: She testifies to the information
11 in this table in an aggregated sense. On page 5 of
12 IAWC Exhibit 15.00R, lines 94 to 95, she testifies to
13 the total number of customer calls answered by the
14 CSC in 2011 and she testifies to the number of
15 transfers and the percentage of transfers relative to
16 the total number of calls. Now, Table 9 is the
17 number of customer calls or, excuse me, number of
18 customers per regulated utility, and I just wanted to
19 make some comparisons here.

20 MR. WHITT: My point being, Your Honor, there
21 is no basis for a comparison with a piece of paper
22 that we don't know what this is and it hasn't been

1 established that the witness knows what it is. That
2 has to be established before there can be any
3 comparison.

4 JUDGE JONES: Could I have the question read
5 back, please?

6 MR. LANNON: I believe it was, "Can you take a
7 look at the table on the top of page 9 here."

8 JUDGE JONES: All right. Well, we haven't
9 really gotten past that at this point. So asking a
10 witness to take a look at the table could potentially
11 be an attempt to lay a foundation. I mean, I don't
12 know. So until we get a little farther along, and it
13 may be quite soon in this line of questioning, there
14 really is not anything much to rule on, other than I
15 will say that counsel should be entitled to attempt
16 to lay a foundation for this, if he wishes to try to
17 do that.

18 MR. LANNON: You know, Your Honor, in pursuit
19 of that I will go a little bit out of the order I had
20 planned and I am going to -- can I approach the
21 witness, Your Honor?

22 JUDGE JONES: Yes.

1 MR. LANNON: And show you a DR response from
2 the Company to Mr. David Sackett, and it is attached
3 to Staff Exhibit 7.0, Attachment B, page 13 of 13 as
4 Exhibit A2. It has to do with the Call Center
5 Awareness Program.

6 MR. WHITT: Counsel, could you give us a DR
7 number?

8 MR. LANNON: Yeah, it is DAS-1.02, Attachment
9 14. It is towards the end there, I think.

10 MR. WHITT: Sackett?

11 MR. LANNON: Sackett 7.0 is correct, Attachment
12 14 to DAS 1.02. It is Attachment B to the testimony,
13 and it should be page 13 of 13 to Attachment B.

14 MR. WHITT: This?

15 MR. LANNON: No, this is 13 of 13, but you are
16 on the right attachment. There it is. This is it.

17 Are we okay?

18 MR. WHITT: I am trying to get my hand on the
19 actual DR which I don't think is included in the
20 attachment in Exhibit 7.

21 MR. LANNON: Does that change the response? I
22 mean, we have the response, right?

1 MR. WHITT: But I don't know what the question
2 was or the response was. That's the problem.

3 MR. LANNON: It was Staff DR DAS-1.02,
4 Attachment 14.

5 MR. WHITT: Okay. Which indicates that Rich
6 Kerckhove is the responsible witness.

7 MR. LANNON: I don't know. I don't have the
8 DR. I only have the response. But I think we can
9 cut through that; she's testified that she is the
10 manager responsible for management of ongoing client
11 relations between CSC and operating companies. And
12 this exhibit, Attachment B to Staff Exhibit 7.0, has
13 to do with the Call Center Awareness Program which
14 she manages, is my understanding.

15 So, Your Honor, I am ready to ask a
16 question, if that's where we are at.

17 MR. WHITT: Go ahead.

18 BY MR. LANNON:

19 Q. On the exhibit -- on that exhibit that says
20 A2 in the middle there, do you see that? It says
21 Call Center Awareness Program and underneath it says,
22 "Service company customer service representatives

1 will offer all inbound callers from New Jersey,
2 Pennsylvania, Iowa, Ohio and Tennessee the option to
3 learn more about their service line ownership and
4 responsibilities and, if interested, the customer
5 will be transferred to a company representative for
6 more information." Is that correct?

7 A. That's what this paper you presented to me
8 says.

9 JUDGE JONES: What are you reading from there?

10 Q. From -- it is Staff Exhibit 7.0, Attachment
11 B, page 13 of 13, which is the Company's response to
12 DAS -- or Staff Data Request DAS-1.02, Attachment 14?

13 JUDGE JONES: Okay, thank you.

14 Q. Did I read that correctly?

15 A. Yes.

16 Q. And is that your personal understanding
17 also?

18 A. It is my understanding of what was done
19 under SLAP during the time that it was in effect,
20 which it no longer is.

21 Q. Okay. Now, can you go back to -- and I
22 just lost it -- Staff Cross Exhibit 1, and the table

1 at the top of Staff Cross Exhibit 1 there, that has
2 the third row -- or, excuse me, the third column over
3 is the number of customers by state, correct, or by
4 operating utilities of Illinois-American, correct?

5 MR. WHITT: Objection. There still is no
6 foundation, Your Honor.

7 MR. LANNON: Your Honor, besides the
8 foundation, I have already provided, you know, in
9 that this is a filing with the SEC, it's an exception
10 to the hearsay rule under business records of the
11 type normally relied upon, and it can be taken -- you
12 can take administrative notice of it under our Part
13 200, she -- beyond all that, she has just testified
14 that to her knowledge that customer service
15 representatives offer all inbound callers from these
16 states that are listed on Cross Exhibit 1.0 certain
17 information, the option to learn more about service
18 line ownerships, responsibilities, etcetera.

19 I am just going to ask her a couple of
20 questions about the total number of customers in a
21 couple of these states.

22 JUDGE JONES: All right. Well, let's back up a

1 minute. I just want to be clear on something. Are
2 you trying to lay a foundation for Staff Exhibit 1.0
3 through this witness or are you approaching this in
4 some other manner?

5 MR. LANNON: Well, Your Honor, I think I have
6 done both. I mean, I laid a foundation through this
7 witness based on Staff Exhibit 7.0, Attachment B,
8 which is the Company's response to Staff DR DAS-1.02,
9 Attachment 14, and this AWW 2011 10K comes in anyway.

10 JUDGE JONES: Well, you keep saying that, but I
11 am not sure whether you are trying to use this
12 witness to lay a foundation or whether you are
13 claiming this is admissible or something for which
14 administrative notice can be taken and then question
15 the witness about it in some manner. So I am really
16 -- it is not clear to me what exactly is the intent
17 here in that regard.

18 I mean, as somebody that has to make
19 rulings when disputes break out, then you need to be
20 as clear as possible about what is going on.

21 MR. LANNON: Okay, thank you, Your Honor.

22 I think I have laid a foundation

1 through this witness through the Attachment B to
2 Staff Exhibit 7.0 which is a Company response to a
3 Staff DR.

4 JUDGE JONES: Now, how do you believe that you
5 have done that, other than saying that?

6 MR. LANNON: Well, she just testified that it
7 is her understanding that the service company she
8 manages provides customer service representatives
9 information -- or customer service representatives
10 provide information on all inbound callers from
11 Illinois-American utilities in New Jersey,
12 Pennsylvania, Iowa, Ohio and Tennessee.

13 And now I just want to ask her, based
14 on that, if she can read this table and tell me the
15 number of -- total number of customers from a few of
16 those state utilities.

17 JUDGE JONES: Well, asking a witness whether
18 something on a table is in fact what she is referring
19 to, the source of something she is referring to,
20 something along that line, that's one thing. Asking
21 a witness to read from a table and then sort of
22 claiming, well, I laid a foundation or, if not, then

1 it is something that administrative notice can be
2 taken of, is a different creature or perhaps
3 creatures. That's why we have to be clear here.

4 If you are trying to link the exhibit
5 to that cross exhibit to see if that's what the
6 witness is referring to, if those numbers mean the
7 same thing, if that's what she used, etcetera, that's
8 sort of a foundational type question and you can
9 attempt to do that.

10 But given the objections here and also
11 given the fact that it is apparently not the case
12 that this, this cross exhibit, is actually being
13 presented as an administrative notice exhibit, for
14 example, then we need to kind of approach it more on
15 a step-by-step basis. If you want to go the other
16 direction, we can take a look at that and see where
17 that goes.

18 MR. LANNON: I understand, Your Honor. And
19 thank you. And I think I will change gears here and
20 just ask Your Honor to take administrative notice of
21 the AWW 2011 10K, and I won't follow up with the
22 questions I was going to ask. That will be there.

1 JUDGE JONES: Okay. So you are proposing --

2 MR. LANNON: Just take administrative notice of
3 that.

4 JUDGE JONES: Well, let's see what others may
5 have to say about that. Is there any objection? And
6 this is just one page you are asking about or more?

7 MR. LANNON: It is only one page. I only
8 printed off one page, Your Honor. But like I said
9 earlier, I can put the whole 10K into the record
10 electronically. I just didn't want -- it is at least
11 100 pages. I didn't want to print the whole thing
12 off.

13 JUDGE JONES: All right. In any event, what
14 you are proposing is that Staff Exhibit 1.0 as it
15 currently exists, at least for now, be made part of
16 the evidentiary record on the basis of administrative
17 notice?

18 MR. LANNON: That's correct, Your Honor.

19 JUDGE JONES: We will see if there is any
20 response to that. Is there?

21 MR. WHITT: There is. And the response is the
22 Company maintains its objection, that there is --

1 that the rules of evidence do apply in this
2 proceeding. And one page out of a purported 10K does
3 not satisfy any recognized hearsay exception that I
4 know of which would allow it to come in,
5 notwithstanding its hearsay nature.

6 JUDGE JONES: Mr. Lannon?

7 MR. LANNON: I don't follow counsel's one-page
8 hearsay doctrine here or rule. I don't know what
9 that is. I am totally unfamiliar with that.

10 MR. WHITT: Well, that says that you can't put
11 documents or have witnesses read documents into the
12 record, and then attribute the witness with having
13 personal knowledge of what was said.

14 JUDGE JONES: No, we are not talking about that
15 right now. We are talking about his motion to take
16 administrative notice of this. That's what's --
17 that's the latest thing that he has essentially
18 proposed. So that's sort of what's on the table now.

19 MR. LANNON: That's right. And just to be
20 clear, I am not going follow up with the questions I
21 was going to ask before. If you take administrative
22 notice, I am going to move on. So it has nothing to

1 do with -- I don't see where the hearsay comes in at
2 all because it is a government document and it is a
3 business record of the type commonly relied upon.

4 MR. WHITT: Well, this witness has -- nobody
5 has established that this witness in performing her
6 job as a call center manager regularly relies on AWW
7 10Ks. If that were the case, I could understand the
8 point.

9 MR. LANNON: It doesn't matter for my purposes
10 of moving it into the record.

11 JUDGE JONES: Again, Mr. Lannon has proposed
12 administrative notice be taken on Staff Exhibit 1.0.

13 MR. LANNON: And we will provide the whole
14 thing on line, Your Honor, on e-Docket.

15 JUDGE JONES: All right. Given all that, is
16 there any objection to administrative notice being
17 taken of Staff Exhibit 1.0?

18 MS. SATTER: The People do not object. The
19 People would support Staff's motion. Oftentimes
20 there are SEC type documents that are provided in
21 connection with these cases, for example, annual
22 reports, and this is just a similar SEC document.

1 JUDGE JONES: Any response to that?

2 MR. WHITT: Well, it is unclear to me, Your
3 Honor, which provision of Rule 200.640 this document
4 is being sought to be admitted under the
5 administrative notice provisions.

6 MR. LANNON: I can answer that.

7 JUDGE JONES: Go ahead.

8 MR. LANNON: Part 200.640a(7), "All other
9 matters of which the circuit courts of this state may
10 take judicial notice."

11 JUDGE JONES: Any response?

12 MR. WHITT: It is not my understanding that
13 circuit courts of the state would as a matter of
14 course take judicial notice of SEC reports generally,
15 let alone a specific page of it...

16 JUDGE JONES: Well, I think we have gone -- I
17 am sorry, go ahead and finish your thought.

18 MR. WHITT: I am sorry. ..for the purposes of
19 which it is offered.

20 JUDGE JONES: We have a lot of witnesses left
21 today. I have given the parties quite a bit of
22 leeway in trying to work through this one. There is

1 still some debate here, still some disagreement over
2 whether this is something that normally would be
3 taken administrative notice of. If this is still a
4 disputed matter, I am going to have you brief it. We
5 will go that direction, and then we will get back to
6 it at the appropriate time if it is not worked out in
7 the meantime.

8 MR. LANNON: Thank you, Your Honor.

9 JUDGE JONES: I mean, unless you have some
10 citations now.

11 MR. LANNON: I have got nothing in my pocket,
12 Your Honor. We would be happy to brief it, though.

13 Q. (By Mr. Lannon) Ms. Cooper -- let me see
14 where I was at.

15 (Pause.)

16 Going back to Staff Exhibit 7.0, Attachment
17 B, which is the Company response to DAS-1.02, do you
18 have that in front of you?

19 A. Yes, I do.

20 Q. Okay. Now, do you have any reason to
21 believe that customers from the New Jersey,
22 Pennsylvania, Iowa, Ohio or Tennessee regulated

1 utility would have any reason to call into the CSR
2 less than Illinois-American customers?

3 A. I do know that we do track the number of
4 calls per customer by state and that they are all
5 different. I don't know off the top of my head which
6 states are more and less. I don't have that kind of
7 information in front of me.

8 Q. Do you happen to know off the top of your
9 head how many customers are in each state?

10 A. Not off the top of my head, no.

11 Q. Okay. Can you look at, I think it would
12 be, two bullet points down and there is like two open
13 bullet points there that comprise a script that's --
14 it's in the quotations there?

15 A. Yes, I see that.

16 Q. Now, this script is what the service
17 company representatives make when they get an
18 incoming phone call or they read when they get an
19 incoming phone call, is that correct?

20 A. No, it is not. Your question seems to be
21 in the present tense, and this program was
22 discontinued so they are no longer used.

1 Q. Oh, that's right. SLAP was discontinued.

2 A. Yes.

3 Q. But this is the script they used to read,
4 correct?

5 A. Yes, it is.

6 Q. Okay. Now, could you bear with me, and I
7 hate to do this, but could you just read those two
8 quotes, you know, in a regular manner like one of
9 your CSRs might and, counsel, could you keep track of
10 the time?

11 MR. WHITT: No.

12 Q. All right. I will keep track of the time.

13 MR. OLIVERO: Co-counsel will keep track of the
14 time.

15 Q. I will keep track of the time. Could you
16 read those two quotes, please?

17 A. "Most homeowners do not realize that they
18 own and are responsible for the water and sewer lines
19 on their property. Service line leaks and blockages
20 can cost thousands of dollars to repair. May I
21 connect with you with a representative who can
22 explain how to manage your service line

1 responsibilities."

2 MR. LANNON: Thank you. Okay. Thanks a lot
3 for doing that for me.

4 Your Honor, I think we are going to
5 have to go in camera now for about five questions.

6 JUDGE JONES: Do you want to put the
7 questions -- do you want to put the question out
8 first and see if that -- and we will get it before
9 the witness answers it. See if the Company counsel
10 has a problem with it being in the public portion of
11 the transcript at that time, and then if that issue
12 exists, then we will go in camera if we need to,
13 rather than clearing the room if we don't have to do
14 that.

15 MR. LANNON: Well, if I read the -- what I was
16 going to ask was if she is aware of the average cost
17 per call which was contained in a confidential
18 response to a Staff DR.

19 JUDGE JONES: Thank you.

20 MR. LANNON: That's a service company average
21 cost per incoming customer call.

22 JUDGE JONES: Thank you.

1 MR. WHITT: Counsel, which DR response is it?

2 MR. LANNON: DAS-6.09. And it is
3 Mr. Kerckhove's response but, again, it is regarding
4 something Ms. Cooper is a manager of.

5 MR. WHITT: Perhaps this could be resolved if
6 the next question to the witness is whether she knows
7 what the average cost per call is.

8 MR. LANNON: I can go that route, Your Honor.

9 Q. (By Mr. Lannon) Ms. Cooper, do you know
10 what the average cost per call is to the service
11 company for incoming customer calls?

12 A. The average cost per call actually varies
13 slightly every month because it is based on the
14 number of incoming calls and follows the expenses
15 associated with the operation of the customer service
16 center. So it actually varies. I don't know
17 specifically what number is in that DR response.

18 Q. Well, if we -- and I don't want you to say
19 a number out loud but could you -- we could talk
20 about ballpark numbers.

21 A. Yes.

22 Q. You are aware of ballpark numbers that may

1 change from month to month?

2 A. Yes.

3 Q. With that understanding?

4 A. Yes, it is.

5 MR. LANNON: I think we should go in camera,
6 Your Honor.

7 MR. WHITT: I think it was the actually
8 attachments to that DR response which were
9 confidential. If the questions are based on the text
10 of the response itself, I think we are okay in public
11 session.

