

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS ATTORNEY GENERAL
DATA REQUEST NUMBER AG 1.17

Witness Responsible:	Tyler T. Bernsen
Title:	Financial Analyst II
Phone No.:	(314) 996-2274
Date Received:	June 25, 2009
Docket No.:	09-0319

AG 1.17

Regarding the direct testimony of Tyler T. Bernsen (IAWC Ex. 7.00), at page 7, lines 158-161 and Schedule C-10,

- (a) provide the fixed and hourly rates on which the fees are based for Legal Fees and Expenses, Rate of Return Consultant, Demand Study, Cost of Service Study, and Service Company Study (see footnote 2 on Schedule C-10);
- (b) provide the actual hours worked and the hourly rate for AWWWS staff for revenue requirements (see footnote 1 on Schedule C-10);
- (c) what cost did other American Water Company operating companies incur for Cost of Service Studies in calendar years 2007, 2008, and 2009;
- (d) provide the charges that make up the Service Company Study expense;
- (e) what services were provided in connection with the \$306,102 charge for "other" on line 9; and
- (f) provide all workpapers.

RESPONSE

- (a) See attached document. See also LHW 3.04.
- (b) IAWC interprets this request to seek the actual hours charged to date developing revenue requirements for IAWC's 2009 rate case by American Water Works Service Company Inc. ("AWWSC") staff. See attached document. Note that amounts shown on line number 2 on schedule C-10 also contains projected expenses for responding to data requests. These expenses, as incurred to date, have also been included in the attached.
- (c) IAWC objects to this request as overly broad and unduly burdensome. Subject to and without waiving this objection, the Company responds as follows. See attached document. Note the costs incurred for Cost of Service Studies for the American Water operating subsidiaries listed in the attached may differ from the costs for IAWC's COSS in the present case for a number of reasons, including: application of different regulatory requirements in the jurisdiction which the companies attached operate; different sizes and operational characteristics of the operating companies; different levels of complexity with respect to cost allocations and rate design and variable requirements for presentation of testimony, attendance at hearings, and response to discovery in support of a particular COSS in regulatory proceedings.
- (d) See response to (a) and attached document.
- (e) See attached document.

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(f) See above a, b, c, d, and e

[AG-1.17-R1 CONFIDENTIAL.xls](#)

Date Response Provided: September 10, 2009

PUBLIC VERSION
Confidential version on file with Chief Clerk

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 6.15

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>September 25, 2009</u>
Docket No.:	<u>09-0319</u>

AG 6.15

Please explain the each following increases in expense for the current case components versus the prior case:

Increase (decrease) from prior case	\$	%
Legal Fees and Expenses	\$ 280,000	43.1%
CPA Review	\$ 23,700	94.8%
Demand Study	\$ 103,720	264.1%
Other	\$ 106,102	53.1%

RESPONSE:

The increases shown above represent the changes between the amounts proposed in the last rate case and the amounts proposed in the current rate case. The basis for the current projections is set forth in data responses AG 1.17, LHW 3.04 and LHW 5.01.

In the current rate case, the company is projecting a decrease of \$67,904 in legal costs from the actual level incurred in the last rate case. See AG 1.17 and LHW 3.04 and 5.01

The company is projecting a decrease in the cost of the CPA review from the actual level incurred in the prior case in the amount of \$23,635. See LHW 5.01.

The company is projecting an increase in the cost of the demand study in the amount of \$41,444. An explanation for this increase is provided in LHW 3.04, 4.06 and LHW 5.01.

The company is projecting an increase in the other category in the amount of \$44,573. See LHW 5.01 and AG 1.17

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Attachment:

Date Response Provided: September 30, 2009

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.23

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>November 4, 2009</u>
Docket No.:	<u>09-0319</u>

AG 10.23

Provide detailed invoices for all attorney and consultant fees and expenses that IAWC has incurred for rate case costs in the current rate case.

RESPONSE:

For attorney fees and expenses, see LHW 3.05 Update submitted on November 5, 2009.
For other consultant fees and expenses, see files attached below.

Attachment: AG 10.23 List.pdf
AG 10.23 COS Invoices.pdf
AG 10.23 CPA Invoices.pdf
AG 10.23 DEMAND Invoices.pdf
AG 10.23 ROR Invoices.pdf
AG 10.23 SERVCO STUDY Invoices.pdf

Date Response Provided: November 12, 2009

PUBLIC VERSION
Confidential version on file with Chief Clerk

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.24

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>November 4, 2009</u>
Docket No.:	<u>09-0319</u>

AG 10.24

Provide detailed invoices for all attorney and consultant fees and expenses that IAWC has incurred for rate case costs in its previous rate case.

RESPONSE: Please see the files attached below.

Attachment: AG 10.24 List.pdf
AG 10.24 CPA Invoices.pdf
AG 10.24 DEMAND Invoices.pdf
AG 10.24 DEPR STUDY Invoices.pdf
AG 10.24 LEGAL Invoices.pdf
AG 10.24 MUNIRATE Invoices.pdf
AG 10.24 ROR Invoices.pdf

Date Response Provided: November 12, 2009

PUBLIC VERSION

Confidential version on file with Chief Clerk

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.43

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>November 4, 2009</u>
Docket No.:	<u>09-0319</u>

AG 10.43

Refer to IAWC Ex 7.00R2.