12 JUDGE JONES: We would like to avoid in camera
13 if we can. I mean, it is more efficient, but also we
14 like to keep the record as public as we can. But
15 there are times when it is unavoidable.

16 MR. LANNON: These questions are on attachments
17 that are marked confidential. I understand what
18 counsel is saying, but these come from confidential
19 attachments.

20 JUDGE JONES: And you have questions about
21 those numbers?

22 MR. LANNON: Yeah, just a few, Your Honor.

1 JUDGE JONES: Beyond what's in the attachments?

2 MR. LANNON: Right.

3 JUDGE JONES: All right. Anything else on
4 that?

5 MR. WHITT: I would I guess inquire whether we
6 could reserve the need to go in camera until the end
7 of the witness' -- make that the last questions and
8 perhaps if we get to a break or something, we could
9 talk about if there is some other way to get the
10 information you are looking for into the record.
11 Ms. Cooper is not the witness that sponsored the DR
12 response. The witness who did sponsor it is here and
13 I think would be the appropriate person to ask
14 details about it.

15 MR. LANNON: Ms. Cooper did testify, though,
16 that she, you know, has an understanding of these
17 numbers, although her understanding is that they
18 slightly change from month to month.

19 JUDGE JONES: All right. So you still want to
20 go in camera; is that what you are saying,
21 Mr. Lannon?

22 MR. LANNON: Your Honor, if it is

1 administratively more efficient to put it off until
2 the end, I can do that. Either way.

3 JUDGE JONES: Well, if that's not disruptive to
4 your lines of questioning, we can just push it toward
5 the end of your questions and then we will kind of
6 see where we are and figure it out from there.

7 MR. LANNON: Very little disrupts my lines of
8 questioning, Your Honor. But we will put it off for
9 now.

10 Q. (Mr. Lannon) all right. Moving on,
11 Ms. Cooper, can you tell me -- can you tell me the
12 rates or the phone charges budgeted for IAWC, are
13 they based upon the historic number of calls or the
14 historic costs per phone charge?

15 A. I am sorry, can you --

16 Q. Let me break that question down into two.
17 I am sorry.

18 Can you tell me, are the rates
19 budgeted for Illinois-American for your service
20 company, are those rates for incoming calls, are
21 those rates based on the historic number of calls?

22 A. I am not sure that I understand your use of

1 the term "rates." We don't budget phone rates.

2 Q. Do you budget phone costs?

3 A. Yes.

4 Q. Charges?

5 A. Those would be -- those would be
6 incorporated into budgets, yes.

7 Q. Okay. And how would you budget the phone
8 charges? Well, let me strike that.

9 Would you budget the phone charges
10 charged to IAWC based on historic number of calls?

11 A. Not entirely. I actually -- the budgeting
12 of the telephony expenses is not something that is in
13 my direct responsibilities.

14 Q. You know, somebody just passes you the
15 budget, you are the manager and you --

16 A. That particular portion of our budget comes
17 from our ITS people who manage the telephony. But it
18 is based on historical and any known changes that are
19 anticipated.

20 Q. Okay. And is it historical calls or
21 historical phone charges? Do you know the answer to
22 that?

1 A. It would be based on that portion of the
2 expense which would be the telephone...

3 Q. Charge.

4 A. ..charge.

5 Q. Telephone charge.

6 A. Right. Telephone charges would be a
7 component of the budgeted expenses for the call
8 center.

9 Q. All right. Now, do you have your
10 surrebuttal in front of you?

11 A. Yes, I do.

12 Q. And on page 2 I believe you are testifying
13 to the extent of what your CSRs provide customers
14 calling in. You are trying to explain the incentive
15 of the service they provide, is that correct?

16 A. I am sorry, what lines are you referring?
17 to?

18 Q. I am not sure. Well, I am talking in
19 general. You are taking up a dispute with
20 Mr. Sackett -- I am sorry, strike that.

21 Can you turn to page 5? Are you
22 there?

1 A. Yes.

2 Q. Okay, thanks. And down at the bottom
3 there, you know, lines -- let's say line 110,
4 beginning there and maybe over onto the next page,
5 you are talking about your CSRs attempting to provide
6 good customer service consistent with fundamental
7 principles, is that correct?

8 A. Yes.

9 Q. Now, if a person were to call the IAWC toll
10 free number and ask for information about the Service
11 Line Protection Program, do you know what the CSR's
12 response would be?

13 A. Their instruction is to transfer that phone
14 call to AWR.

15 Q. To AWR, the resource company?

16 A. Yes. There is a particular extension
17 number that they transfer it to.

18 Q. Okay. Now, what if -- let's just take on
19 some hypothetical, some kind of silly hypothetical
20 even. What if somebody were to call the IAWC toll
21 free number and wanted to order a sandwich or
22 something, what would the CSR say?

1 A. I have never had that experience.

2 Q. Have you ever had a wrong number called
3 into the IAWC or to the CSR?

4 A. There are telephone calls which are not --
5 yeah, wrong numbers.

6 Q. What happens then? What does the CSR say
7 in response to a call like that or a wrong number or
8 something where the call-in person asks for something
9 that has nothing to do with American Water Works?

10 A. I don't think that there is an exact script
11 for that. The universe of possible conversations
12 with customers is very big, and our customer service
13 representatives, they are trained to ask how they can
14 help the customer, gain an understanding of what
15 their need is, and then if they are not able to help
16 them and if it would not be something that they could
17 help with, obviously, they would conclude the call.

18 Q. But you wouldn't transfer the call to AWR,
19 would you?

20 A. No. We would only transfer a call to AWR's
21 extension if they asked about water line protection
22 or some sort of customer protection plan.

1 Q. Let's take one more hypothetical. If a
2 person called the IAWC toll free number and wanted to
3 order in-office bottled water like Hinckley &
4 Schmitt, what would the CSRs say in that
5 circumstance?

6 A. I am not sure. I think that they would
7 probably transfer that information to possibly a
8 business liaison who might be able to sort who in the
9 Company might be able to answer the question.

10 Q. But they wouldn't transfer the call to the
11 resource company?

12 A. Not to my knowledge, no.

13 Q. And would they try to provide a business
14 phone number for Hinckley & Schmitt?

15 A. I don't believe there is any information
16 like that in our data bases.

17 Q. Okay. Now I am going to move on.

18 Are you familiar with the
19 Illinois-American Water Company's web page at all?

20 A. I am aware that there is one for each of
21 our operating subsidiaries. I am not in detail
22 familiar with the contents.

1 Q. Just to refresh your memory I will show you
2 a printout of the main web page, the first page,
3 okay.

4 Could I approach the witness, Your
5 Honor?

6 JUDGE JONES: Sure.

7 Q. Now, that's identified as the
8 Illinois-American Water Company's home page, isn't
9 that right?

10 MR. WHITT: Counsel, may we have a copy?

11 MR. LANNON: I only have the one.

12 MR. WHITT: May I approach, Your Honor, to see
13 what it is?

14 MR. LANNON: Here.

15 Q. (By Mr. Lannon) Do you see the highlighted
16 language on that page?

17 A. I see what you highlighted in yellow.

18 Q. Right. And do you see the logo up on top
19 which is the American Water Resources star?

20 A. No, I see the Illinois-American.

21 Q. Star?

22 A. Yes, and it says Illinois-American.

1 MS. SATTER: Your Honor, can I request that
2 copies of this document be made at some point and
3 made available to the parties?

4 JUDGE JONES: Mr. Lannon?

5 MS. SATTER: I mean, I think it would be
6 helpful for everybody. Maybe at the conclusion of
7 your questions.

8 MR. LANNON: Okay. Yeah, we can do that. The
9 point is real simple, Your Honor.

10 Q. (By Mr. Lannon) But can you read the
11 highlighted -- and you are right as far as what it
12 says. It says the Illinois-American Water Company,
13 right? Can you read that highlighted language there?

14 A. It says 2012 American Water,
15 Illinois-American Water, and the Star logo are
16 registered trademarks of American Water Works Company
17 Incorporated.

18 Q. Thanks. And this is the American Water
19 Resources web page and it has the similar star logo
20 on it, is that right?

21 A. It says American Water Resources and it
22 includes a star.

1 Q. And it has similar language as you just
2 read from the IAWC web page about that star logo
3 being a registered trademark?

4 A. It says that the 2012 American Water
5 Resources Incorporated, American Water Resources, and
6 the star logo are registered trademarks of American
7 Water Works Company.

8 Q. Okay. Now, lastly, I want to show you a
9 confidential document. It is a copy of a bill, okay.
10 And all I want to ask you on that, and you can see I
11 highlighted up on the top, that same star logo, is
12 that correct?

13 A. The same as which one?

14 Q. The logo just being the star, not
15 identifying different entities, different American
16 Water Works entities, the logo is the same on all
17 three, is that correct?

18 A. I am not really sure. I am not a trademark
19 expert. But when it says trade -- you know, American
20 Water Resources, I would think that it includes the
21 words and the graphic together. I don't know.

22 Q. You don't know?

1 A. I am not a --

2 Q. You are not an expert, right?

3 A. Right. But the bill here says

4 Illinois-American Water.

5 Q. Okay. I will take these back then.

6 But the point is you couldn't tell,

7 without being an expert, you were confused, were you

8 not, about how to answer that question? Because the

9 star is on all three of them, but the language might

10 be slightly different on all three of them, is that

11 right?

12 A. No, that wasn't what I was confused about.

13 What I was confused about was if the star and the

14 words separately are pieces of logo or if they are

15 together.

16 Q. But the star did appear on all three?

17 A. There is a star component.

18 Q. Yeah, on all three, right?

19 A. In each of those logos, yes.

20 Q. Thanks. And when a customer calls in, do

21 CSRs clarify for the ratepayer which entity the CSR

22 represents, which I assume is the service company, is

1 that right?

2 A. When a customer calls in, our customer
3 service representatives identify themselves and greet
4 the customer by saying, "Thank you for calling
5 American Water."

6 Q. American Water?

7 A. Yeah.

8 Q. Thank you. I am going to ask you cross
9 questions now but really DR questions, the ones that
10 went out late and I believe they would have been
11 assigned to you. At least from our perspective they
12 appear like they would have been in your province.

13 Can you tell me does AWWSC track its
14 average handling time as a metric for cost cutting?

15 A. We track average handle time in an effort
16 to optimize customer service. In the long run,
17 handle time factors into our appropriate staffing and
18 scheduling. If we know the forecast of calls to come
19 in on various days and at all of the intervals in the
20 day, then we can schedule the right number of people.
21 And we use an average handle time in order to know
22 that we will have the right number of people

1 scheduled to answer the calls at the right time.

2 Q. Okay. Do calls that are longer than
3 average increase costs to all the regulated
4 utilities?

5 A. The calls -- the cost per call is different
6 than the average handle time. They are really very
7 different metrics. The handle time is the amount of
8 time that the customer service representative spends
9 on the phone talking to the customers plus the time
10 that the customer might be on hold as well as time
11 after the call has concluded when they are in, what
12 we call, after-call work, and that's where they might
13 be entering notes into the system, completing other
14 work to set up the account or the service order or
15 whatever.

16 Q. Well, let me ask you a different question
17 then. Do calls that are longer than the average
18 handling time increase costs to all the regulated
19 utilities?

20 A. Well, once again, average handle time and
21 cost per call are different calculations and don't
22 include all of the same components. Once again, the

1 handle time is the time that the CSR spends on the
2 phone plus the time that a customer is on hold plus
3 their after-call work. So that includes some
4 components of the length of time that they are on the
5 phone.

6 Q. Okay. Let me try one more time. Thanks
7 for fully answering that, though.

8 How about calls that have a higher
9 average cost, are those higher-than-average costs
10 passed on to all regulated utilities?

11 A. Well, the average cost per call is the
12 average. And that component, that is based on the
13 number of calls divided by all the expenses of
14 operating the CSC.

15 Q. Okay. What factors cause some calls --
16 well, let me go back to longer.

17 What factors cause some calls to be
18 longer than others?

19 A. Oh, there is a lot of reasons why customers
20 call in and issues could be -- it is depending on the
21 issue that they are calling about. Certainly if they
22 are calling and maybe just asking for their balance,

1 that's a relatively short call. The agent would just
2 go into their account and look for the balance and be
3 able to tell them. However, a call to establish
4 service, an on-order what we would call, or set up an
5 account is a much longer call because there is a lot
6 of information that a customer service representative
7 has to get from the customer, all of their contact
8 information, all of the information they need to set
9 up the account, if there are any third parties --

10 Q. Well, let me ask you, if somebody is
11 calling in and wants the pipeline protection plan,
12 would that call take longer than somebody calling in
13 to ask something about, say, their bill for
14 Illinois-American?

15 A. I am sorry, you said pipeline protection
16 program?

17 Q. Isn't that it? Excuse me, Water Line
18 Protection Program, I am sorry.

19 A. Okay. So could you ask me the question
20 again?

21 Q. Sure. On average, somebody calling in
22 asking about their bill where you already have all

1 their information, you have got a bill and they just
2 want to ask one question about their bill, wouldn't
3 that take less than a call where somebody wants the
4 Water Line Protection Plan to be added to their
5 service?

6 A. I am sorry. If a customer calls
7 specifically about water line protection and has a
8 question about getting that service, they would be
9 transferred and that would be a relatively short
10 call.

11 Q. Can you -- if you were back at your office,
12 could you provide me the number of calls into the
13 service center broken down by state?

14 A. That, we do track that information.

15 Q. Okay. I would like to do an on-the-record
16 data request for that.

17 And how does the service company know
18 which calls to charge to which affiliate?

19 A. Every affiliate has an individual toll free
20 number that is unique for that state, and our system
21 tracks those calls, those incoming calls, based on
22 the toll free number that's dialed.

1 Q. Now, I forgot to give you a time frame for
2 that on-the-record DR. Could you provide the number
3 of calls into the service center broken down by state
4 from 200to 2011 once you get back to your office?

5 A. I don't know. We have changed some of our
6 systems. Given that long a period of time, I would
7 have to consult with field.

8 Q. Could you then just go back as far as you
9 have kept the information broken down by state?

10 A. I believe that information can be.

11 Q. Okay, thank you. Do you know, how does the
12 phone -- okay, I think you just testified that the
13 phone system -- or the CSR would know which utility
14 the customer calling in was associated with by the
15 number that they dial, is that correct?

16 A. Actually, no. The CSR would not
17 necessarily see that number. However, through a
18 computer telephony interphase, the file set
19 associated with, in our example here,
20 Illinois-American, does come to the agent's screen so
21 that they know that the customer is an
22 Illinois-American customer, for example. They don't

1 actually have an indicator on their phone, kind of a
2 caller ID, that says, hey, they called
3 1-800-Illinois-American. However, that file set does
4 come to them which makes it easier for them to locate
5 that particular customer's information.

6 Q. Okay. If you were back at your office,
7 would you be able to provide us the total call center
8 costs per minute of all calls that come into your
9 center?

10 A. I am sorry, could you repeat that?

11 Q. Sure. If you were back at your office and
12 you had a little bit of time, could you provide us
13 with the total call center cost per minute of all
14 calls?

15 A. I am not sure. I would have to
16 investigate.

17 MR. LANNON: Your Honor, I would like to do
18 another on-the-record DR for the total call center
19 costs per minute of all calls from 2004 to 2011 or as
20 far back as that information is kept.

21 JUDGE JONES: I am not going to treat that as a
22 formal discovery request, if that's what you are

1 intending to make it. I think a request like that --
2 DRs are informal, party to party. And if that's what
3 you are saying, then that's something that you are
4 requesting of Illinois-American.

5 MR. LANNON: We have, Your Honor.

6 MR. WHITT: And if I can just be clear, Your
7 Honor, that witness' testimony about what she could
8 do or is able to do, obviously I have no problem with
9 those questions. But I don't want her answers to be
10 construed as a commitment on the Company to do what
11 she is being asked to do.

12 MR. LANNON: That's fine, Your Honor.

13 Q. (By Mr. Lannon) okay. Can you go back to
14 your surrebuttal testimony, pages 5 to 6, and
15 starting at line 110, and we touched on this just a
16 little bit before. You stated that, "I believe the
17 caller" -- in response to something Mr. Sackett had,
18 you said, "I believe the caller would find this
19 perplexing and very frustrating." Do you see that
20 sentence there?

21 A. Yes, I do.

22 Q. And I believe it continues on, "Although

1 AWWSC would comply with Commission-ordered
2 instruction from IAWC along these lines, I would
3 consider such an instruction to be inconsistent with
4 fundamental customer service principles."