- a. Please provide a detailed listing of all consultant fees and legal expense from IAWC's last rate case, Docket No. 07-0507.
- b. Please provide the Company's understanding of the amount of rate case expense that was allowed by the Commission in Docket No. 07-0507.
- c. Please provide detailed invoices showing the rates charges and the work performed for the \$997,904 mentioned on page 3.
- d. Please provide the documents relied upon by IAWC for each amount mentioned on lines 87-94.
- e. For each case listed on lines 87-94, please state fully IAWC's understanding of the amount allowed for rate case expense, by component, and the amortization period applied by the Commission to each such component.
- f. Please identify all other Illinois utility rate cases that IAWC reviewed for rate case expenses besides those listed on lines 87-94.
- g. For each case identified in response to part f, explain fully why IAWC chose not to mention such case in its rebuttal testimony.
- h. Provide all Documents relied upon for your response.

RESPONSE:

- a. See attached. See also AG 10.24.
- b. The amount of rate case expense that was allowed by the Commission in Docket No. 07-0507 was the full amount requested by the Company and was in the amount of \$1,482,020.00.
- c. See AG 10.24.

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- d. See attached and response to (g). In addition, IAWC relied on the Commission's final orders in the following proceedings: Docket 05-0597; Docket 06-0285; Docket 04-0779; Docket 06-0070 (cons.); Docket 07-0585 (cons.); Docket 07-0241 (cons.); Docket 07-0566; Docket 07-0585 (cons.); Docket 08-0363. These orders are available on the ICC's e-docket.
- e. Lines 88-91 of IAWC Exhibit 7.00R2 are incorrect, and should read: "North Shore Gas Company's approved rate case legal expense in its 2007 rate case (07-0241 (cons.)) was \$1,382,000. Nicor Gas Company's approved rate case legal expense for its 2004 rate case (Docket 04-0779) was \$2,300,000." As indicated, lines 87-94 of IAWC Exhibit 7.00R2 provide the actual or approved amount of the legal expense component amount (e.g., the amount for outside counsel) in each of the respective cases. (Note that, as shown in the attachment to (d) above, Nicor's actual rate case expense for Docket 04-0779 was substantially higher than the allowed amount). The actual rate case expense allowed in each of the referenced cases and the amortization period is shown below. The Company has not determined the allowed amount of rate case expense components other than legal expense as discussed above and in IAWC Exhibit 7.00R2.
- Docket 07-0241 – Rate case expense allowed: \$2,169,800. Amortization: 5 years (amortization agreed to by utility and staff to resolve issue).
 - Docket 04-0779 – Rate case expense allowed: \$3,574,880. Amortization: 8 years (based on fact that rate cases had only been filed in 1981, 1987, 1995, and 2004).
 - Docket 05-0597 – Rate case expense allowed: \$8,567,000. Amortization: 3 years.
- f. IAWC also reviewed Docket 06-0285 (Aqua Illinois, Inc.), Docket 06-0070 (cons.) (Ameren Illinois Utilities), and Docket 07-0585 (cons.) (Ameren Illinois Utilities).
- g. IAWC did not cite Docket 06-0285 (Aqua Illinois, Inc) because the rate case was filed for only one of Aqua's districts, not the entire state, and the level of rate case expense was agreed by stipulation (see attachment AG 10.43(g) R1). IAWC did not cite Docket 06-0070 (cons.) or Docket 07-0585 (cons.) because the Ameren Illinois Utilities in each instance filed rate cases for six utilities simultaneously. See also attachment AG 10.43(g) R2.
- h. See (d), (e) and (g) above.

Attachment:

AG 10.43 A listing of consultant fees and legal expenses.xls
AG 10.43(d) R1.pdf
AG 10.43(g) R1.pdf
AG 10.43(g) R2.pdf

Date Response Provided: November 12, 2009

PUBLIC VERSION
Confidential version on file with Chief Clerk

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 3.03

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>July 6, 2009</u>
Docket No.:	<u>09-0319</u>

LHW 3.03

For the Company's previous three filings for general rate increases, provide a schedule of rate case expenses in a format similar to Schedule C-10, including the docket number, date of filing and amortization periods. Indicate if any amortization periods were not the same for all service districts.

RESPONSE

Please See Attached ICC LHW 3.03-R1

Attachment:

[ICC LHW 3.03 R-1.pdf](#)

Date Response Provided: August 28, 2009

ILLINOIS-AMERICAN WATER COMPANY

Rate Case Expense
Docket No. 07-0507
Filed 08/31/07

Total Company

Line No.	Outside consultant, witness, legal	Actual Case 07-0507
1	a Legal Fees and Expenses	\$ 997,904
2	b Revenue Requirement	497,278
3	c CPA Review	71,435
4	d Rate of Return Consultant	48,800
5	e Demand Study	101,556
6	f Municipal Rate Study	224,047
7	g Other	261,529
8	h Depreciation study	137,406
9	i Lead Lag Study	<u>7,208</u>
10		
11	Total	<u>\$ 2,347,164</u>
12		
13	Cost to be Amortized over 3 years (a + b + c +d + e + g)	\$ 1,978,502
14	Cost to be Amortized over 5 years (f + h+i)	<u>368,661</u>
15		
16		<u>\$ 2,347,164</u>
17		
18	Rate case expense Amortization over 3 years	
19	Amortize over 3	\$ 659,501
20	Rate case expense Amortization over 5 years	
21	Amortize over 5	<u>73,732</u>
22		
23	Total Proforma Rate Case Expense	<u>\$ 733,233</u>
24		
25		
26		
27		
28		
29		
30		
31		
32		