5 Now, regarding that, can you tell us
6 what are the fundamental customer service principles
7 you are referring to there?

8 A. When we talk about our fundamental
9 principles, we are seeking about answering a customer
10 courteously, accurately and quickly.

11 Q. And what?

12 A. And quickly, promptly. And in one call.

13 Q. Okay. I would take it that, if there is
14 any customer confusion or misunderstandings on the
15 part of the customer, that you would correct those,
16 correct that confusion or that misunderstanding, is
17 that right? Would that be part of those fundamental
18 principles?

19 A. Are you speaking about any kind of
20 confusion or a particular confusion about a
21 particular issue?

22 Q. A confusion about a particular issue that

1 they might be calling in about.

2 A. Yes, we would attempt to assist them and,
3 if that required clarification, we would do that.

4 Q. And I think you would agree with me
5 customers are more likely to rate AWWSC highly on
6 surveys if they feel that their expectations in
7 calling-in have been satisfied; you would agree with
8 that, wouldn't you?

9 A. Not entirely. The surveys that we do,
10 there are two types. There is a customer
11 satisfaction survey and there is a service quality
12 survey. And the results of those are measured by
13 state. So customers are not rating the AWWSC per se.
14 In this case, of course, they would be expressing
15 their satisfaction with Illinois-American.

16 Q. Okay. Could you turn to the previous page,
17 page 4, and I believe you state there that customer
18 protection programs are not available in all states.
19 Up around line 72, 73.

20 A. Yes.

21 Q. Do you know what states do not have
22 customer protection plans?

1 A. Off the top of my head, I don't know all of
2 them, but I do know that Illinois is one of them.

3 Q. Okay. I once again formally, informally, I
4 would like to make an on-the-record data request for
5 that information.

6 Okay. Do you know how many Water Line
7 Pipeline Protection ESOs came in for each state where
8 WLPP is not offered? Do you keep track of that?

9 A. No.

10 Q. Do you know whether Arizona has Water Line
11 Protection Plans?

12 A. I believe that -- it would be in my
13 testimony. I believe that the screen shot of IDA
14 actually indicates that for certain states that the
15 calls should simply be transferred to Extension 4371,
16 and the states of Arizona, Illinois, Kentucky,
17 Missouri and West Virginia are those states.

18 Q. And what was that extension?

19 A. 4371.

20 Q. And what's that Extension 4371?

21 A. That would be for AWR.

22 Q. Thank you. Now, would New York, California

1 and Maryland also be included in that?

2 A. Included in what?

3 Q. In the screen notes that would kick it to
4 Extension 4371?

5 A. In the case of those states, for example
6 you mentioned New York, there would be additional
7 information populated in this particular field which
8 would say -- there would be yeses and nos populated,
9 saying the customer did or did not, was or was not
10 enrolled in a customer protection plan.

11 Q. For those three states, New York,
12 California, Maryland?

13 A. New York, California and Maryland would be
14 among those, yes.

15 Q. Okay. But for Arizona, Illinois, Kentucky,
16 West Virginia and Missouri, it would -- the screen
17 would just pop up and prompt the CSR to call
18 Extension 4371, correct?

19 A. Yes. This is the screen as shown in my
20 exhibit. And it simply says that there is no yes
21 and no information populated as to whether the
22 customer is enrolled in a plan or not. This is the

1 only line that's populated for all customers in those
2 states.

3 Q. Illinois is one of the states that does
4 have WLPP, correct?

5 A. No, it is not.

6 Q. But then why would -- why would a caller be
7 prompted to -- why would the CSR send a call to
8 Extension 4371 if WLPP is not available?

9 A. Because the customer service representative
10 has no more information, has no information at all,
11 about WLPP, as it pertains to customers in Illinois.
12 So there is nothing more a customer service
13 representative can do for that customer.

14 Q. Okay. So let me just be clear about this.
15 Does Arizona have WLPP?

16 A. For Arizona, Arizona is one of the states
17 for which there is no customer information populated,
18 and the only thing that a customer service
19 representative could offer is to transfer.

20 Q. Okay. I got you.

21 Now, I am going to show you a
22 supplemental response to DAS-3.03, and again I only

1 have one of these because I did not expect the answer
2 I got.

3 MR. WHITT: I have responses sponsored by the
4 witness fairly handy, but if they are responses that
5 others have supplied --

6 MR. LANNON: That's this current. DAS 3.03.

7 Q. (By Mr. Lannon) Okay. This is a
8 supplemental response to DAS-3.03 and I believe you
9 are the person that responded. And this is what I am
10 interested in, this table here.

11 Now, on this table on the -- excuse
12 me, I am sorry -- number 1, 2, 3, fourth page of the
13 supplemental response to DAS-3.03 there is a table
14 that says "Product Availability by State" and the --
15 well, the first column is a column of states and the
16 second column is a column labeled "WLPP" that has
17 either "Available" or "Not available" on it, is that
18 right?

19 A. Yes.

20 Q. And under Arizona it says "Available,"
21 correct?

22 A. It does say that.

1 Q. And under Illinois it says "Available,"
2 correct?

3 A. It says that.

4 Q. And in Kentucky it says "Available"?

5 A. Yes.

6 Q. West Virginia is "Available"?

7 A. Yes.

8 Q. And Missouri is "Available," correct?

9 A. Yes.

10 Q. Now, page 4 again of your surrebuttal, line
11 80, starts with, "These materials are meant to cover
12 training on the CSR practices and procedures
13 generally applicable to all states. However, there
14 are state-specific differences in practice or
15 procedure that are not included in the training
16 documentation. An example is the fact that CSRs
17 cannot see whether an Illinois customer has an AWR
18 product. This kind of information is covered in
19 sessions during training on state-specific
20 information."

21 I read the answer to that question
22 correctly, didn't I?

1 A. Yes.

2 Q. How frequently do these state-specific
3 training sessions occur?

4 A. State-specific training is part of our
5 new-hire training, and there are several areas where
6 we bring those topics up. Of course, one of the
7 first ones is in the overview of IDA and some of the
8 online tools and the fact that individual state
9 information they would be able to find in IDA. It is
10 also covered in sections in training under when they
11 are learning to write service orders because there
12 are some differences there, and again in the section
13 where we cover emergency service orders. They are
14 also referred that not all states have programs. So
15 they are referred to review items for state-specific
16 information and not necessarily memorize them.

17 Q. And just so we are clear on one thing, IDA,
18 can you explain what that acronym stands for?

19 A. Oh, I apologize. IDA stands for instant
20 data access.

21 Q. And, you know, I didn't quite catch the
22 very beginning of your answer. How frequently, you

1 said it was part of something.

2 A. Oh, it is part of their new-hire training.

3 Q. New what?

4 A. New-hire training.

5 Q. Oh, I understand.

6 A. When they have a new hire, they come in and
7 there is a training program that they go through.

8 Q. I just didn't hear that right. Thanks.

9 How about is there any follow-up
10 training like the new-hire training?

11 A. There are occasionally. There are
12 trainings you would have on various topics every
13 quarter.

14 Q. Every quarter?

15 A. Every quarter.

16 Q. State specific?

17 A. They could be but not necessarily. They
18 might be on a variety of topics that are appropriate
19 at the time. They could be on something new in a
20 particular state. We also have, in between those
21 kinds of classroom settings, we also have other kinds
22 of like in a pod meeting or a team meeting, I should

1 say, where we would bring up anything new in a
2 particular state.

3 Q. And that state-specific information, is
4 there anything that addresses the WLPP orders?

5 A. The state-specific information is, again,
6 kind of a review, if you will, of things that are in
7 IDA because that's where we house the state-specific
8 information. And so to the extent that the CSRs are
9 directed to refer to IDA, that would certainly be one
10 of the fields that they can find there.

11 MR. LANNON: Thank you, Ms. Cooper. You have
12 been very helpful.

13 Your Honor, I am not sure about the
14 SEC document, the 10K. Are we going to brief those
15 or address that now?

16 JUDGE JONES: Do you have anything else to --

17 MR. LANNON: I do have one thing else.

18 JUDGE JONES: I don't want to spend a bunch
19 more time on that right now really. We are way
20 behind on the schedule and we spent quite a bit of
21 time on that earlier. So I don't really want to kind
22 of fall into that trap of spending a lot more time on

1 that.

2 MR. LANNON: Understood.

3 JUDGE JONES: I think it was indicated that
4 there wasn't any more authority to be cited or
5 anything at this time.

6 MR. LANNON: Thank you, Your Honor.

7 JUDGE JONES: But did you have other questions,
8 any other questions, for this witness?

9 MR. LANNON: No, pending redirect.

10 JUDGE JONES: Thank you, Mr. Lannon.

11 One moment.

12 (Pause.)

13 Mr. Alperin, did you have any
14 questions for Ms. Cooper?

15 MR. ALPERIN: I just had a couple of really
16 quick ones, and I can ask them from here.

17 CROSS EXAMINATION

18 BY MR. ALPERIN:

19 Q. Ms. Cooper, you work for the service
20 company, correct?

21 A. Yes, I do.

22 Q. Is the service company a not-for-profit

1 corporation?

2 A. I think -- I don't know the legal meaning
3 of not-for-profit.

4 Q. Do you know whether the service company
5 makes profits in providing service to
6 Illinois-American Water Company?

7 A. No, it does not.

8 Q. Do you know who would know what the legal
9 status of the service company might be with respect
10 to not-for-profit?

11 A. No, I don't know.

12 MR. ALPERIN: Fair enough. No further
13 questions, Your Honor.

14 JUDGE JONES: All right. Thank you. Is there
15 any other cross for this witness?

16 (No response.)

17 Let the record show there is not.

18 Does the Company have redirect?

19 MR. WHITT: I do, Your Honor.

20 REDIRECT EXAMINATION

21 BY MR. WHITT:

22 Q. Ms. Cooper, do you know what a 10K is?

1 A. No, I don't.

2 Q. Are 10Ks the type of information you
3 ordinarily rely on to perform your duties for
4 Illinois-American?

5 MR. LANNON: Your Honor, I object to this line
6 of questioning. I thought I withdrew my attempt to
7 get the 10K in through this witness, and I believe
8 you ordered that we brief the administrative notice
9 of it.

10 MR. WHITT: Your Honor, I was simply asking the
11 witness relevant information the Bench needs to
12 determine whether any of the exceptions or factors
13 which permit administrative notice apply here.

14 MR. LANNON: I don't -- Your Honor, it goes way
15 beyond my cross of her. I didn't ask the questions
16 that I was going to ask if I were to ask for that 10K
17 to get through through this witness. I withdrew
18 them.

19 JUDGE JONES: How does asking the witness these
20 questions relate to whether administrative notice
21 should be taken or not?

22 MR. WHITT: Well, Your Honor, the rules of

1 evidence do apply in Commission proceedings. There
2 is an exception that will allow admissibility of
3 evidence where it is the type of information
4 ordinarily relied on by a witness. I understand that
5 may not be the exact basis of the motion that's been
6 made, but I simply wanted to establish -- and those
7 are the only questions I had about the 10K, in any
8 event, does she know what it is and is this the type
9 of thing she lies on, and I am prepared to move
10 beyond it after that question.

11 JUDGE JONES: But I still don't quite
12 understand how you -- were you saying that that's
13 related to the Motion to Take Administrative Notice?

14 MR. WHITT: Yes.

15 JUDGE JONES: Well, I haven't heard enough of
16 an explanation there that would somehow tie these
17 questions to the request to take administrative
18 notice. Now, it is correct that there is some
19 questions that were asked on direct. They kind of
20 stopped that for a certain point. They are still in
21 the record regarding this item.

22 Are you saying that this line of

1 questions goes beyond the questions that you asked
2 about this exhibit as far as you got?

3 MR. LANNON: Yes, Your Honor. And if I could,
4 first I would like to thank counsel for reminding us
5 again that the Rules of Evidence apply here at the
6 Illinois Commerce Commission. But it is -- the point
7 is it is not whether she routinely relies on the
8 information contained in a 10K. It is whether others
9 generally do.

10 MR. WHITT: Your Honor, I'll withdraw the
11 question to move this along.

12 JUDGE JONES: All right. Go ahead.

13 BY MR. WHITT:

14 Q. Ms. Cooper, you were asked some questions
15 about the Service Line Awareness Program and Call
16 Center Awareness Programs. Do you recall that line
17 of questioning?

18 A. Yes.

19 Q. Was Illinois-American ever included in
20 those programs?

21 A. No, they were not.

22 Q. You were asked to read call center scripts.

1 Do you recall doing that?

2 A. Yes.

3 Q. Were the scripts that you read during cross
4 examination ever read to customers of
5 Illinois-American Water?

6 A. No, they were not.

7 Q. And just so we are clear, each regulated
8 utility in the various American Water jurisdictions
9 has its own telephone number available to customers
10 in that jurisdiction, correct?

11 A. Yes, they do.

12 Q. So folks in, for example, Pennsylvania will
13 be calling a different telephone number than
14 customers in Illinois, is that right?

15 A. That is correct.

16 Q. You were asked questions in response to a
17 data request response that you read concerning
18 whether a Water Line Protection Program was available
19 in Illinois. Do you recall that line of questioning?

20 A. Yes, I do.

21 Q. Is such a program available through
22 Illinois-American Water Company?

1 A. The document that I was reading was an AWR
2 document and not a service company document.

3 Q. So is it the case that, if customers in
4 Illinois want water line protection, they have to get
5 it through AWR and not Illinois-American Water?

6 A. I don't know. Could you rephrase that?

7 Q. Who offers the Water Line Protection
8 Program in Illinois? Is it AWR or Illinois-American?

9 A. It is AWR.

10 Q. Is it your understanding that in certain
11 other American Water jurisdictions that, based on the
12 regulatory requirements of that jurisdiction, that
13 Service Line Protection Programs might be offered by
14 the utility directly?

15 A. Yes, and charges can appear on their bill.

16 Q. Does American Water Works Service Company
17 know whether an Illinois-American Water customer has
18 a Water Line Protection Program from AWR or anyone
19 else?

20 A. They don't know that unless the customer
21 offers that during the course of the conversation
22 with the customer.

1 Q. You talked about how, when a customer calls
2 and they ask about AWR, that the call is then
3 transferred to AWR, is that right?

4 A. Yes.

5 Q. Once the call is transferred, does the
6 original CSR monitor or listen in on the conversation
7 once it's been transferred?

8 A. No. The call goes to the front of the,
9 what we call the front, the beginning of the AWR IBR
10 and they hear the recorded greeting and the CSR is
11 disconnected from the call.

12 Q. When customers call the Illinois toll free
13 number, do CSRs try to sell AWR products to those
14 callers?

15 A. No.

16 Q. Does the service company provide
17 customer-specific information to AWR?

18 A. No.

19 Q. If a customer does enroll with AWR, is the
20 fact of that enrollment to your knowledge transmitted
21 to Illinois-American Water Company or is that
22 information that AWR maintains separately?

1 very kind, you read it aloud. With you accept
2 subject to check that it took you roughly 15 seconds
3 to read that script?

4 A. I don't know how long.

5 Q. I was clocking it. Subject to check?

6 A. Sure. Yes.

7 Q. Now, your counsel also asked you if a
8 customer of Illinois-American would get or procure
9 WLPP through IAWC, and I believe you said you don't
10 know. Was that your answer, you don't know?

11 MR. WHITT: I will object. There was a
12 follow-up question, once the witness understood the
13 answer, where she answered that very question, that
14 it is provided by AWR.

15 JUDGE JONES: This is recross so he can ask it.

16 THE WITNESS: I am sorry, could you ask the
17 question again?

18 BY MR. LANNON:

19 Q. Yes. Your counsel asked you a question of
20 how an Illinois-American customer would procure WLPP
21 and whether they would do it through IAWC, and I
22 believe that you answered that question with an "I

1 don't know." Is that correct?

2 A. Yes, and I asked him to clarify the
3 question, after which I understood it and the answer
4 is no.

5 MR. LANNON: Thank you, Your Honor. That's
6 all.

7 JUDGE JONES: Anything further?

8 (No response.)

9 Thank you, Ms. Cooper. Your
10 examination is completed.

11 (Witness excused.)

12 MR. WHITT: If we could, Your Honor, we would
13 like to move for the admission of the exhibits
14 identified during Ms. Cooper's direct testimony.

15 JUDGE JONES: All right. Any objection to the
16 admission of exhibits sponsored by Ms. Cooper?

17 (Witness excused.)