ICC LHW 3.03-R1

ILLINOIS-AMERICAN WATER COMPANY

Rate Case Expense
Docket No. 02-0690
Filed 10/23/2002

Total Company

Line No.		Actual Case 02-0690
1	a Legal Fees and Expenses	\$ 377,480
2	b Revenue Requirement	226,021
3	c CPA Review	43,450
4	d Rate of Return Consultant	40,475
5	e Demand Study	-
6	f Municipal Rate Study	-
7	g Lead Lag Study	-
8	h Other	10,032
9	i Depreciation study	1,037
10		
11	Total	<u>\$ 698,495</u>
12		
13	Cost to be Amortized over 3 years (a + b + c + d + e + f + g + h + i)	<u>\$ 698,495</u>
14		<u>-</u>
15		
16		<u>\$ 698,495</u>
17		
18	Rate case expense Amortization over 3 years	
19	Amortize over 3 years	\$ 232,832
20	Depreciation study Amortization over 5 years	
21	Amortize over 5 years	<u>-</u>
22		
23	Total Rate Case Expense Amortization per year for first 3 years	<u>\$ 232,832</u>
24	Total Rate Case Expense Amortization per year for last 2 years	<u>\$ -</u>
25		
26		
27		
28		
29		
30		
31		
32		

ILLINOIS-AMERICAN WATER COMPANY

Rate Case Expense
Docket No. 00-0340
Filed 05/10/2000

Total Company

Line No.		Actual Case 00-0340
1	a Legal Fees and Expenses	150,000
2	b Revenue Requirement	-
3	c CPA Review	53,186
4	d Rate of Return Consultant	30,966
5	e Cost of Service Study	12,638
6	f Municipal Rate Study	-
7	g Lead Lag Study	-
8	h Other	17,636
9	i Depreciation study	35,347
10		
11	Total	<u>\$ 299,774</u>
12		
13	Cost to be Amortized over 3 years (a + b + c + d + e + g + h)	\$ 251,788
14	Cost to be Amortized over 5 years (f + i)	35,347
15	Cost was Expensed in one month	<u>12,638</u>
16		
17		<u>\$ 299,774</u>
18		
19	Rate case expense Amortization over 3 years	
20	Amortize over 3 years	\$ 83,929
21	Depreciation study Amortization over 5 years	
22	Amortize over 5 years	7,069
23	Cost of Service Study	
24	Expense in 1 month	<u>12,638</u>
25		
26	Total Rate Case Expense Amortization for first year	<u>\$ 103,637</u>
27	Total Rate Case Expense Amortization per year for following 2 years	<u>\$ 90,999</u>
28	Total Rate Case Expense Amortization per year for last 2 years	<u>\$ 7,069</u>
29		
30		
31		
32		

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 4.06

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>July 7, 2009</u>
Docket No.:	<u>09-0319</u>

LHW 4.06

Reference Schedule C-10.1, Rate Case Expense Comparisons, Line No. 5. Staff calculates the increase from the 2007 rate case to the present case for the "Demand Study" line item to be 40.81% (\$41,444/\$101,556).

- a. Reference Schedule C-10.1, Line No. 16. Please explain with specificity as to how the methodology used in the current case differed from the prior case.
- b. Reference Schedule C-10.1, Line No. 17. Please describe the "competitive bidding process" that was utilized to select the firm that prepared the Demand Study for the current case. Indicate how bids were solicited, the number of bids received, and if the firm selected was the lowest bidder. Also, please provide a copy of the winning proposal.
- c. Please provide a list of actual costs incurred in conjunction with the 2007 Demand Study.
- d. Please provide a list of actual costs invoiced to date by the firm that performed the Demand Study for the current case.

Please provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

RESPONSE

- a. The demand study in the prior case (Docket 07-0507) ("Prior Study") was a metered customer demand study in which demand meters were installed on individual customer premises in IAWC's Interurban Service district. As explained in Docket 07-0507, IAWC Exhibit 11.01, pp. I-2 – I-4, the customers selected for monitoring were selected as those representative of their respective classes. The customers monitored included three housing developments (low, medium and high density), commercial and public customers, industrial customers and sales for resale customers. Demand meter devices were installed on all residential, most commercial and all sales for resale customers that record water usage data every minute. Demand meter devices were installed for the remaining customers, including all the industrial customers, and one commercial customer and all the public customers that records hourly water usage data. The data thus recorded was used to develop demand factors for each of the representative customer classes.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 4.06
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The demand study utilized in the current case (“Current Study”) is based on the principles and procedures for a demand study set forth in Appendix A of the AWWA Manual M1, titled *Principles of Water Rates, Fees, and Charges*, and was performed in accordance with the methodology detailed in IAWC Exhibit 13.02 and approved by the Commission in Docket 08-0463. As discussed by IAWC witnesses Mr. Grubb (IAWC Ex. 5.00, pp. 12-15) and Mr. McKinely (IAWC Ex. 13.00, pp. 5-6), following the entry of an Initiating Order in Docket 08-0463, the parties to Docket 08-0463 (the “Parties”), convened a workshop (“Workshop”) on September 23, 2008, to discuss the approach to the demand study. At the Workshop, IAWC presented a proposed methodology for a multi-year demand study (“Multi-Year Study”). As explained in IAWC Ex. 13.02, the Multi-Year Study reviewed historic system maximum day and maximum hour demand statistics, by treatment plant for a five to ten year period, for each IAWC rate area to determine the relationship between the maximum day and the average day for the month and determine system coincidental ratios of maximum day and hour pumpage to average day pumpage. The Multi-Year Study then reviewed billed water usage data for each customer class served by each rate area for a three to five year period, to determine the average day usage during the maximum billing period and the annual average day usage for each year by customer class. The use of historic system and billing data will allow the Multi-Year Study to identify the actual system peak demand within the time period reviewed (thus accounting for the possibility that certain years may experience higher or lower demands due to fluctuations in weather or other factors). As discussed in IAWC Ex. 13.02, this system data and billed usage data was then analyzed in conjunction with other information to determine the noncoincidental class maximum day and maximum hour demands. The analyses performed in the Multi-Year Study included a review of actual metered customer demand data from the demand study performed in the Company’s last rate case, Docket 07-0507.