18 Let the record show there are not.
19 Those exhibits are admitted. They are 15.00R filed
20 3/29/12; 15.01R filed March 29, 2012; 15.00SR filed
21 May 9, 2012. They are admitted as they appear on
22 e-Docket.

1 (Whereupon IAWC Exhibits 15.00R,
2 15.01R and 15.00SR were admitted
3 into evidence.)

4 JUDGE JONES: Off the record regarding
5 scheduling.

6 (Whereupon there was then had an
7 off-the-record discussion.)

8 JUDGE JONES: We hereby take a five-minute
9 break.

10 (Whereupon the hearing was in a
11 short recess.)

12 JUDGE JONES: Back on the record.

13 Does the Company call a witness?

14 MR. JONES: Yes, Your Honor, the Company calls
15 Paul Herbert.

16 (Whereupon the witness was duly
17 sworn by Judge Jones.)

18 JUDGE JONES: Thank you. Please be seated.

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PAUL R. HERBERT

called as a witness on behalf of Illinois-American Water Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. JONES:

Q. Could you please state and spell your name for the record.

A. Paul R. Herbert, H-E-R-B-E-R-T.

Q. By whom are you employed and what is your position?

A. I am President of the Valuation and Rate Division of Gannett Fleming, Inc.

Q. And were you asked by Illinois-American Water Company to prepare testimony and exhibits for this proceeding?

A. Yes, I was.

Q. Mr. Herbert, did you prepare or cause to be prepared direct testimony in this case?

A. Yes.

Q. And do you have a copy of that direct testimony in front of you?

1 A. Yes, I do.

2 Q. Looking at that copy of what's been
3 previously marked as IAWC Exhibit 11.00 which bears
4 the caption of Direct Testimony of Paul R. Herbert,
5 is this a copy of your direct testimony?

6 A. Yes, it is.

7 Q. And is it true and correct to the best of
8 your knowledge?

9 A. Yes, it is.

10 Q. Do you have any changes to your testimony?

11 A. No, I do not.

12 Q. And if asked the questions contained in
13 your direct testimony today, would you give the same
14 answers?

15 A. Yes, I would.

16 Q. And in the course of your direct testimony,
17 Mr. Herbert, you identify and sponsor certain
18 exhibits that are marked as IAWC Exhibit 11.01, 11.02
19 and 11.03?

20 A. Yes.

21 Q. Do you have copies of those exhibits in
22 front of you?

1 A. Yes, I do.

2 Q. And were those exhibits prepared by you or
3 under your direction or supervision?

4 A. Yes, they were.

5 Q. And do they accurately reflect what they
6 purport to reflect?

7 A. Yes, they do.

8 Q. Also, Mr. Herbert, did you prepare or cause
9 to be prepared rebuttal testimony in this case?

10 A. Yes, I did.

11 Q. And do you have a copy of that rebuttal
12 testimony in front of you?

13 A. Yes, I do.

14 Q. So looking at a copy of what's been
15 previously marked as IAWC Exhibit 11.00R, which bears
16 the caption Rebuttal Testimony of Paul R. Herbert, is
17 this a copy of your rebuttal testimony?

18 A. Yes, it is.

19 Q. And is it true and correct to the best of
20 your knowledge?

21 A. Yes, it is.

22 Q. Do you have any changes to your rebuttal

1 testimony?

2 A. No, I do not.

3 Q. And if I asked you the questions contained
4 in your rebuttal testimony today, would you give the
5 same answers?

6 A. Yes, I would.

7 Q. And in the course of your rebuttal
8 testimony do you identify and sponsor certain
9 exhibits which were marked as IAWC Exhibit 11.01R,
10 11.02R and 11.03R?

11 A. Yes, I do.

12 Q. Do you have copies of those exhibits in
13 front of you?

14 A. Yes.

15 Q. And were those exhibits prepared by you or
16 under your direction or supervision?

17 A. Yes, they were.

18 Q. And do they accurately reflect what they
19 purport to reflect?

20 A. Yes, they do.

21 Q. And finally, Mr. Herbert, did you prepare
22 or cause to be prepared surrebuttal testimony in this

1 case?

2 A. Yes, I did.

3 Q. Do you have that surrebuttal testimony in
4 front of you?

5 A. Yes.

6 Q. Looking at that copy of what's been
7 previously marked as IAWC Exhibit 11.00SR, bearing
8 the caption Surrebuttal Testimony of Paul R. Herbert,
9 is this a copy of your rebuttal testimony?

10 A. Yes, it is.

11 Q. And is it true and correct to the best of
12 your knowledge?

13 A. Yes.

14 Q. Do you have any changes to your surrebuttal
15 testimony?

16 A. No.

17 Q. If I asked you the questions contained in
18 your surrebuttal testimony today, would you give the
19 same answers?

20 A. Yes, I would.

21 Q. And in that surrebuttal testimony do you
22 identify and sponsor certain exhibits which were

1 marked as IAWC Exhibit 11.01SR and 11.02SR?

2 A. Yes.

3 Q. And do you have copies of those exhibits in
4 front of you?

5 A. Yes.

6 Q. Were those exhibits prepared by you or
7 under your direction or supervision?

8 A. Yes, they were.

9 Q. And do they accurately reflect what they
10 purport to reflect?

11 A. Yes.

12 MR. JONES: Your Honor, at this time
13 Illinois-American moves for admission into evidence
14 of the following exhibits: IAWC 11.00, 11.01, 11.02
15 and 11.03; in addition IAWC 11.00R, 11.01R, 11.02R
16 and 11.03R; and also IAWC 11.00SR, 11.01SR and
17 11.02SR.

18 JUDGE JONES: Thank you. Any objections to the
19 admission of those?

20 (No response.)

21 Let the record show there are not.

22 Those evidentiary items, that is

1 exhibits, are all admitted into the evidentiary
2 record as filed on e-Docket on the dates shown on the
3 IAWC exhibit list.

4 (Whereupon IAWC Exhibits 11.00,
5 11.01, 11.02, 11.03, 11.00R,
6 11.01R, 11.02R, 11.03R, 11.00SR,
7 11.01SR and 11.02SR were
8 admitted into evidence.)

9 MR. JONES: Thank you, Your Honor. Mr. Herbert
10 is now available for cross examination.

11 JUDGE JONES: Thank you. Mr. Robertson, do you
12 have questions for this witness?

13 MR. ROBERTSON: Yes, sir.

14 CROSS EXAMINATION

15 BY MR. ROBERTSON:

16 Q. Good afternoon, Mr. Herbert.

17 A. Good afternoon.

18 Q. My name is Ryan Robertson. I have some
19 questions today on behalf of the Illinois Industrial
20 Water Consumers.

21 In the last rate case, last
22 Illinois-American rate case, the Commission combined

1 Champaign and Sterling districts into Rate Zone 1, is
2 that correct?

3 A. I believe that is correct.

4 Q. And in that particular consolidation -- or
5 that particular consolidation was based on a
6 Commission finding that such a consolidation was
7 reasonable, is that correct? Subject to check would
8 you agree with that?

9 A. Subject to check. I don't have that Order
10 with me or I haven't read it recently.

11 Q. Okay. But would you agree that subject to
12 check that's what they found?

13 A. I would imagine that's accurate.

14 Q. Would you agree that, in order to approve
15 the proposed consolidation of the Chicago Metro Zone
16 1 in this case, the Commission would have to find
17 that that consolidation is also reasonable?

18 MR. JONES: Your Honor, I object. It calls for
19 the witness to make a legal conclusion as to what the
20 standard is.

21 Q. Well, based on your knowledge do you know
22 of any instances where the Commission has approved

1 something that they found not to be reasonable?

2 A. I don't know.

3 Q. Have you read any other Commission Orders?

4 A. Yes, I have.

5 Q. Okay. In any of those orders do you recall
6 at any time that the Commission approved something
7 that they found to be unreasonable?

8 A. I don't recall that I have.

9 Q. Would you agree that IAWC witness Collins
10 did not object to the consolidation of Rate Zone 1 in
11 the Sterling and Champaign districts in the last rate
12 case?

13 A. I don't recall that.

14 Q. Would you agree that ordinarily the utility
15 has the burden of demonstrating the reasonableness
16 and appropriateness of their proposed changes in
17 rates?

18 A. Yes.

19 Q. Would you agree that this demonstration is
20 ordinarily accomplished through a presentation of a
21 cost of service study of some kind?

22 A. Not always, but that's typically what is

1 done to support a rate design.

2 Q. Would you agree that a difference in
3 diversity factors in different service areas can be
4 an indicator of a difference in cost of service among
5 those different service areas?

6 MR. JONES: Your Honor, I object to the extent
7 that these questions, line of questions, is beyond
8 the scope of Mr. Herbert's direct testimony. If he
9 could show him where in the testimony he discusses
10 that.

11 Q. Okay. Well, did you -- is it true that you
12 based your cost of service study in part on the Black
13 and Veatch Demand Report dated October 2011?

14 A. We used the -- we used the peak factors
15 that arose from the results of that study.

16 Q. So you used that study to help support your
17 cost of service study, correct?

18 A. We used the peak factors that they
19 established from that study in our cost of service
20 study.

21 Q. Okay. I would like to show you what I
22 would like to mark as IIWC Cross Exhibit 1.

1 (Whereupon IIWC Cross Exhibit 1
2 was marked for purposes of
3 identification as of this date.)

4 So, and what I have handed you is pages
5 4-2 and 5-1 of that report and ask you whether those
6 pages show customer class capacity factors for Rate
7 Zone 1 in Chicago Metro and also provides a
8 discussion of the reasonableness of the recommended
9 capacity factors.

10 MR. JONES: Let me object to foundation, Your
11 Honor. It has not been established that this witness
12 bases his testimony on this exhibit, which actually
13 is designated as Jeffrey Kaiser's exhibit in the top
14 right-hand corner.

15 MR. ROBERTSON: The witness actually on page 4
16 of his direct testimony cites the Black and Veatch
17 report. Specifically it says, "The purpose of my
18 testimony in this case is to discuss the cost of
19 service studies prepared using capacity factors
20 developed in the direct demand study prepared by
21 Black and Veatch."

22 JUDGE JONES: Anything further?

1 MR. JONES: Same objection, Your Honor.

2 JUDGE JONES: Ms. Reporter, could you read the
3 question back, please?

4 (Whereupon the requested portion
5 of the record was read back by
6 the Reporter.)

7 JUDGE JONES: Well, given the fact that there
8 is an objection, you are probably going to have to
9 back up and lay some sort of foundation for the
10 document that you want to ask him about to see if
11 that's what he used or part of what he used and so
12 on.

13 BY MR. ROBERTSON:

14 Q. On page 4 of your direct testimony do you
15 say that the purpose of your testimony in that
16 portion of the case was to discuss the cost of
17 service study prepared using capacity factors
18 developed in the direct demand study prepared by
19 Black and Veatch?

20 A. Yes.

21 Q. Okay. So are you familiar with these
22 pages?

1 A. Yes.

2 Q. And do those pages show customer class
3 capacity factors for Rate Zone 1, the Chicago Metro,
4 and provide a discussion of the reasonableness of the
5 recommended capacity factors?

6 A. Yes.

7 Q. Is it correct that you made a material
8 change in your class cost of service study between
9 your direct case and your rebuttal case?

10 A. I wouldn't call it a material change. We
11 revised the allocation for the combined Rate Zone 1
12 Chicago Metro cost allocation to remove the contract
13 customers.

14 Q. To remove the contract customers?

15 A. Yes.

16 Q. Okay. And as a result of removing those
17 contract customers -- well, so it is correct that the
18 change was removing the special contract customers to
19 tariff customers in the study and instead allocating
20 the revenue for contract customers back across the
21 remaining tariff customer class, is that correct?

22 A. That's right. The revenues derived from

1 the contract customers were considered other revenues
2 and deducted from the cost of service by class based
3 on the allocated cost of service of those classes.

4 Q. Do you recall how you treated these
5 contract customers in your class cost of service
6 study in the last rate case?

7 A. I believe they were included as a class on
8 their own.

9 Q. So you did not exclude them from a class
10 cost of service study?

11 A. Not in the last case, no.

12 Q. Would you agree in your rebuttal testimony
13 you didn't recognize the load characteristics of base
14 and extra capacity for the contract customers in
15 allocating Illinois-American's costs across all of
16 the customers?

17 A. In the revised cost of service study in my
18 rebuttal?

19 Q. Yes, sir.

20 A. Those classes were removed from the cost
21 allocation.

22 Q. Right. Would you agree that it is your

1 testimony that the contract customers have base
2 consumption levels that must be served by
3 Illinois-American?

4 A. The cost of service in that study did not
5 consider those as classes.

6 Q. Right.

7 A. However, their revenues that are received
8 from those classes are then deducted from base costs
9 and extra capacity costs and any other costs of the
10 any other remaining classes.

11 Q. So those contract customers have base
12 consumption levels that must be served by
13 Illinois-American?

14 A. They have -- they have costs incurred to
15 serve those customers, yes.

16 Q. I think you mentioned this, but would you
17 also agree that those customers have extra capacity
18 demands on the Illinois-American system that
19 Illinois-American must meet?

20 A. Yes, they must meet those demands according
21 to their requirements.

22 Q. And would you agree that Illinois-American

1 does incur costs to serve base and extra capacity
2 demands from contract customers?

3 A. They are required to meet their commodity
4 requirements which would include base and extra
5 capacity.

6 Q. And is it correct that you believe that, as
7 long as contract customers -- as long as contract
8 customers pay rates that exceed the Company's
9 variable costs, they make a contribution to the fixed
10 costs and, therefore, they benefit all customers on
11 the system?

12 A. Yes. As long as the revenues received from
13 the contract customers exceed the incremental costs
14 to serve those customers, then that excess revenue is
15 a contribution towards fixed costs which benefit the
16 remaining classes, and that's how I reflect that
17 properly and appropriately in my revised cost of
18 service study in my rebuttal testimony.

19 Q. And would you agree that in your direct
20 testimony you recognize the contract customers were
21 making a contribution to fixed costs in your cost of
22 service study as well?

1 A. Sure. The revenues that were derived and
2 shown in my original study would also do the same
3 thing as far as covering costs. However, it doesn't
4 reflect properly, I don't believe, the benefit to all
5 classes for them being on the system, the way that my
6 second and revised --

7 Q. That's okay. We are just talking about the
8 first one.

9 Would you agree that in
10 Illinois-American's last rate case, contract
11 customers were also making contributions to fixed
12 costs?

13 A. Yes.

14 Q. Would you agree that in your rebuttal
15 testimony you ignore the contract customers in
16 allocating base and extra capacity costs across
17 tariff customers based on the systems' base and extra
18 capacity demands on the system?

19 A. You will have to ask that one again.

20 Q. Okay. In your rebuttal testimony you
21 ignore contract customers in allocating base and
22 extra capacity costs across tariff customers based on

1 the systems' base and extra capacity demands on the
2 system?

3 A. I don't understand the question.

4 Q. Well, okay, in your direct testimony cost
5 of service study you included both the revenues
6 produced from contract customers and the demands of
7 the contract customers in your allocation of
8 Illinois-American's cost of service to all
9 Illinois-American customer classes?

10 A. To all the classes including the contract
11 customers, yes.

12 Q. Does the Chicago metro area consist of
13 primarily residential customers?

14 A. Approximately 92 percent are residential.

15 Q. Would you agree that a service area
16 consisting primarily of residential customers would
17 have different cost and use factors from a service
18 area consisting of industrial customers, commercial
19 customers and residential customers?

20 A. Chicago metro also has those kind of
21 customers.

22 Q. But the same percentage as Zone 1 or to a

1 lesser extent?

2 A. The Zone 1 has 90.4 percent. I would say
3 that's fairly close. Residential, 90.4 percent.
4 That's well within the reasonableness of --

5 Q. And industrial and commercial?

6 A. The remaining eight or nine and a half
7 percent.

8 Q. Well, despite what you have cited, just say
9 in general if an area is primarily residential
10 customers and there was a different area that
11 included residential, industrial and commercial,
12 would they have -- would it be different? Would
13 there be a different diversity factor, different
14 costs in usage?

15 MR. JONES: I object to the form of the
16 question. It is a compound question and also
17 mischaracterizes Mr. Herbert's earlier testimony,
18 giving the precise numbers of residential
19 concentration.

20 JUDGE JONES: Response?

21 MR. ROBERTSON: I will try to ask another.

22 (Pause.)

1 Jeff Alperin. I represent the Village of
2 Bolingbrook. I just have a couple of questions for
3 you pertaining to this proposed consolidation of Zone
4 1 and Chicago Metro Service Area.