The primary differences between the Prior Study and the Current Study are that the Current Study relies on historic data system and billing data for a multiple year period rather than data from customer demand meters in a single year, such as that relied on for the Prior Study. In addition, the Current Study could be completed without the need for additional customer demand meter data that could be obtained only after completion of future summer billing. Thus, the Current Study assembles information to conduct a demand study in accordance with AWWA Manual M1 without the significant cost associated with development of additional meter data during a future summer billing period.

- b. The reference to competitive bidding for the Demand Study in line 17 of Schedule C-10.1 is in error. This reference should have stated the Cost of Service Study and Service Company Study were competitively bid.

The Demand Study is a type of study which is rarely performed in the water industry and few consultants have experience and expertise performing this type of work. IAWC interviewed multiple consultants to determine their capabilities in this area and determined that Black & Veatch Corporation had the staff with this expertise and were also capable of completing the work within our required schedule. The final scope and fee for this work was then negotiated with Black & Veatch.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 4.06
PAGE 3**

The competitive bidding process for the Cost of Service Study and the Service Company Study began with development of a Request for Proposal (RFP) for each study which included a draft scope of services and proposed schedule for the project along with other proposal requirements. The RFPs were then forwarded to two consulting firms for the Cost of Service Study and three for the Service Company Study which IAWC knew to have experience in these areas and had previously performed work for the Company.

Proposals were received by the Company and evaluated based upon several criteria including: the consultant's proposed project approach, hourly labor cost information, the total cost of the services, the consultant's ability to meet the project schedule, and staff experience. For both of these studies, IAWC made the determination to award the work the firm which happened to have the lowest proposed cost.

Copies of the proposals from the firm awarded the Cost of Service Study and the Service Company Study are attached.

- c. See attached ICC LHW 4.06 c & d.xls.
- d. See attached ICC LHW 4.06 c & d.xls.

Attachments:

[ICC LHW 4.06 b1 - CONFIDENTIAL Illinois American - 2009 Rate Study proposal letter.pdf](#)
[ICC LHW 4.06 b2 - CONFIDENTIAL Uffleman RFP Response IAWC Cost Study 120908.pdf](#)
[ICC LHW 4.06 b3 - CONFIDENTIAL Deloitte RFP Response IAWC Cost Study 120908.pdf](#)
[ICC LHW 4.06 b4 - CONFIDENTIAL IL Gannett Fleming Ammendment\(IL\).pdf](#)
[ICC LHW 4.06 b5 - CONFIDENTIAL IL-AWC - Cost of Svc & Rate Design GF Proposal.pdf](#)
[ICC LHW 4.06 c & d CONFIDENTIAL.xls](#)

Date Response Provided: August 28, 2009

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 5.01

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2366</u>
Date Received:	<u>July 21, 2009</u>
Docket No.:	<u>09-0319</u>

LHW 5.01

Referring to Section 9-229 of the Public Utilities Act, which states:
(220 ILCS 5/9-229 new) Sec. 9-229. Consideration of attorney and expert compensation as an expense. The Commission shall specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. This issue shall be expressly addressed in the Commission's final order.

Please answer the following:

- a) Does IAWC contend that each amount set forth in Schedule C-10 is a just and reasonable expense? If so, provide all facts, information, data, analyses and assessments supporting the contention that the amounts set forth in Schedule C-10 are just and reasonable amounts to prepare and litigate the current general rate case;
- b) For the items set forth in the Company's Schedule C-10, provide the amount actually incurred for each item as of June 30, 2009 and, to the extent not otherwise provided in response to part a) of this data request, provide a specific assessment of why the Commission should find that each of the amounts actually incurred is a just and reasonable amount to prepare and litigate the current general rate case. This response should be updated to reflect additional rate case expense actually incurred each subsequent month as documentation such as invoices becomes available;
- c) To the extent that any overtime to compensate any attorney or technical expert employed or retained by IAWC to prepare and litigate this general rate case is included in the test year revenue requirement proposed by the Company, identify the amounts so included and, to the extent not otherwise provided in response to parts a) and b) of this data request, provide a specific assessment of why the Commission should find that each of the amounts is a just and reasonable amount to prepare and litigate the current general rate case; and
- d) To the extent that IAWC has actually incurred expenses including overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case, provide the amount of overtime expenses actually incurred to date and provide a specific assessment of why the Commission should find that the amount of overtime expense actually incurred is a just and reasonable amount to prepare and litigate the current general rate case.

Provide all supporting calculations and workpapers. To the extent applicable, all documents and workpapers should be provided in Excel format with working formulas.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 5.01
PAGE 2**

RESPONSE

IAWC objects to this request as calling for a legal conclusion. IAWC further objects to this request as overly broad and unduly burdensome. Subject to and without waiving these objections IAWC responds as follows.