5 Zone 1 has water treatment costs,
6 correct?

7 A. That's correct.

8 Q. And Chicago Metro for the most part
9 purchases its water, correct?

10 A. All except the Chicago well area.

11 Q. Okay. But Chicago Metro doesn't have the
12 same extent of water treatment costs as Zone 1, true?

13 A. True.

14 Q. Okay. For purposes of setting the rates,
15 if the consolidation is approved, will the Chicago
16 Metro Service Area users have to pay for water
17 treatment costs in Zone 1?

18 A. No.

19 Q. Those will be kept segregated?

20 A. Yes. What we did is we subtracted off the
21 production costs from the combined Zone 1 and Chicago
22 Metro, and that's where we equalized the rate at for

1 the non-production costs. And then we added back the
2 production costs for the Zone 1 customers and then
3 the Chicago Metro customers who don't have like the
4 Chicago Well, but the Chicago Lake and Chicago
5 Moreland areas, they would then purchase their water
6 in addition to that rate, that non-production rate
7 that we determined.

8 Q. All right. Let me turn your attention to
9 capital improvements. Are there capital improvements
10 that are needed down in the Zone 1 service area?

11 A. Certainly.

12 Q. Are they more extensive than those that are
13 need up in the Chicago Metro Service Area?

14 A. I don't know.

15 MR. ALPERIN: Fair enough. You know what,
16 those are all the questions I have. Thank you.

17 JUDGE JONES: Thank you. Mr. Balough, did you
18 have questions?

19 MR. BALOUGH: No, Your Honor.

20 JUDGE JONES: All right. Ms. Satter, did you
21 say you had a question?

22 MS. SATTER: Yes, just very briefly.

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CROSS EXAMINATION

BY MS. SATTER:

Q. Good afternoon, Mr. Herbert. You testified that contract customers, to the extent they pay their incremental costs -- let me start over.

To the extent they pay more than their incremental costs, they are contributing to the fixed costs of the system, is that correct?

A. That is correct, yes.

Q. Okay. So my question to you is, when you say incremental costs, are you including any long-term fixed costs?

A. No, just the short-term variable costs. Mainly power and chemicals are the incremental costs.

Q. So there is no capacity component of the incremental costs?

A. No, it is base costs.

Q. Okay. Okay. So the incremental costs, I think you said, were basically water treatment costs and power?

A. Power and chemicals, yes.

MS. SATTER: Chemicals. Okay, thank you. That

1 is my question.

2 JUDGE JONES: Other cross?

3 (No response.)

4 Let the record show there is not.

5 Is there redirect?

6 MR. JONES: No, Your Honor, no redirect.

7 JUDGE JONES: Thank you, Mr. Herbert. That
8 concludes your examination.

9 (Witness excused.)

10 JUDGE JONES: Is Illinois-American Water
11 Company ready to proceed with its next witness?

12 MS. ZEHR: Yes, Your Honor. The Company will
13 call Gary A. Naumick, please.

14 (Whereupon the witness was duly
15 sworn by Judge Jones.)

16 JUDGE JONES: Thank you. Please be seated.

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GARY A. NAUMICK

called as a witness on behalf of Illinois-American Water Company, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MS. ZEHR:

Q. Good afternoon, Mr. Naumick.

A. Good afternoon.

Q. Can you please state your name and business address for the record.

A. My name is Gary A. Naumick, N-A-U-M-I-C-K, business address 1025 Laurel Oak Road, Voorhees, V-O-O-R-H-E-E-S, New Jersey 08043.

Q. Sir, by whom are you employed and in what capacity?

A. I am employed by American Water Works Service Company in the capacity of Senior Director of Corporate Engineering.

Q. Thank you. And are you the same Gary A. Naumick who caused to be filed direct, rebuttal and surrebuttal testimony and accompanying exhibits in this proceeding, sir?

1 A. Yes, I am.

2 Q. And do you have in front of you what's been
3 previously marked as IAWC Exhibit 8.00, the Direct
4 Testimony of Gary A. Naumick, with accompanying
5 Exhibits 8.01 and 8.02?

6 A. Yes, I do.

7 Q. And is this the direct testimony and
8 accompanying exhibits prepared by you or at your
9 direction in this proceeding?

10 A. Yes, it is.

11 Q. And if I asked you the questions contained
12 in that testimony today, would your answers be the
13 same?

14 A. Yes, they would.

15 Q. Do you have any corrections to that
16 testimony, sir?

17 A. No, I don't.

18 Q. And is the information contained in your
19 direct testimony true and accurate to the best of
20 your knowledge?

21 A. Yes, it is.

22 Q. Thank you. Sir, do you have in front of

1 you what has been previously marked as IAWC Exhibit
2 8.00R(Revised), the Revised Rebuttal Testimony of
3 Gary A. Naumick, with accompanying Exhibits 8.01R and
4 8.02R?

5 A. Yes, I do.

6 Q. And is that your rebuttal testimony and
7 accompanying exhibits prepared by you or at your
8 direction...

9 A. Yes.

10 Q. ..in this proceeding? Thank you. If I
11 asked you the questions contained in that testimony
12 today, sir, would your answers be the same?

13 A. Yes.

14 Q. And do you have any corrections to that
15 testimony?

16 A. No, I don't.

17 Q. Is the information contained in your
18 rebuttal testimony true and correct to the best of
19 your knowledge?

20 A. Yes, it is.

21 Q. Thank you. And do you have before you
22 today, sir, what has been previously marked as IAWC

1 Exhibit 8.00SR(Revised), the Revised Surrebuttal
2 Testimony of Gary A. Naumick, with accompanying
3 exhibit IAWC Exhibit 8.01SR, sir?

4 A. Yes.

5 Q. And is that your surrebuttal testimony,
6 sir?

7 A. Yes, it is.

8 Q. Was that testimony prepared by you or at
9 your direction?

10 A. Yes.

11 Q. And if I asked you the questions contained
12 in that surrebuttal testimony today, would your
13 answers be the same?

14 A. Yes.

15 Q. Do you have any corrections to that
16 testimony, sir?

17 A. No.

18 Q. And is the information contained in your
19 surrebuttal testimony true and correct to the best of
20 your knowledge?

21 A. Yes, it is.

22 MS. ZEHR: Your Honor, the Company would move

1 for the admission of the aforementioned exhibits and
2 would tender Mr. Naumick for cross examination.

3 JUDGE JONES: Thank you. Are there any
4 objections to the admission of those exhibits
5 sponsored by Mr. Naumick?

6 (No response.)

7 Let the record show that there are
8 not. Accordingly, those exhibits are admitted into
9 the evidentiary record. The exhibit numbers are as
10 just identified on the record. The file dates are as
11 shown on the exhibit list reflecting the date filed
12 on the e-Docket filing system.

13 (Whereupon IAWC Exhibits 8.00,
14 8.01, 8.02, 8.00R(Rev), 8.01R,
15 8.02R, 8.00SR(Rev) and 8.01SR
16 were admitted into evidence.)

17 JUDGE JONES: I believe there are cross
18 examination questions in store for Mr. Naumick.
19 Ms. Satter, are you going to go forward with yours?

20 MS. SATTER: Thank you.

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CROSS EXAMINATION

BY MS. SATTER:

Q. Good afternoon, Mr. Naumick.

A. Good afternoon, Ms. Satter.

Q. I am with the Office of the Attorney General. I just have a few questions for you, not too many.

First, in both your direct and surrebuttal testimony you referred to an Illinois State Rebate Program for Energy Star qualified models, is that correct?

A. Yes.

Q. And let me show you what we are marking as AG Cross Exhibit 4, and excuse the small print.

(Whereupon AG Cross Exhibit 4 was marked for purposes of identification as of this date.)

Assuming you can read it, if you can tell me what that is, if that's familiar to you.

A. Yes.

Q. Yes?

A. Yes.

1 Q. And does this represent the URL that you
2 included in your testimony, in your direct testimony
3 pages 9 and 10, referring to the Illinois Appliance
4 Rebate Program?

5 A. I believe it does.

6 Q. And so is it your understanding as related
7 on this page that the program closed April 5, 2010?
8 The first phase closed April 5, 2010?

9 A. I believe that's what it says, yes.

10 Q. Okay. And are you also aware that the page
11 indicated that the second phase opened and closed the
12 same day?

13 A. Are you reading that off the page here?

14 Q. Yeah, third paragraph, line --

15 A. Well, I believe that's -- I am sorry.

16 Yeah, the second part was about heating and
17 ventilation products and the second page Energy Star,
18 yes, it ended on April 16, 2010.

19 Q. So were the second phase products unrelated
20 then to water usage?

21 A. The second phase, some are unrelated.
22 There may be some that are related to water usage.

1 Q. Of the eligible products, would you agree
2 that clothes washers and dishwashers are water use
3 related?

4 A. Yes.

5 Q. But there are other items listed here,
6 correct?

7 A. Correct.

8 Q. And the amount of money that was available
9 for rebates was for all these products, isn't that
10 correct?

11 A. I believe that's correct.

12 Q. Do you have any idea how much of the rebate
13 money was distributed for clothes washers and
14 dishwashers?

15 A. I don't.

16 Q. Did Illinois-American participate in this
17 program in any way that you are aware of?

18 A. I know Illinois-American has ongoing
19 information about opportunities for conservation
20 activities, water saving measures. I do not know if
21 Illinois-American is participating in this program.

22 Q. So as far as this rebate program is

1 involved, your answer is you don't know?

2 A. Correct.

3 Q. Now, you also stated in your testimony that
4 Illinois-American has conservation information
5 available on its website, is that correct?

6 A. I believe maybe you could point me to that
7 spot?

8 Q. Is that your belief?

9 A. Yes.

10 Q. If you go to page 10, line 212, IAW also
11 provides information on its website regarding wise
12 water use and conservation, and it even has
13 information on how customers can obtain a link
14 detection kit, correct?

15 A. Correct.

16 Q. Do you know how that's accessible on the
17 website, how customers know to find it?

18 A. I don't know the exact clicks of mouse
19 clicks to get to that.

20 Q. Okay. So you don't know the path?

21 A. Correct.

22 Q. You don't know how many clicks it takes to

1 find this type of information?

2 A. No, I don't.

3 Q. Okay. Now, in your -- let me make sure I
4 direct you to the right piece of testimony. It is
5 your rebuttal testimony. You have attached an
6 Exhibit 8.02R which appears to be an article from
7 AWWA Streamlines. It looks like it is a publication
8 of the American Water Works Association, is that
9 right?

10 A. That is correct.

11 Q. And you are quoted in that article, right?

12 A. That's correct.

13 Q. So you talked to the author about your
14 efforts, correct?

15 A. I talked to him about the topic, yes.

16 Q. Now, on page 2 of that exhibit "In
17 Seattle," do you see that paragraph?

18 A. Yes, yes.

19 Q. Now, in that paragraph the individual talks
20 about using a demand response to control supply
21 capacity, is that right?

22 A. Yes.

1 Q. And he essentially says that he believes he
2 could postpone investment for supply capacity as a
3 result of demand response, is that right? Or should
4 I say conservation?

5 A. Well, they are saying declining per capita
6 consumption -- the decline in per capita consumption
7 has helped defer the need for additional supply.

8 Q. Specifically, it says, "We think the need
9 for additional capacity has been pushed up 60 years,"
10 right?

11 A. Correct.

12 Q. So my question to you is, has
13 Illinois-American considered the effect of decreased
14 usage on the need for additional capacity?

15 A. Yes, in its comprehensive planning study
16 program, demand projections are done and future
17 forecasts of consumption is included in that. And,
18 therefore, any trends in consumption would be
19 considered in our comprehensive planning.

20 Q. Can you identify any savings that you have
21 found in that or any postponed investment that you
22 have identified in that study?

1 A. It is hard to say that as a yes or no,
2 other than our projections are based on information
3 that includes the trends, and supply decisions are
4 made in conjunction with that. In concept, I would
5 suggest that the answer is yes. Can I name a
6 specific project? Not off the top of my head. But,
7 again, supply demand planning has to be adequate to
8 meet customer needs with appropriate, but not excess,
9 capacity. So it would be factored in. So the timing
10 of a project might well change based on demand.

11 Q. Would you consider that a benefit?

12 A. Yes.

13 Q. Now, one other question I want to ask you
14 has to do with people per household for purposes of
15 estimating demand.

16 Is it your position that the number of
17 people in a household affects the amount of usage for
18 that household?

19 A. I would generally agree with that, with
20 that statement, generally.

21 Q. So a family of six would be expected to use
22 more water, all else equal, than a family of two?

1 A. All else equal, I would agree.

2 Q. And is it -- does it increase per person?
3 Like is it a linear increase by the number of people?

4 A. You could probably surmise some things are.
5 Others, such as after use might not be. But
6 certainly personal hygiene, number of washing cycles
7 and such, would likely be impacted by per capita.

8 Q. Number of showers, number of toilet
9 flushes, face washes, hand washes?

10 A. Yes.

11 Q. So the number of people per household is
12 important in assessing the demand on your system?

13 A. It's a factor in usage, if that's your
14 question.

15 Q. Are you aware of any reports that
16 Illinois-American Water makes to the State of
17 Illinois relative to water use for Lake Michigan
18 water?

19 A. I am not personally familiar with them.

20 Q. Do you know whether Illinois-American is
21 obligated to report to the State of Illinois its
22 usage of Lake Michigan water?

1 A. Firsthand, I don't know.

2 Q. So you don't know one way or the other?

3 A. I don't know, no.

4 Q. Would you expect Illinois-American Water to
5 use the same number of people per connection for all
6 of its assessments of water demand?

7 MS. ZEHR: I would object, Your Honor. The
8 witness has said twice he is unfamiliar with this
9 topic and he doesn't know.

10 JUDGE JONES: Response?

11 MS. SATTER: He did not say he is unfamiliar
12 with the topic. In fact, I think it is the
13 fundamental message of his testimony, is demand and
14 the size of demand. And one of the issues that he
15 talks about at some length is the calculation of
16 demand relative to the number of people per
17 household. In fact, it was an issue that was raised
18 by AG witness Mr. Rubin, and I could direct you to
19 the page in his testimony, but I don't think there is
20 any question that Mr. Naumick is an expert and that
21 his testimony talks about demand relative to
22 household size.

1 JUDGE JONES: Anything further?

2 (No response.)

3 Objection overruled. Please answer
4 the question if you have an answer.

5 THE WITNESS: A. Illinois-American would not
6 have any inside information on the number of people
7 per household, other than public record information,
8 i.e. census data or some similar source of study.

9 BY MS. SATTER:

10 Q. You don't think that billing data could
11 provide insight on that?

12 A. I don't believe that's information on how
13 many people live in a home. I have never used it in
14 planning activities. Again, we would rely on public,
15 public information.

16 Q. So then you would expect that in all
17 reports or all assessments of demand on the basis of
18 household, the same public data would be used?

19 A. I am not sure I can answer that, other than
20 sources of public information would be the source of
21 record for obtaining that information.

22 Q. And you would expect it to be a consistent

1 number? In other words, you wouldn't report the
2 demand per household to one government body to be one
3 number and to another agency another number. I mean,
4 is there any reason for that that you can perceive?

5 A. There is no reason for that unless someone
6 had the 2005 census update and someone had the 2010
7 census or some other county or local source of
8 information. Other than the fact of someone
9 selecting one source of information versus another, I
10 don't think there would be any reason beyond that.

11 MS. SATTER: Okay. I don't have any other
12 questions. Thank you very much.

13 JUDGE JONES: Mr. Alperin, do you have --

14 MR. ALPERIN: No questions of this witness,
15 Your Honor. Thank you.

16 JUDGE JONES: Mr. Balough, did you have
17 anything for this witness?

18 MR. BALOUGH: No, no questions.

19 JUDGE JONES: Are there any other questions for
20 him on cross?

21 (No response.)

22 Is there any redirect?

1 MS. ZEHR: No redirect, Your Honor. Thank you.

2 JUDGE JONES: Thank you. Your examination is
3 over. You may leave the witness stand.

4 (Witness excused.)

5 MS. SATTER: I would like to move for the
6 admission of AG Cross Exhibit 4.

7 MS. ZEHR: My only concern, Your Honor, is that
8 the URL at the top right of the exhibit is cut off.
9 Would counsel for the AG be able to provide the
10 exhibit with the URL?

11 Okay. No objection. Thank you.

12 MS. SATTER: It cut off. I am sorry. It might
13 have been the way it was copied. Would you like me
14 to read it into the record or counsel can verify that
15 it matches.