- a) Each of the amounts shown on Schedule C-10 is a just and reasonable expense. The following addresses each of the expense components of Rate Case Expense as shown on Schedule C-10 (First Revised):

Legal Fees and Expenses

The amount of Legal Fees and Expenses is reasonable because it is based on a projection of legal fees and expense for this rate case by the Company's legal service providers that reflects those providers' past experience representing Illinois water utilities in rate proceedings, including IAWC's prior rate case, Docket 07-0507. Mr. Springer has 30 years of experience representing Illinois public utilities before the Commission and Jones Day has represented Illinois water utilities in numerous Commission rate proceedings. The legal fees and expense amount is based on hourly rates for Jones Day attorneys and Mr. Springer (as shown on AG 1.17-R1) that are consistent with or below the market rates for law partners and associates in the Midwest region (particularly Chicago and St. Louis) as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedules 4, 4.2, 4.3 and 4.4. The amount shown on Schedule C-10 (First Revised) also represents a lower amount of legal fees and expenses than the amount actually incurred in Docket 07-0507, as shown on Schedule C-10.1. In addition, as set forth in LHW 3.04 and AG 1.17, the legal fees of Jones Day and Mr. Springer include a "not-to-exceed" amount, which is intended in part to ensure that the projection of legal expense is reliable and that the amounts actually incurred for legal expense are consistent with the projection. As shown on the attachment to LHW 3.04(c), over 43% of the projected legal fees and expenses amount has already been incurred, despite the fact that significant work (review of testimony, hearing and briefing) remains to be done in the case.

Revenue Requirement

The Company notes that it does not consider the costs under "Revenue Requirement" on Schedule C-10 to be "attorney and expert compensation" as set forth in Section 9-229 of the Public Utilities Act. The costs under "Revenue Requirement" represent the cost of IAWC, Service Company, and temporary personnel to prepare the rate case filing. The costs estimated for Revenue Requirement include the preparation of the revenue requirement and all testimonies, preparation of responses to data requests, participation in hearings, providing analyses during the case, and preparation of final tariffs. The amount for Revenue Requirement was determined by estimating the number of hours expected to be expended by Company personnel and multiplying the hours by the respective employee rate including overheads. The Revenue Requirement estimate represents a 34% decrease from the amount included in the prior rate case.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 5.01
PAGE 3**

CPA Review

The amount for CPA Review is reasonable because it is set as a flat fee. The flat fee level is nearly 32% less than the actual cost incurred for CPA Review in the prior case, as shown on Schedule C-10.1. The firm retained to perform the CPA Review and audit of IAWC's forecast has performed the audit for IAWC's prior rate case and has experience working with IAWC personnel and Illinois regulatory matters.

Rate of Return Consultant

The amount for rate of return consultant is reasonable because it is consistent with the actual expense incurred for the rate of return consultant in the prior case, Docket 07-0507, as shown in Schedule C-10.1. The rate of return consultant, Ms. Ahern, has significant experience performing rate of return analyses for regulated utilities. In addition, the amount for the rate of return consultant is based on hourly rates (set forth in AG 1.17-R1) that are consistent with the market rates for accounting services as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedule 1 and are substantially lower than the market rates for cost of equity consultants shown on IAWC Exhibit 11.01, Schedule 5.2.

Demand Study

Preparation of a demand study was required by the Commission in its Order in Docket 07-0507. The increase reflects the differences between the two studies as described in LHW 4.06. See also response to PL 3.01. The difference in scope between the prior demand study in 07-0507 and the current case results from the fact that the demand study in the present case is the product of a methodology that was, as discussed by Mr. Grubb (IAWC Exhibit 5.00, pp. 12-15), developed in coordination with the parties in Docket 08-0463 and approved by the Commission in that Docket. The approved demand study methodology was intended, in part, to address concerns raised in docket 07-0507 about the demand study utilized in that case. As indicated in the response to those concerns, the demand study consultant was selected due to his expertise and prior experience in the preparation of water demand studies. In addition, the amount for the demand study is based in part on an hourly rate (set forth in AG 1.17-R1) that is consistent with the market rate for consultants as shown on IAWC Exhibit 11.01 (Service Company Cost Study), Schedule 5.

Cost of Service Study

Preparation of the cost of service study ("COSS") was required by the Commission in its Order in Docket 07-0507. The amount for the cost of service study is reasonable because the COSS consultant was selected as a result of a competitive bid (see LHW 4.06). The COSS consultant's bid was the low bid. In addition, the COSS consultant, Mr. Herbert, has substantial experience performing COSS for regulated utilities. The amount for the cost of service study is based on hourly rates for a principal and associate (set forth in AG 1.17-R1) that are consistent with the market rates for similar positions in the management consulting services area shown in Exhibit 11.01 (Service Company Cost Study), Schedules 5 and 5.2.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 5.01
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Other

The Company notes that it does not consider the costs under “Other” on Schedule C-10 to be “attorney and expert compensation” as set forth in Section 9-229 of the Public Utilities Act. Other rate case expense includes amounts estimated for mailing to customers rate case-related information and legal notices as required under the Public Utilities Act and Commission rules, postage, and additional communications needs during the course of the rate case including estimated costs to be incurred for public meetings. The amount of Other rate case expense represents a 17% increase from the actual amount of this expense incurred in Docket 07-0507. The 17% increase is reasonable because it reflects a postal rate increase that took effect subsequent to the last rate case and includes a projected level of costs related to additional public forums, over and above the one public forum that was held in Champaign in the last rate case.