16 MS. ZEHR: Well, in this I can't, but from your
17 copy. Thank you.

18 Yes, with the exception of the print
19 direction and the URL, it does match. Thank you.

20 JUDGE JONES: Any further clarifications or
21 objections regarding Exhibit 4, Cross Exhibit 4?

22 (No response.)

1 Let the record show that AG Cross
2 Exhibit 4 is admitted into the evidentiary record.

3 (Whereupon AG Cross Exhibit 4
4 was admitted into evidence.)

5 JUDGE JONES: Does it have sufficient
6 identification at this point?

7 MS. ZEHR: Yes, Your Honor. Thank you.

8 JUDGE JONES: Is there anything you wanted to
9 read into the record regarding identification?

10 MS. SATTER: I don't think it is necessary.
11 The witness had recognized it. It was the same page.
12 And counsel verified that the URL matched except for
13 the print direction.

14 JUDGE JONES: Thank you. Off the record
15 regarding scheduling.

16 (Whereupon there was then had an
17 off-the-record discussion.)

18 JUDGE JONES: Back on the record.

19 There was an off-the-record discussion
20 for the purposes indicated. It included witness
21 cross schedules and what rooms we will be in for how
22 long and things like that. In any event, I think the

1 plan is for Illinois-American to put Mr. Bernsten on
2 the stand this afternoon and postpone Mr. Rungren
3 until tomorrow.

4 Anything about that anybody wants to
5 comment on?

6 (No response.)

7 So let's do that. So does
8 Illinois-American have a witness to call at this
9 time?

10 MR. STURTEVANT: Yes, Your Honor.
11 Illinois-American will call Tyler Bernsen.

12 (Whereupon the witness was duly
13 sworn by Judge Jones.)

14 JUDGE JONES: Thank you. Please be seated.

15 TYLER T. BERNSEN
16 called as a witness on behalf of Illinois-American
17 Water Company, having been first duly sworn, was
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. STURTEVANT:

21 Q. Good afternoon, Mr. Bernsen. Can you
22 please state your full name and business address for

1 the record.

2 A. Tyler T. Bernsen, 727 Craig Road, St.
3 Louis, Missouri 63141.

4 MR. STURTEVANT: And before I go through, I
5 apologize, Your Honor, I should have mentioned this
6 before Mr. Bernsen got up here. Before I go through
7 all of his exhibits, there is one surrebuttal exhibit
8 of his that is a compilation of materials that was
9 requested by the Staff witness. Those we intend to
10 put into the record related to the rate case expense.
11 That exhibit, my understanding, is approximately 1300
12 pages in length -- okay, 700 pages in length.

13 And given its volume, we had proposed
14 in testimony, and I believe Staff is amenable, to
15 filing that as a late-filed exhibit at the end of
16 this week at the conclusion of the hearing. And it
17 would also include any additional updated items
18 related to rate case expense that were available at
19 the time of the filing.

20 So I just wanted to mention that we
21 had made that proposal. As far as I know, it is okay
22 with Staff and I don't believe it is disadvantageous

1 to any of the other parties.

2 MS. SATTER: Well, we would like to see it
3 before the close of the hearings. So if it could be
4 served tonight, that would be preferable. You can
5 serve it electronically; is that possible?

6 MR. STURTEVANT: Well, that's part of the
7 problem. Because of the volume it has to be broken
8 down into a couple dozen of parts to be filed on
9 e-Docket, and being 700 pages, that's the difficulty.
10 It is all materials that have been previously
11 provided in data responses.

12 MS. SATTER: Why don't you just indicate the
13 precise data, if it is JMO-10 --

14 MS. ZEHR: It is the data request responses
15 listed in the attachments to Staff witness
16 Ostrander's rebuttal and surrebuttal testimony.

17 BY MR. STURTEVANT:

18 Q. Mr. Bernsen, do you have in front of you
19 what's been marked as IAWC Exhibit 7.00 with
20 accompanying Exhibits 7.01 and 7.02?

21 A. Yes.

22 Q. And that is marked as the Direct Testimony

1 of Tyler Bernsen?

2 A. Yes.

3 Q. And did you -- was that direct testimony
4 prepared by you or under your direction and
5 supervision?

6 A. Yes.

7 Q. And do you also have what is marked as IAWC
8 Exhibit 7.00SUPP, the Supplemental Direct Testimony
9 of Tyler Bernsen?

10 A. Yes.

11 Q. And was that supplemental direct testimony
12 prepared by you or under your direction and
13 supervision?

14 A. Yes.

15 Q. And that also includes IAWC Exhibit
16 7.01SUPP and 7.02SUPP, correct?

17 A. Yes.

18 Q. And do you have in front of you what's been
19 marked as IAWC Exhibit 7.00R, the Rebuttal Testimony
20 of Tyler Bernsen?

21 A. Yes.

22 Q. And that includes accompanying exhibits

1 IAWC Exhibits 7.01R through 7.05R, is that correct?

2 A. Yes.

3 Q. And was this rebuttal testimony prepared by
4 you or under your direction and supervision?

5 A. Yes.

6 Q. And then there is what's been marked as
7 IAWC Exhibit 7.00SR with accompanying exhibits IAWC
8 Exhibits 7.01SR, 7.02SR and the 7.03SR which is the
9 late-filed exhibit that we were just discussing and
10 that's marked as the Surrebuttal Testimony of Tyler
11 Bernsen?

12 A. Yes.

13 Q. And was that surrebuttal testimony prepared
14 by you or under your direction and supervision?

15 A. Yes.

16 Q. And with respect to the questions asked,
17 Mr. Bernsen, in your direct testimony, supplemental
18 direct testimony, rebuttal testimony and surrebuttal
19 testimony, if those questions were asked of you today
20 would your answers be the same?

21 A. Yes.

22 Q. And is the information contained in your

1 testimony and exhibits that I have previously
2 identified true and correct to the best of your
3 knowledge and belief?

4 A. Yes.

5 Q. And with that, Your Honor -- sorry, one
6 more thing. Mr. Bernsen, are you also adopting the
7 testimony of Mr. Edward Grubb?

8 A. A portion of his testimony, yes.

9 Q. And that portion is IAWC Exhibit 4.00,
10 pages 12 through 17, is that correct?

11 MS. SATTER: What are the pages?

12 Q. 12 through 17.

13 A. Yes, starting on line 262 of 12 and ending
14 line 369 on 17.

15 Q. Okay.

16 JUDGE JONES: That's on the exhibit list, too,
17 right?

18 MR. STURTEVANT: That's correct, Your Honor.

19 JUDGE JONES: That's the third line from the
20 top?

21 MR. STURTEVANT: Right. With that, Your Honor,
22 we would move for the admission of Mr. Bernsen's 's

1 direct, supplemental direct, rebuttal, surrebuttal,
2 including the adopted portions of Mr. Grubb's
3 testimony into evidence at this time and make him
4 available for cross examination.

5 JUDGE JONES: Thank you. Any objection to the
6 admission of the exhibits sponsored by Mr. Bernsen?

7 (No response.)

8 Let the record show there are not. I
9 will not indicate all exhibits numbers again. They
10 are admitted as just identified on the record and as
11 they appear on the exhibit list and as having been
12 filed on e-Docket on the dates reflected in the
13 exhibit list. Those are admitted.

14 (Whereupon IAWC Exhibits 7.00,
15 7.01, 7.02, 7.00SUPP and 4.00
16 (p. 12-17) were admitted into
17 evidence.)

18 JUDGE JONES: Okay. Ms. Satter, did you have
19 --

20 MS. SATTER: I am ready if I am the only person
21 with questions.

22 JUDGE JONES: Let's see, check real quickly

1 here. Mr. Alperin may have some. Did you have
2 questions?

3 MR. ALPERIN: At this point I don't. But I
4 will go ahead and let Ms. Satter --

5 CROSS EXAMINATION

6 BY MS. SATTER:

7 Q. Good afternoon, Mr. Bernsen.

8 When Ms. Teasley was on the stand, I
9 had shown her an exhibit called AG Cross Exhibit 1
10 being Schedule C-13 which listed you as the witness
11 responsible. We had distributed copies of this
12 schedule, so I don't have a copy to provide to you
13 right now but your counsel does?

14 MR. STURTEVANT: May I approach the witness,
15 Your Honor?

16 JUDGE JONES: Yes, sir.

17 BY MS. SATTER:

18 Q. I just have a few questions about this
19 schedule, and this was previously marked as AG Cross
20 Exhibit 1. And my question to you is, does this
21 schedule represent the payments that
22 Illinois-American Water Company made to the various

1 affiliates listed on the schedule.

2 A. Yes.

3 Q. Okay. And it is for the 12 months ending
4 the date on the left-hand side?

5 A. Yes.

6 Q. Okay. So page 1, September 2013, that's a
7 projected amount, is that correct?

8 A. Yes.

9 Q. And page 2, September 2012, is that fully
10 projected or is that some -- is that partially
11 projected, partially actual?

12 A. That would be -- I believe that is
13 partially projected.

14 Q. Do you know which months were actual?

15 A. I believe it would be through June.

16 Q. Was it updated in June?

17 A. Not to my knowledge.

18 Q. So then it would -- through June of which
19 year? I mean, this is supposed to be a year
20 September 2012. So if we started September 2011, was
21 this fully projected data?

22 A. This is not fully projected data.

1 Q. Do you know what months are actual of the
2 12 months here? If you don't know, that's fine.

3 A. I don't know. I don't recall off the top
4 of my head.

5 Q. I am just inquiring. And the September
6 2011 page, that would be page 3, that's actual data,
7 is that correct?

8 A. No.

9 Q. I am sorry?

10 A. No.

11 Q. So tell me what is the source of the
12 September 2011 data?

13 A. Subject to check, I recall that this 2011
14 data would have been mostly actual. But I do not
15 believe it is all actuals. There is a portion of
16 projected data in there. The Company filed its case
17 in October which would not have given it enough time
18 to update its full case with actuals. So there is a
19 portion of projected data.

20 Q. Do you know which portion is projected, how
21 many months?

22 A. Subject to check, I would say that the nine

1 months ended July of 2011 were actuals and then the
2 three months remaining would be projected.

3 Q. Thank you. And the last page of this
4 schedule for the 12 months ending September 2010,
5 that would be actual data, is that correct?

6 A. Yes.

7 Q. Now, this schedule represents the amounts
8 that are either projected to be paid to the
9 affiliates or were actually paid to the affiliates
10 listed here, right?

11 A. Yes.

12 Q. Do you -- I wanted to ask you, on page 4,
13 line 8, there is a federal income tax entry to
14 American Water Works Company and it is a negative
15 number, is that correct?

16 A. It appears it is a negative number.

17 Q. What does that mean?

18 A. I don't know.

19 Q. It is a positive number on the other three
20 pages, right?

21 A. Yes.

22 Q. Now, in your testimony you talk about rate

1 case expense, correct?

2 A. Yes.

3 Q. And in your direct testimony on page 12 you
4 note that the current case is only a six percent
5 increase above what was actually incurred to
6 prosecute the prior case, right? That's the last
7 line on 12, first line on 13.

8 A. Yes, and I do believe that number was
9 revised in my supplemental direct.

10 Q. Do you recall the change, what the change
11 was? So it went from \$2.74 million down, wasn't it,
12 about a thirty odd thousand dollars change?

13 A. I can't find it at the moment. Can you
14 direct me to my testimony?

15 Q. That's okay. Actually, my question wasn't
16 about that. My question is, you compare it to the
17 amount that you said was actually incurred, and is it
18 correct that the amount actually incurred is more
19 than the amount estimated in the last rate case?

20 A. Can you repeat the question?

21 Q. Let me do this. Let me show you what we
22 have marked as AG Cross Exhibit 5.

1 (Whereupon AG Cross Exhibit 5
2 was marked for purposes of
3 identification as of this date.)

4 And you have testified in
5 Illinois-American's last rate case, correct?

6 A. Yes.

7 Q. That was 09-0319?

8 A. Yes.

9 Q. And did you sponsor the rate case expense
10 in that case as well?

11 A. Yes, I did.

12 Q. Okay. Now, if you can take a look at AG
13 Cross Exhibit 5, would you agree with me that's a
14 copy of your Schedule C-10.1 and you will notice
15 there are three pages for -- this case is the first
16 one, 09-0319 is the second one, and 07-0507 is the
17 third page?

18 A. Yes.

19 Q. Okay. So in your -- on page 1 you show the
20 estimated current as 2.7 approximately million
21 dollars. You said that's been reduced down?

22 A. It has been revised.

1 Q. It's been revised. Now, in the last rate
2 case your estimate was, on page 2 of this exhibit,
3 \$2.3 million, correct?

4 A. Correct.

5 Q. And to the best of your knowledge were any
6 adjustments made to that amount in determining the
7 revenue requirement made by the Commission?

8 A. By the Commission, no.

9 Q. So the full amount that you requested was
10 allowed into rates in the last case?

11 A. Of the current case, the '09 docket current
12 case, I do believe that the full amount was granted
13 that was requested.

14 Q. Okay. And if we go back one more page,
15 would you look at --

16 MR. STURTEVANT: I am sorry to interrupt,
17 counsel, but I am just wondering what I am looking at
18 here. This is the Schedule C-10 from this case? And
19 are these schedules from this case as well or are
20 these schedules from other cases?

21 MS. SATTER: On the top it will say Docket
22 Number and the Docket Number is written in there.

1 MR. STURTEVANT: So these are C-10s.

2 MS. SATTER: From prior cases, from the last
3 two prior cases.

4 MR. STURTEVANT: We are talking about page 2
5 right now?

6 MS. SATTER: Yes, we just discussed page 2
7 showing a 2.3 million rate case expense that was
8 included in the revenue requirement, correct?

9 THE WITNESS: (Nodded head.)

10 BY MS. SATTER:

11 Q. So if you look at the amount that's
12 requested this year compared to the amount that was
13 actually included in rates in the last rate case, the
14 increase is more than six percent, correct?

15 A. Of what was granted in the prior case?

16 Q. Yes, yes.

17 A. Not what was actually incurred?

18 Q. Correct.

19 A. Yes, but I don't think that that's a proper
20 comparison.

21 Q. From a revenue requirement point of view is
22 it correct that the estimated current case was the

1 amount that was in the revenue requirement?

2 A. Can you repeat the question?

3 Q. Was the -- were consumers obligated to pay
4 the estimated current case amount as a result of the
5 last rate case?

6 MR. STURTEVANT: I am just going to object.
7 Just for clarification, I am not sure which prior
8 rate case amount we are talking about here.

9 Q. In Docket 09-0319, Illinois-American Water
10 Company asked for a rate increase, correct?

11 A. Yes.

12 Q. And as part of that rate increase you asked
13 for a rate case expense, is that correct?

14 A. Yes.

15 Q. And the rate case expense that you
16 requested in Docket 09-0319 was shown on Schedule
17 C-10.1 for Docket 09-0319 which is page 2 of what we
18 have marked as AG Cross Exhibit 5. Is that correct?

19 A. Yes.

20 Q. And the amount of estimated current case,
21 which would be the rate case expense requested in
22 Docket 09-0319, was \$2,339,496, correct?

1 A. Yes.

2 Q. And the Commission accepted that amount
3 without adjustment in determining Illinois-American's
4 revenue requirement for that case, is that correct?

5 A. Yes.

6 Q. So consumers' rates included an amount for
7 rate case expense that was equal to your estimated
8 current case category in 09-0319 of the amount that
9 we just read, \$2,339,496, correct?

10 A. Yes, amortized over seven years.

11 Q. Right. And they didn't -- consumers were
12 not required to pay in the revenue requirement the
13 amount of the actual rate case expense you list in
14 the C-10.1 in this case, right? They didn't have to
15 pay the amount that the Company incurred over the
16 amount that was allowed into it, correct?

17 A. Correct.

18 Q. So to the extent that there is an increase
19 to the rate case expense for consumers, the
20 percentage from a consumer point of view would be
21 what the consumer was obligated to pay in the last
22 rate case, correct?

1 the Reporter.)

2 JUDGE JONES: Well, that sounds like a
3 reasonable cross examination question. If the
4 witness knows, he can answer it.

5 Do you need it read back?

6 THE WITNESS: Please.

7 (Whereupon the requested portion
8 of the record was read back by
9 the Reporter.)

10 THE WITNESS: A. I do not know.

11 MS. SATTER: Just for the record, the Docket
12 Number was 07-0507.

13 Q. (By Ms. Satter) So you don't know the
14 history of Illinois-American's rate case expense
15 prior to the 09-0319 case, is that correct?