Service Company Study

The Commission’s Final Order in Docket 07-0507, Section IV.B.6.d, required IAWC to “...conduct a study comparing the cost of each service obtained from the Service Company to the costs of such services had they been obtained through competitive bidding on the open market. As part of the study, IAWC must also provide an analysis of the services provided by the Service Company to all of IAWC’s affiliates. The analysis must provide details on the specific services provided to IAWC and how costs are allocated among affiliates of IAWC. IAWC shall include the study in its next rate filing.” As Mr. Uffelman explains (IAWC Ex. 10.00, p. 4-5) the Service Fee Study is part of the testimony and exhibits presented by IAWC in response to the requirements of the Commission’s Order in Docket 07-0507. The amount on Schedule C-10 for the service company study is reasonable because the service company study consultant was selected as a result of a competitive bid (see LHW 4.06). The service company study consultant’s bid was the low bid. In addition, Mr. Uffelman, one of the service company study consultants, has extensive experience working in the Illinois regulatory field (and worked for the Commission at one time), and had recently worked on IAWC’s Municipal Rate Study in Docket 07-0507. The service company study consultant was also selected due to the fact that the service company study consultant had superior expertise and experience related to the scope of the service company study and the service company study consultant (both Deloitte & Touche and Mr. Uffelman) had the necessary resources to perform the service company study in the Company’s time frame. In addition, as set forth in LHW 3.04 and AG 1.17, the cost to prepare the service company study and direct testimony included a “not-to-exceed” amount, which is intended in part to ensure that the projection of the expense is reliable and that the amounts actually incurred for the service company study are consistent with the projection.

- b) The amounts actually incurred to date for Legal Fees and Expenses rate case expense were provided in response to LHW 3.04. The amounts actually incurred to date for the other items in Schedule C-10 are shown on the attached. An assessment of the reasonableness of the cost for each item is provided in (a).
- c) No overtime compensation was provided to any attorney or technical expert employed or retained by IAWC to prepare and litigate this general rate case.

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PAGE 5**

d) See (c).

Attached: [ICC LHW 5.01 \(b\) rate case expense.xls](#)

Date Response Provided: September 2, 2009

Illinois-American Water Company
ICC LHW 5.01 (b)
Rate Case expense as of June 30, 2009

	Rate Case Expense incurred As of June 30, 2009	
Legal Fees and Expenses	\$	330,760
Revenue Requirement		267,628
CPA Review		41,283
Rate of Return Consultant		12,800
Demand Study		34,953
Cost of Service Study		38,324
Other		84,142
Service Company Study		348,871
Total	\$	1,158,760

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 7.01

Witness Responsible:	Tyler Bernsen
Title:	Financial Analyst II
Phone No.:	(314) 996-2274
Date Received:	September 3, 2009
Docket No.:	09-0319

LHW 7.01

This request is a follow up to the Company's response to Staff data request LHW 5.01 b). On the attached Excel spreadsheet, Rate Case Expense, please provide the amount of expense actually incurred for each item as of August 31, 2009, by completing Column D, Lines 1 through 9. Also, if there are reasons to adjust the original estimates from Schedule C-10 (for example, the final cost of the Demand Study is known and measureable), please complete Column E, lines 1 through 9.

RESPONSE

See Attached.

Attachment:
ICC LHW 7 01-R1.xls

Date Response Provided: September 17, 2009

ICC LHW 7.01-R1

Illinois-American Water Company
Rate Case Expense
LHW 7.01

Line No.	(A)	Rate Case Expense	From LHW 5.01 b)	Rate Case Expense incurred	Rate Case Expense incurred	Rate Case Expense
		Estimated - From Schedule C-10	Rate Case Expense incurred	As of June 30, 2009	As of August 31, 2009	Revised Estimate
		(B)	(C)	(D)	(E)	
1	Legal Fees and Expenses	\$930,000		\$330,760		\$516,430
2	Revenue Requirement	329,494		267,628		340,752
3	CPA Review	48,700		41,283		41,283
4	Rate of Return Consultant	52,760		12,800		13,275
5	Demand Study (1)	143,000		34,953		144,283
6	Cost of Service Study	106,540		38,324		57,689
7	Other	306,102		84,142		104,288
8	Service Company Study	422,900		348,871		348,871
9	Total	\$2,339,496		\$1,158,760		\$1,566,871

(1) Note: Demand Study amount in Column (D) reflects costs previously incurred by the Company, but inadvertently recorded to the incorrect account. The amount not included in 5.01 b) for Demand Study expense as of June 30 was \$97,050. The total as of June 30 was actually \$132,003.

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 10.03

Witness Responsible:	<u>Tyler Bernsen</u>
Title:	<u>Financial Analyst II</u>
Phone No.:	<u>(314) 996-2274</u>
Date Received:	<u>October 2, 2009</u>
Docket No.:	<u>09-0319</u>

LHW 10.03

This request is a follow up to the Company's response to Staff data request LHW 5.01 b) and LHW 7.01. On the attached Excel spreadsheet, Rate Case Expense, please provide the amount of expense actually incurred for each item as of September 30, 2009, by completing Column E, Lines 1 through 9. Also, if there are reasons to adjust the original estimates from Schedule C-10 (for example, the final cost of the Demand Study is known and measureable), please complete Column F, lines 1 through 9.

RESPONSE

See attached.

Attachment:

[ICC LHW 10 03-R1.xls](#)

Date Response Provided: October 19, 2009

ICC LHW 10.03-R1

Illinois-American Water Company
Rate Case Expense

Line No.	(A)	Rate Case Expense	From LHW 5.01 b)	From LHW 7.01	Rate Case Expense incurred	Rate Case Expense incurred	Rate Case Expense incurred
		Estimated - From Schedule C-10	Rate Case Expense incurred				
	(B)	(C)	(D)	(E)			
1	Legal Fees and Expenses	\$930,000	\$330,760	\$516,430	\$535,402	\$481,646	
2	Revenue Requirement	329,494	267,628	340,752	380,596	420,014	
3	CPA Review	48,700	41,283	41,283	41,283	41,283	
4	Rate of Return Consultant	52,760	12,800	13,275	14,253	14,253	
5	Demand Study	143,000	34,953	144,283	157,743	157,743	
6	Cost of Service Study	106,540	38,324	57,689	57,689	64,272	
7	Other	306,102	84,142	104,288	143,812	144,497	
8	Service Company Study	422,900	348,871	348,871	357,371	478,046	
9	Total	\$2,339,496	\$1,158,760	\$1,566,871	\$1,688,148	\$1,801,753	\$0

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER PL-2.02

Witness Responsible:	<u>J. Rowe McKinley</u>
Title:	<u>Consultant-Black & Veatch</u>
Phone No.:	<u>(913) 488-3345</u>
Date Received:	<u>July 1, 2009</u>
Docket No.:	<u>09-0319</u>

PL-2.02

Please answer the following concerning the reference on p. 6 of IAWC Ex. 13.00 (McKinley Direct Testimony) to the Capacity Factors Report developed in accordance with the Multi-Year Study methodology:

- a. Please indicate when the Capacity Factors Report was completed.
- b. Please provide the date the report was first shared with Staff.

RESPONSE

The report entitled "Report on Capacity Factors by Customer Class for the Illinois American Water Company," which is referred to in Mr. McKinley's testimony (IAWC Ex. 13.00, p. 4) as the "Prior Report," was completed on January 29, 2009 and filed with the Commission as part of IAWC's direct evidence in Docket 08-0463 on January 30, 2009. As Mr. McKinley's testimony further indicates (pp. 4-5), certain text of the Prior Report was revised to clarify the discussion related to residential daily variations and the bi-monthly billing adjustment (although the capacity factors in the Prior Report remained unchanged). The revised report is defined in Mr. McKinley's testimony in this proceeding as the "Capacity Factors Report," and was provided to Staff on May 29, 2009 as part of IAWC's rate case filing. The substance of the revisions to the Prior Report, however, were set forth in Docket 08-0463 data responses PL 2.01 – PL 2.04 and AG 1.5, served on Staff on April 3, 2009 and April 10, 2009, respectively.

Date Response Provided: August 5, 2009

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER PL-2.05
Corrected

Witness Responsible:	<u>J. Rowe McKinley</u>
Title:	<u>Consultant-Black & Veatch</u>
Phone No.:	<u>(913) 488-3345</u>
Date Received:	<u>July 1, 2009</u>
Docket No.:	<u>09-0319</u>

PL-2.05

Please answer the following concerning the statement on p. 2 of IAWC Ex. 13.01 (Capacity Factors Report) that: "the methodology for estimating customer class demand factors follows the methodology outlined in AWWA's Manual M1, which is the water industry's standard manual for cost allocation and cost of service based rate design.":

- a. Please provide an in-depth explanation of the AWWA's Manual M 1 methodology for estimating customer class demand factors.
- b. Please provide specific references to the location in the AWWA's Manual M 1 on which the explanation in part a is based.
- c. Please identify and explain each of the ways the Company's proposed methodology is consistent with the methodology outlined in AWWA's Manual M1 for estimating customer class demand factors.

RESPONSE

As Mr. McKinley and Mr. Grubb describe in their testimony (IAWC Ex. 13.00, pp. 5-6; 5.00, pp. 12-14), following the entry of the Initiating Order in Docket 08-0463, which required IAWC to perform a demand study, the parties to Docket 08-0463 (the "Parties") convened a workshop ("Workshop") on September 23, 2008, to discuss the approach to the demand study. At the Workshop, IAWC presented a proposed methodology for a multi-year demand study ("Multi-Year Study"). The Multi-Year Study methodology document indicated that the demand study would generally follow the procedures set forth in Appendix A of the AWWA Manual M1. With respect to the Multi-Year Study, the Parties indicated that they did not object to the methodology proposed by the Company, provided that the Commission deemed it consistent with the directives in the Initiating Order. The Parties therefore filed a Joint Motion for Clarification ("Joint Motion") in Docket 08-0463 requesting that the Commission authorize IAWC's completion of the Multi-Year Study required by the Initiating Order through the Multi-Year Study methodology, which was provided as Attachment A to the Joint Motion (Note: a copy of the Multi-Year Study methodology (Attachment A) was to be attached to Mr. McKinley's testimony as IAWC Exhibit 13.02. This exhibit was inadvertently omitted from IAWC's May 29, 2009 filing. A copy of this exhibit is attached hereto). The Joint Motion also stated that the Multi-Year Study would be based on the principles and procedures for a demand study set forth in Appendix A of the AWWA Manual M1. In Docket 08-0463, the Commission, on October 15, 2008, granted the Joint Motion for Clarification and approved the use of the Multi-Year Study methodology described in the Joint Motion and shown in IAWC Exhibit 13.02. The Capacity Factors Report in the present case was developed in accordance with this Multi-Year Study methodology.

- a. A full explanation of AWWA's Manual M1 methodology for estimating customer class capacity factors is provided in Appendix A of the Manual. This appendix is provided as work paper WP Ex13.00-A31. A summary explanation is also provided in the Capacity Factors Report, IAWC Exhibit 13.01, pp. 2-3. .
- b. Appendix A of Manual M1 begins on Page 297. It is available as work paper WP Ex 13.00-A31.
- c. IAWC objects to this request as vague and overly broad. Subject to and without waiving this objection, the Company responds as follows. The Multi-Year Study methodology that was utilized to prepare the Capacity Factors Report is the methodology that which was approved by the Illinois Commerce Commission in Docket 08-0463 as discussed above. The approved Multi-Year Study methodology is consistent with the methodology outlined in AWWA's Manual M1 for estimating customer class demand factors in the following ways. Following Appendix A of Manual M1, customer class demands are determined based on relationships of monthly water usage patterns by customer class with adjustments for daily and hourly variations. The reasonableness of indicated customer class capacity factors is determined by comparing the total weighted average non-coincidental demand ratios of the customer classes with the respective system coincidental demand ratios to derive maximum day and maximum hour system diversity factors. As indicated in Appendix A of Manual M1 (pp. 299-300), the diversity factors determined based upon the proposed customer class capacity factors developed in a demand study are considered acceptable if they fall within a range of 1.1 to 1.4. The findings of the Capacity Factors Report (IAWC Ex. 13.01, p. 3) indicate that this acceptable range is achieved. See also IAWC Exs. 13.01, pp. 2-3; 13.02.