16 A. I do not know every single thing about it
17 in all the history.

18 Q. Do you know any of the history?

19 A. I know some, but I don't know all.

20 Q. Okay.

21 A. I have not recently read the '07 docket
22 Order as pertains to a rate case so I can't recall it

1 specifically.

2 Q. So when you prepared your testimony, you
3 didn't go back to the Order in 07-0507 to determine
4 what the level of rate case expense was in that year,
5 is that right?

6 A. No.

7 Q. Okay. Now, on pages 13, 14 and following,
8 you talk about the different elements of the rate
9 case expense?

10 A. Which testimony are you speaking of?

11 Q. Staying in your direct. I want to ask you
12 some questions about the revenue requirement entry on
13 page 14, line 304 it begins. And you say that the
14 revenue requirement amount includes \$288,956 for the
15 incremental cost of service company personnel and
16 temps. So my question is, does that include people
17 like yourself?

18 A. No.

19 Q. It does not. Are you a service company
20 employee?

21 A. Yes.

22 Q. So where would your time be indicated?

1 A. Service company fees.

2 Q. Oh, so you are not in the rate case
3 expense?

4 A. No, I am not.

5 Q. So to the extent that Illinois-American is
6 charged for your services, would it be in the current
7 expense and not in the test year? Do you understand
8 the question?

9 A. No.

10 Q. Okay. Let me rephrase it. Your time for
11 working on this rate case, is that included in the
12 service company charges that Illinois-American will
13 be billed for?

14 A. Yes.

15 Q. And will those charges be included in the
16 revenue requirement for 2013, for the test year in
17 this case?

18 A. No, they are being incurred right now.
19 They will be billed on a current basis.

20 Q. And do you do work other than rate case
21 increase work, in other words, rate increase work for
22 Illinois-American?

1 A. Yes.

2 Q. How many operating companies do you work
3 for?

4 A. Well, during the course of this proceeding
5 I have worked for Illinois-American.

6 Q. No, I mean in the course of your employment
7 at the service company.

8 A. Well, currently I am in a transition. But
9 previous to this transition 100 percent of my time
10 was dedicated to Illinois-American.

11 Q. So what about Mr. Kerckhove? Is his time
12 included in the rate case expense?

13 A. No.

14 Q. Mr. Naumick?

15 A. I believe so.

16 Q. Mr. Rungren?

17 A. No.

18 Q. And so when I ask is it included in the
19 rate case expense, I mean any element of the rate
20 case expense, not just the revenue requirement
21 element. Was that how you understood the question?
22 You have to answer.

1 A. Yes.

2 Q. The \$288,956 that is referenced on page 14,
3 you talk about that there is 50 percent of the prep
4 work in litigation and 30 percent of the data
5 requests are done by Illinois-American personnel. Is
6 the \$288,956 amount after that amount is done by the
7 Illinois-American personnel? Is it in addition to
8 that work?

9 A. Any work performed by Illinois-American
10 personnel would be charged to Illinois-American, not
11 to the rate case. Does that answer your question?

12 Q. Yes. So this would be in addition to any
13 work that those Illinois-American employees would do?

14 A. Yes.

15 Q. Okay. On page 16 you talked about the
16 other category, specifically, costs incurred for
17 public meetings. Do you know how many public
18 meetings were projected for this category?

19 A. No.

20 Q. You don't know?

21 A. No.

22 Q. Do you know what the cost per public

1 meeting was?

2 A. No.

3 Q. So if there are no public meetings, then
4 the estimated costs would be more than would be
5 actually spent, right?

6 A. Not necessarily. When looking at "Other"
7 as a whole, some costs could be higher than those
8 estimated, some could be lower. So there is a
9 possibility that the category of "Other" may be
10 higher than what was projected even if there were no
11 meetings.

12 Q. So that would mean that other estimated
13 costs turned out to be higher than you anticipated?

14 A. It is possible. It is a projection.

15 Q. Looking in your supplemental testimony, you
16 talked about the organizational restructuring, is
17 that right?

18 A. I speak to the treatment within the rate
19 case of the organizational restructuring.

20 Q. And did you quantify the amount of savings
21 associated with that reorganization?

22 A. It was in my calculation.

1 Q. Did you just incorporate it into the
2 operating income statement?

3 A. Yeah, I took the costs that were provided
4 to me and incorporated them into the revenue
5 requirement.

6 Q. Okay. Who provided them to you?

7 A. A member of the financial analysts that
8 works for Illinois-American provided the information
9 to me.

10 Q. Is he testifying today?

11 A. No.

12 Q. Looking -- I am going to show you some
13 additional schedules that were filed. You are the
14 witness responsible. To the extent that you can
15 answer questions about some of the costs, you know, I
16 just thought you --

17 Now, for the record, AG Cross Exhibit
18 6 is entitled Illinois-American Water Company
19 Jurisdictional Operating Income Summary, period
20 before October 2012 through September 2013. It is
21 dated March 9, 2012, Schedule C-1 First Revised. Now
22 there are pages 1 of 7. I am only asking you about

1 the total company page. So I only included the total
2 company page in the cross exhibit.

3 (Whereupon AG Cross Exhibit 6
4 was marked for purposes of
5 identification as of this date.)

6 So does this schedule represent the first
7 revision to the jurisdictional operating income
8 composed by the Company?

9 A. Yes.

10 Q. Okay. And page 2 of the cross exhibit, if
11 you will, that is Schedule C-2 First Revised, pages 1
12 and 2 of 14, and again you are the witness
13 responsible, correct?

14 A. Yes.

15 Q. I would like to draw your attention to page
16 2, the column Organizational Restructuring. And my
17 question to you is at line 18 under Organizational
18 Restructuring there is a negative number 376,525.
19 Can you tell me what that represents?

20 A. That would represent a reduction in O&M
21 expense.

22 Q. Associated with the restructuring?

1 A. Yes.

2 Q. Is that employee only or are there other
3 savings included in that? In other words, does that
4 reflect only the reduction in the number of employees
5 or are there other factors?

6 A. Subject to check, I would say that it
7 represents the reduction in employees only and their
8 associated benefits.

9 Q. I am sorry, I am sorry. Can you say that
10 again?

11 A. Subject to check, I would assume that the
12 \$376,525 reflects the reduction in employees and
13 their associated benefits and overheads.

14 Q. Okay. Can you explain the difference
15 between Ms. Teasley's numbers of 500 -- I am sorry, I
16 think it was \$592,000 savings and your \$376,000
17 reduction?

18 A. I would have to see the context in which
19 she stated that number.

20 Q. Do you have her testimony?

21 A. No, I do not.

22 Q. Were you hear this morning to hear her

1 testimony?

2 A. I was here.

3 Q. But you don't remember?

4 A. No.

5 Q. So you don't -- just sitting here right
6 now, you can't say, well, that 500 odd thousand
7 dollars savings is related to this \$376,000 savings
8 in this way?

9 A. No, I cannot.

10 Q. Are there other O&M savings that might
11 account for it?

12 A. I don't know.

13 JUDGE JONES: Off the record a minute regarding
14 scheduling.

15 (Whereupon there was then had an
16 off-the-record discussion.)

17 JUDGE JONES: Back on the record.

18 BY MS. SATTER:

19 Q. Mr. Bernsen, I just wanted to ask you real
20 quick, the last page of what's marked as AG Cross
21 Exhibit 6 and that is again dated March 9, 2012,
22 Schedule C-2.14, and my question to you is, is that

1 the detail for the organizational restructuring
2 amount that is shown on Schedule C-2 First Revised?

3 A. It appears to be, yes.

4 Q. Yes. And there is also, starting on line
5 22 of that Schedule C-2.14, a severance expense, and
6 so that shows a \$173,631 total company severance
7 expense, is that correct?

8 A. Yes.

9 Q. So to the extent that there are savings,
10 does the severance expense offset the savings, if you
11 know, if you could tell?

12 A. It would appear that the severance costs
13 would be, yeah, a cost of the restructuring.

14 Q. But you didn't prepare this document, is
15 that right? You are just sponsoring it.

16 A. I prepared the summary, but I didn't
17 calculate the numbers.

18 Q. The details, okay. Now, I also noticed
19 that in the supplemental testimony filed on March 9
20 there was a new Schedule C-22 for which you are the
21 responsible witness, of cost savings programs. And
22 my question to you is, what cost savings programs

1 does this schedule describe or relate to, if you
2 know?

3 (Whereupon AG Cross Exhibit 7
4 was marked for purposes of
5 identification as of this date.)

6 A. This would relate to the organizational
7 restructuring.

8 Q. Do you know why the full amount, the
9 592,395 for September 2013, is not included in your
10 operating income summary?

11 A. Subject to check I would say that it is
12 possible that the annual savings are not a net
13 number, so they are not net of the annual costs
14 incurred which would be the severance.

15 Q. So then the difference -- so the severance
16 is amortized over two years? Four years? It was a
17 dumb question.

18 A. It says here on page 8 of my testimony
19 three years.

20 Q. Three?

21 A. That's consistent with the Commission's
22 treatment of severance costs in prior dockets.

1 Q. In your direct testimony at page 3 you just
2 mention that you sponsor Schedule C-2.4 which I
3 believe is the QIP Rider, if I have my notes correct?

4 A. The adjustment to remove QIP revenues.

5 Q. Yeah, yeah. Do you know whether the
6 Company hit the maximum QIP revenues it could collect
7 under the Commission's rules?

8 A. I don't know of such rule.

9 Q. Do you know how the QIP works?

10 A. I do from a high level.

11 Q. Okay.

12 A. I am not responsible for QIP as it pertains
13 to Illinois-American.

14 Q. So you don't know whether there is a
15 maximum percentage of increase for the QIP?

16 A. No, I don't know.

17 Q. But it is true, isn't it, that in AG Cross
18 Exhibit Number 6, your Schedule C-1 First Revised
19 shows the amount of QIP revenues that are being
20 shifted to -- that are removed from the rider and
21 would then be put into base rates, correct?

22 A. Well, for the purpose of setting a revenue

1 requirement, you remove QIP revenues because QIP
2 resets back to zero when rates go into effect.

3 Q. So you just remove that from the revenues
4 the Company receives and then it has to be made up
5 when the new rate is set?

6 A. Correct.

7 Q. And the QIP is a mechanism that allows the
8 Company to recover a return on investment in between
9 rate cases, is that correct? And if that's not
10 correct, maybe you can just describe it.

11 MR. STURTEVANT: Your Honor, I am going to
12 object. I think he has said that his familiarity
13 with the QIP is only high level and, further, I am
14 not sure what the relevance of the question regarding
15 the QIP is, given that the QIP, as he has just
16 testified, has been removed from the revenue
17 requirement.

18 MS. SATTER: You know, he talks about removing
19 it, this revenue. He talked about it going back into
20 rates. I think that in order to understand how this
21 process works, it is only fair for him to explain it.
22 I am not asking for minute detail. If he understands

1 it at a high level, then he will answer it at a high
2 level.

3 JUDGE JONES: I will allow the question. Do
4 you need it read back, sir?

5 THE WITNESS: Yes.

6 (Whereupon the requested portion
7 of the record was read back by
8 the Reporter.)

9 THE WITNESS: Was that what you asked me?

10 BY MS. SATTER:

11 Q. The question was, is the QIP a mechanism
12 that enables the Company to recover a return on
13 investment in between rate cases?

14 A. That's my general understanding of QIP.

15 Q. Now, on page 9 you describe Schedule
16 C-2.11. Again, this is your direct testimony. And
17 you said that that schedule removed water used in
18 Company facilities -- or, excuse me, let me restate
19 that.

20 Schedule 2.C-2.11 presents water used
21 in Company facilities right?

22 A. Yes.

1 Q. And that's for recovery in base rates,
2 right?

3 A. Yes.

4 Q. Do you know how the amount of water used in
5 Company facilities was determined?

6 A. The amount of water used in Company
7 facilities was provided by operations.

8 Q. Was it metered water or things like sinks
9 in bathrooms, do you know?

10 A. I don't know.

11 Q. Do you know if it was water used for
12 operations such as flushing mains or hydrants?

13 A. I don't know. I don't believe that mains
14 and hydrants are used -- are inside Company
15 facilities. That doesn't sound right.

16 Q. Okay. So your understanding is that you
17 are talking about water used inside, for example, a
18 Company building?

19 A. That would fit the definition of water used
20 in Company facilities, yes.

21 Q. Okay. That would figure in your
22 definition?

1 A. Within a Company facility, yes, water used
2 in a Company facility.

3 Q. Okay. Again going back to your -- to AG
4 Cross Exhibit 6, the third page which is Schedule C-2
5 First Revised, page 2, you have an entry ICC Company
6 audit cost \$222,820. Is that an amortization?

7 A. Can you point me to that again, please?

8 Q. It's page 2 of 14 of C-2.

9 A. Uh-huh.

10 Q. It's the third column, ICC Service Company
11 Audit Costs.

12 A. Okay. I am there.

13 Q. I am just wondering what the source of that
14 line is. Is that an amortized number?

15 A. That is an amortized number.

16 Q. Okay. So is it the amortization of the 1.1
17 million that the Company is seeking recovery of?

18 A. Yes.

19 Q. Over how many years?

20 A. I believe it is five years.

21 Q. Okay. And does that include a return on
22 the unamortized balance?

1 A. Yes. Yes.

2 Q. Now, in your rebuttal testimony you discuss
3 the audit costs. And it is your opinion that the
4 Commission is obligated to allow the Company to
5 recover its audit cost or its costs associated with
6 the audit.

7 MR. STURTEVANT: What page?

8 Q. Page 10 of your rebuttal. That would be on
9 the second question.

10 A. Can you repeat your question, please?

11 Q. Is it your understanding that the
12 Commission is obligated to allow recovery of costs
13 associated with the Commission-ordered audit?

14 A. It is my understanding there are carrying
15 costs associated with the 1.1 million.

16 Q. Okay. But that 1.1 million are the costs
17 that the Company says are associated with the
18 ICC-ordered audit, correct?

19 A. Yes.

20 Q. And it is your belief that the Commission
21 can review those costs and allow recovery of them, is
22 that correct?

1 A. Yes.

2 Q. Okay. And in review of those costs, the
3 Commission can determine whether those costs are
4 reasonable, is that right?

5 A. Yes.

6 Q. Okay. Now, in this case you are asking for
7 various audit-related costs, and in this regard I
8 believe you have incorporated the testimony of Mr.
9 Grubb?

10 A. Yes.

11 Q. So he has identified those costs as
12 \$250,000 for outside counsel, is that correct?

13 MR. STURTEVANT: Are you on page 15?

14 MS. SATTER: Page 15 of --

15 MR. STURTEVANT: Exhibit 4.00?

16 MS. SATTER: That he lays it out there.

17 Q. (By Ms. Satter) But that's your
18 understanding of how much is being requested for
19 legal expense, right?

20 A. Can you repeat the amount?

21 Q. \$250,000.

22 A. Yes.

1 Q. And do you know what work was done for that
2 amount?

3 A. Specifically, I was not involved in the
4 audit process.

5 Q. Do you know over what period of time that
6 amount was incurred?

7 A. No.

8 Q. Do you know if that was solely outside
9 counsel?

10 A. Subject to check, yes, I believe it is
11 solely outside counsel.

12 Q. Do you know whether service company counsel
13 was used for the audit at all?

14 A. I wasn't involved in the audit process, so
15 I wouldn't know specifically who was involved.

16 Q. Now, the -- have there been any changes to
17 this amount since Mr. Grubb's testimony?

18 A. Not to my recollection.

19 Q. Now, did Illinois-American hire an outside
20 audit consultant to assist the Company in responding
21 to the audit? Do you know about that?

22 A. I know they hired an outside consultant,

1 yes.

2 Q. And that was at a cost of \$211,000? That's
3 on page 15 of Mr. Grubb's direct testimony, line 324.
4 And do you know what the -- whether there was an
5 hourly rate for this consultant or on what basis this
6 consultant was paid \$211,000 for this support work?

7 A. I believe the details of that number would
8 be found in the RFP which is what was provided in the
9 data request.

10 Q. Was this an RFP that Illinois-American
11 issued to an auditor independent of North Star or are
12 you referring to the North Star RFP?

13 A. This is a firm independent of North Star.

14 Q. Okay. And was Illinois-American preparing
15 a parallel audit to North Star's audit?

16 A. Again, I wasn't involved in the audit. I
17 don't know the details of that.

18 Q. Do you know that the North Star audit -- do
19 you know what the cost of the North Star audit was?

20 A. Approximately 392,000 for North Star's
21 piece.

22 Q. And yet without even looking at the

1 Company's internal costs, we are at \$461,000 of
2 Company costs, is that correct?

3 A. What numbers are you adding?

4 Q. The outside counsel and the outside
5 auditor.

6 A. Subject to check your math, yes.

7 Q. Now, service company employees were also
8 involved in the audit, is that right?

9 A. Yes. It is my understanding that service
10 company employees responded to requests from North
11 Star and participated in interviews with North Star.