Attachment:

ICC PL-2.05-R1 – IAWC Exhibit 13.02.pdf

Date Response Provided: August 7, 2009

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER PL-3.01

Witness Responsible:	<u>Jeffrey T. Kaiser</u>
Title:	<u>Director of Engineering – Illinois American Water</u>
Phone No.:	<u>(618) 239-3231</u>
Date Received:	<u>August 5, 2009</u>
Docket No.:	<u>09-0319</u>

PL-3.01

Please provide the following:

- a. A detailed description of the necessary steps the Company would have to take for a formal demand study for each of the Company's Illinois districts that would provide results for IAWC's customer classes in each district.
- b. An estimate of the cost the Company would expect to incur for a formal demand study for each of the Company's Illinois districts that would provide useful results for IAWC's customer classes in each district.
- c. A detailed analysis of the various costs that would comprise the estimate provided in response to part b. of this question.
- d. An estimate of the date by which such a study could be accomplished.
- e. A detailed analysis of how the completion date presented in response to part d. of this question was derived.

RESPONSE

IAWC objects to this request as vague. Subject to and without waiving this objection, IAWC responds as follows:

- a. IAWC has completed a formal demand study for each of its rate areas in Illinois and submitted it in this Docket as IAWC Exhibit 13.01(Revised). This study, completed by the consulting firm of Black and Veatch, utilized a methodology which is in accordance with water industry standards (American Water Works Association Manual M1) and which was previously reviewed and approved by the ICC in Docket 08-0463. In accordance with the approved methodology, the study utilizes actual system and billing data to develop capacity factors for each of IAWC's customer classes in each rate area.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC PL-3.01
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If the intent of the question is to ask for a description of the steps needed to perform a metered demand study ("Metered Study"), using individual customer metering devices, for all of IAWC's service districts, IAWC responds as follows. A Metered Study would require, at a minimum, the following steps: (i) identification of the service areas and customers where demand meters would have to be installed for such a study; (ii) a review of the process needed to acquire and install the necessary demand meters, including a detailed look at each district's customer base; (iii) a determination of what is an acceptable sample size for the metering in each district; (iv) identification of metering targets; and (v) development of costs for distribution system modification and meter installation and power supply. The analysis would, also require a determination of the appropriate time frame for the study and evaluation of the impact on such a study of weather conditions, which may cause peak demands to occur outside the study period. See also (b).

- b. The cost of a Metered Study utilizing customer demand meters in all districts statewide can be estimated based on the cost of the demand study performed in Docket 07-0507 ("Docket 07-0507 Study"), for which demand meters were installed for customers selected as those representative of their respective classes in the Interurban District. The cost to the Company (including the cost to acquire and install demand meters but exclusive of internal engineering costs and consultant costs to prepare the report) to perform demand metering in the Interurban district for the Docket 07-0507 Study, which utilized demand meters for approximately 250 total customers, was approximately \$260,000. This included approximately \$149,000 for demand meters and data loggers, \$60,000 for meter installations by a contractor, and \$50,000 of IAWC distribution staff labor (for modifications to the distribution system such as installation of valves and emergency bypass piping necessary to allow the installation of meters for groups of residential customers). The total cost for the Docket 07-0507 Study, including engineering and consulting costs, was in excess of \$300,000. As the Interurban District is just one service district of many in IAWC's service area in Illinois, the cost of a Metered Study utilizing customer demand meters in all districts statewide would be expected to be significantly higher. The Company further notes that an individual demand meter and data logger costs between \$1550 and \$8500 plus installation.

The Interurban District is one of IAWC's 4 largest districts, with approximately 68,000 customer accounts. It includes representatives of all customer classes. While the IAWC districts do vary in composition of customer types, for this analysis we have assumed the overall requirements of a Metered Study would be relatively consistent from district to district, based on relative number of customers required for a statistically representative sample size, the cost to install and monitor meters, and the cost to analyze the demand meter data into a demand study.

Based on these assumptions, the estimated cost to perform a Metered Study for each of IAWC's Districts can be determined based on the Districts size relative to the Interurban District. The total estimated cost of perform a Metered Study using customer meters in all IAWC's districts is approximately \$1.8 million, as shown in the table below.

**ILLINOIS-AMERICAN WATER COMPANY
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District	Approximate Customer Accounts	Estimated Metered Study Cost*
Interurban	68000	\$300,000
Peoria	51000	\$300,000
Champaign	50000	\$300,000
Chicago Metro	47000	\$300,000
Alton	18000	\$150,000
Pekin	14000	\$150,000
Streator	7550	\$75,000
Sterling	6450	\$75,000
Lincoln	5750	\$75,000
Pontiac	4400	\$75,000
South Beloit	2750	\$30,000
Cairo	1100	\$30,000
Total Estimated Metered Study Cost		\$1,860,000

- c. See (b).
- d. See (a). The Company estimates that the development and implementation of a Metered Study would take at least 18 to 24 months and possible longer depending upon weather conditions.
- e. See (d).

Date Response Provided: August 27, 2009