12 Q. And so it is -- when you looked at these
13 numbers for the outside counsel, for the outside
14 audit support, for the internal services, did you
15 look at them in comparison to the cost of the audit
16 itself, the external audit itself?

17 MR. STURTEVANT: Objection, Your Honor. That's
18 assuming facts not in evidence that he has performed
19 such a comparison.

20 MS. SATTER: Well, I am asking him if he
21 performed such a comparison, and we will tell me. I
22 don't know.

1 MR. STURTEVANT: Or that such comparison could
2 be performed.

3 JUDGE JONES: Could I have the question back,
4 Ms. Reporter.

5 (Whereupon the requested portion
6 of the record was read back by
7 the Reporter.)

8 THE WITNESS: No, I don't think --

9 JUDGE JONES: Just a minute. I think the
10 question is whether he looked at them in comparison.
11 I don't think it assumes anything in evidence, so you
12 may finish your answer.

13 THE WITNESS: A. No, because I don't think it
14 is a valid comparison. The costs to -- the
15 incremental costs to perform the audit on the
16 Company's -- you know, to be incurred by the Company
17 is -- I know from experience of what it costs to go
18 through a rate case, that, you know, there is a cost
19 for outside legal, there is a cost for, you know, to
20 answer data requests, to testify, to travel. So I
21 know that the costs to undertake something such as
22 the North Star audit could very well be of a high

1 cost.

2 BY MS. SATTER:

3 Q. So you recognize there is a cost to the
4 auditor and then there is a cost to the Company,
5 correct? So you are talking about the cost to the
6 Company, is that right? I am excluding the auditor
7 amount. I am just asking you about the cost that the
8 Company incurred.

9 A. What about the cost that the Company
10 incurred?

11 Q. I was just asking you if those were the
12 costs that you looked at. It was unclear to me in
13 your answer whether you were including the auditor's
14 functions as well.

15 A. All the costs.

16 Q. Now, did you review the estimate of costs
17 that Mr. Grubb had made in Docket 10-0366 which is
18 the audit docket?

19 A. What are you speaking of? Can you be more
20 specific?

21 Q. Let me show you the document. You can tell
22 me if it is familiar to you.

1 This is a document we are marking AG
2 Cross Exhibit Number 8. It is called Attachment A
3 and it's got the caption "Illinois Commerce
4 Commission on its own motion, Management Audit of
5 Illinois-American Water Company to consider the cost
6 of services obtained from the service company, Docket
7 Number 10-0366, affidavit of Edward J. Grubb."

8 (Whereupon AG Cross Exhibit 8
9 was marked for purposes of
10 identification as of this date.)

11 Have you seen this before?

12 A. Yes, I have seen this before.

13 Q. So you are aware that Mr. Grubb submitted a
14 cost estimate in the docket indicated on the first
15 page, correct?

16 A. Yes.

17 Q. And did you use this estimate as any kind
18 of a measure for the costs that were ultimately
19 incurred?

20 A. Both the document you handed me and the
21 testimony that quotes the numbers were created by the
22 same person. So I have no reason to doubt the

1 numbers in Mr. Grubb's testimony that I adopted.

2 Q. Okay. I guess my question was really
3 whether you independently had looked at the -- done a
4 comparison between Mr. Grubb's estimate and what you
5 were recommending in this case for Company audit
6 costs.

7 A. No, but the date on the estimate is
8 February 2011 and I would assume that, based upon
9 newer information, updated information, he came up
10 with an updated estimate to put in the rate case
11 totalling 1.14 million.

12 Q. Now, we are going to show you a data
13 request, AG Data Request 8.75. You are the witness
14 responsible. And we would like to offer this
15 response with a caveat. I notice that there were
16 objections to Section F and G, and we would withdraw
17 those answers from our offer of this data request.

18 (Whereupon AG Cross Exhibit 9
19 was marked for purposes of
20 identification as of this date.)

21 Mr. Bernsen, did you prepare the responses
22 to this data request?

1 A. It was prepared under my supervision.

2 Q. And the attachment, can you take a look at
3 the attachment for a minute? Oh, now this is like
4 confidential, I am sorry, so it hasn't been offered
5 anywhere. I guess my first question to counsel is,
6 is it necessary for it to be labeled confidential in
7 light of the fact there are no individuals to manage
8 it.

9 MR. STURTEVANT: Yeah, I think we would want to
10 maintain the confidentiality designation because of
11 the hourly rates and because the job title could
12 allow some of the wages to be identified.

13 MS. SATTER: Then the People would be willing
14 to submit a confidential and a non-confidential
15 version of this document, if that's acceptable to the
16 Judge. And the non-confidential will just have the
17 schedule blanked and the confidential will have the
18 entire --

19 MR. STURTEVANT: And are you going to also
20 redact Item G from your submission?

21 MS. SATTER: Yes, we can.

22 JUDGE JONES: Any objection to the admission of

1 AG Cross Exhibit Number 9 with those conditions?

2 MR. STURTEVANT: If I could just have one
3 minute, Your Honor.

4 (Pause.)

5 Is this the entirety of the attachment?

6 MS. SATTER: I believe so.

7 MR. STURTEVANT: Subject to those conditions,
8 we have no objection, Your Honor.

9 JUDGE JONES: Okay, anyone else?

10 (No response.)

11 Let the record show no response. Let
12 the record show that AG Cross Exhibit Number 9 is
13 admitted into the evidentiary record subject to it
14 being provided in two versions, one a public version
15 and one a confidential version with the deletion of
16 Items D and F to be made in both versions.

17 (Whereupon AG Cross Exhibit 9
18 was admitted into evidence.)

19 JUDGE JONES: Is that the idea?

20 MS. SATTER: And for the record the Company
21 objected to F and G.

22 MR. STURTEVANT: F and G.

1 MS. SATTER: F and G on the grounds that it
2 calls for a legal conclusion, and we are willing to
3 withdraw those.

4 JUDGE JONES: So let me correct what I said
5 then. It is subject to the deletion of F and G as
6 was just noted.

7 Anything else with regard to that?

8 MS. SATTER: I have some questions that I think
9 will not reveal any confidential information, and
10 specifically the confidential attachment is a list of
11 personnel that were involved, the internal personnel,
12 the internal service company Illinois-American
13 personnel, that charged for the service company
14 audit, is that right? Shall I restate that?

15 THE WITNESS: I didn't know you were talking to
16 me.

17 BY MS. SATTER:

18 Q. Oh, yes, I am sorry. The attachment.

19 A. Yes.

20 Q. Okay. Is that a list of all of the service
21 company or Illinois-American direct employees whose
22 charges are included in the service company audit

1 box?

2 A. As of the date this was created, those
3 were -- that is a list of the service company
4 employees and their charges that would be within the
5 estimate of the 200.

6 Q. It would be the 261,000?

7 A. 261,000 that we have included, and we have
8 also removed the Illinois-American employee charges
9 from our request in my surrebuttal testimony.

10 Q. Yeah, I was going to ask you about that.
11 So you removed \$900 of internal costs, is that
12 correct?

13 A. It was -- I better check my testimony and
14 see exactly how much it was.

15 Q. I believe it is your Exhibit 7.02SR, page
16 2.

17 A. It's a thousand dollars.

18 Q. A thousand dollars?

19 A. Uh-huh.

20 Q. How much was removed from the 261,000 for
21 Illinois-American employees? Page 1 of that Exhibit
22 7.02SR also shows adjustment for Company, line 2.

1 A. Excuse me? Repeat that.

2 Q. I was just pointing out that your Exhibit
3 7.02SR, page 1, also shows this \$900 adjustment, and
4 I just wanted to clarify with you what that
5 adjustment is.

6 A. That is a rate base adjustment.

7 Q. That is a rate base adjustment? Oh.

8 A. The Company removed a thousand dollars from
9 its estimate for IAWC labor and the associated \$900
10 in rate base.

11 Q. So basically the 1,000, over time it is
12 reduced to 900 just on the theory that it is being
13 paid in current rates now?

14 A. Yeah, that would be the 13-month average
15 balance, which rate base is calculated on a 13-month
16 average.

17 Q. Now, is this also -- how does this rate
18 base amount relate to the amount that's being
19 recovered as an expense item for this audit?

20 A. Well, the rate base amount is the remaining
21 balance after any amortization.

22 Q. It is the remaining balance, okay. So am I

1 understanding these documents correctly that
2 Illinois-American used only \$1,000 worth of
3 Illinois-American personnel on this audit?

4 MR. STURTEVANT: Objection. I think that
5 mischaracterizes his testimony.

6 MS. SATTER: Well, I am asking. That's why I
7 am asking.

8 JUDGE JONES: It is a question. I think it is
9 appropriate cross, and the witness can answer it as
10 best he can and would not be limited to a yes or no
11 answer.

12 Do you need it read back?

13 THE DEPONENT: Sure. Yes, please.

14 (Whereupon the requested portion
15 of the record was read back by
16 the Reporter.)

17 THE WITNESS: A. I have A clarification
18 question. When you say "these documents," which
19 documents are you speaking to?

20 BY MS. SATTER:

21 Q. The Exhibit 7.02SR, page 1 and 2.

22 A. That's a projected number.

1 Q. Okay. So the projection is that
2 Illinois-American personnel, direct personnel as
3 opposed to service personnel, service company
4 personnel, only account for \$1,000 of the over \$1
5 million of audit costs?

6 A. Yes, that's the projection.

7 Q. Do you know is Ms. Teasley an
8 Illinois-American employee or a service company
9 employee?

10 MR. STURTEVANT: I'm sorry, I don't mean to
11 interrupt, but are we going to be a lot longer
12 because we have been at it a bit.

13 JUDGE JONES: Off the record regarding that
14 point.

15 (Whereupon there was then had an
16 off-the-record discussion.)

17 JUDGE JONES: All right. Back on the record.

18 BY MS. SATTER:

19 Q. I am just asking if you know whether Ms.
20 Teasley's time would be included in this \$1,000?

21 A. I do not know what specific employees would
22 be included in the thousand dollars.

1 Q. And similarly you wouldn't know if any
2 witness that's testified to being an
3 Illinois-American direct employee, whether their time
4 is included in the thousand dollars or not because
5 you just don't know, is that fair? Rather than go
6 through them all.

7 A. Yes, I do not know whose time is included
8 in the thousand dollars.

9 Q. And as shown in AG Cross Exhibit 9, the
10 Company was able to identify the service company and
11 it says, "And Illinois-American personnel charging
12 for the audit," is that correct?

13 A. Yes, those are actual numbers.

14 MS. SATTER: Okay. I have no further
15 questions. Thank you.

16 JUDGE JONES: Okay. Do you have some
17 questions?

18 MR. ALPERIN: Yes, thank you, Your Honor, and I
19 will be brief.

20 CROSS EXAMINATION

21 BY MR. ALPERIN:

22 Q. I am afraid I don't have the exact

1 document, but the first document Ms. Satter showed
2 you was a schedule. It might have been C-13 if my
3 memory serves me correctly. It shows how much was
4 paid to affiliates. Do you recall that?

5 A. Yes.

6 Q. Do you have that document up there?

7 A. Yes.

8 Q. Does this document -- and I am looking at
9 it myself here for the first time. Does this
10 document reflect how much was paid by
11 Illinois-American Water Company to the service
12 company?

13 A. Yes.

14 Q. And how much was that?

15 A. For what time period?

16 Q. Well, what are the different time periods
17 on there? I notice, looking at the first page of
18 this document, line 5, indicates there is a
19 \$20,207,000 number, is that right?

20 A. Yes.

21 Q. Is that how much was paid from
22 Illinois-American Water to the service company?

1 A. That's a projected number for 2013, yes.

2 Q. For 2013. And is that \$20.2 million
3 number, is that the number that the Company wants to
4 recover to be included in setting the rates for this
5 case?

6 A. No.

7 Q. What's that number?

8 A. As of March 9 the Company was requesting
9 \$20,130,308.

10 Q. Okay. So the Company -- Illinois-American
11 desires to have \$20,130,000 of money paid its service
12 company to be included in the rates set in this
13 particular proceeding, correct?

14 A. Yes.

15 Q. And in the last rate case, the 09-0319
16 case, the total amount allowed by the Commission for
17 the service company costs was 18,114,000, does that
18 sound right?

19 A. Subject to check, yes.

20 Q. Okay. Now -- hold on a second.

21 There is one other number on here, on
22 this particular document, AG Cross Exhibit 1, line 4,

1 and I just don't understand what it means, I think.
2 What's the reference to common dividends there on
3 line 4?

4 A. Subject to check, those would be common
5 dividends paid to the parent on a quarterly basis.

6 Q. From Illinois-American Water up to the
7 parent?

8 A. Yes.

9 Q. I see. And that's 21.5 million?

10 A. Yes. That's my understanding of the
11 number.

12 Q. Obviously, if 21.5 million is going up to
13 the parent, that's 21.5 million that the Company
14 can't spend on capital improvements, correct?

15 MR. STURTEVANT: Objection, Your Honor. It is
16 outside the scope of his testimony.

17 JUDGE JONES: Response?

18 MR. ALPERIN: I just think it directly relates
19 to setting the rates in this case, and one of the big
20 factors relates to how much the costs of improvement
21 are going to require.

22 JUDGE JONES: Could I have the question read

1 back, Ms. Reporter?

2 (Whereupon the requested portion
3 of the record was read back by
4 the Reporter.)

5 JUDGE JONES: It is an argumentative question.
6 Mr. Alperin, you can reword it if you want.

7 MR. ALPERIN: No, that's fine, Your Honor. I
8 will move on.

9 Q. (By Mr. Alperin) Now, you mention that you
10 are a service company employee?

11 A. Correct.

12 Q. And the service company is a profit making
13 company?

14 A. I don't know the answer to the question.

15 Q. How long have you worked there?

16 A. Five years.

17 Q. And you don't know, after working there
18 five years and involved in the numbers, if the
19 company is interested in making a profit?

20 MR. STURTEVANT: Objection. Asked and
21 answered.

22 MR. ALPERIN: Actually, it's not been asked and

1 answered.

2 JUDGE JONES: It is a slightly different
3 question so if you know the answer, you can answer
4 it.

5 Do you need it read back?

6 THE WITNESS: A. No. It is my understanding
7 that the service company is a not-for-profit company.

8 MR. ALPERIN: All right. Fair enough. No
9 further questions. Thank you.

10 JUDGE JONES: Is there any other cross?

11 (No response.)

12 Let the record show there is not.

13 Any redirect?

14 MR. STURTEVANT: Just give me one moment, Your
15 Honor.

16 (Pause.)

17 Your Honor, we have no redirect.

18 JUDGE JONES: Okay. Thank you, Mr. Sturtevant.
19 Okay. Your examination is over. You may leave the
20 witness stand. Thank you, sir.

21 (Witness excused.)

22 Cross exhibits?

1 MS. SATTER: Yes. I would like to move for the
2 admission of the AG Cross exhibits. That would be 1,
3 and I believe it is 5 through 9, and 9 will be
4 confidential and non-confidential. And maybe -- let
5 me just move for the admission.

6 Your Honor, if you would like to hold
7 Cross Exhibit 1 for tomorrow -- or we can argue it
8 now.

9 MR. STURTEVANT: I don't care when we argue it.
10 We can wait until after Mr. Rungren's cross tomorrow,
11 if you want to do that.

12 So I believe we have no objection to
13 the admission of the other cross exhibits, subject to
14 the modification of Cross Exhibit 9, except for Cross
15 Exhibit 5 which we are going to hold for resolution
16 tomorrow.

17 JUDGE JONES: All right. So 1 and 5 are being
18 held over until tomorrow?

19 MS. SATTER: No, just 1.

20 MR. STURTEVANT: No, this was 5.

21 MS. SATTER: I'm sorry, my mistake. Just 5.
22 That is my mistake.

1 and get ready for tomorrow?

2 (No response.)

3 All right. Let the record there is
4 not. At this time let the record show today's
5 hearing is over. In accordance with the above, this
6 is continued and we will resume at 9:00 a.m. in the
7 morning.

8 (Whereupon the hearing in this
9 matter was continued until May
10 16, 2012, at 9:00 a.m. in
11 Springfield, Illinois.)

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