

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.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS ATTORNEY GENERAL
DATA REQUEST NUMBER AG 1.17
PAGE 2**

(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

.

Attachment:

Date Response Provided: September 30, 2009

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.21

Witness Responsible:	<u>Edward J. Grubb</u>
Title:	<u>Director of Finance</u>
Phone No.:	<u>(618) 239-3209</u>
Date Received:	<u>November 4, 2009</u>
Docket No.:	<u>09-0319</u>

AG 10.21

Refer to IAWC Ex. 5.00R2, page 2, lines 49-50. Has IAWC or AWWSC ever performed cost comparisons of (1) using in-house regulatory lawyers versus (2) using outside legal counsel. If not, explain fully why not. If so, please identify, and provide a copy of all such analyses.

- a. Identify and produce all Documents that IAWC relies on for its response.

RESPONSE:

IAWC objects to this request as overly broad and unduly burdensome. Subject to and without waiving this objection, IAWC responds as follows.

As discussed in Mr. Grubb's rebuttal (IAWC Ex. 5.00R2, pp. 2-3), retaining a sufficient number of regulatory lawyers in-house at IAWC on a permanent basis to prosecute Illinois rate cases is less efficient and ultimately more expensive than using outside legal counsel to prosecute rate cases. In addition, use of outside counsel allows IAWC to access highly experienced regulatory attorneys with extensive regulatory and rate case expertise. As Mr. Grubb discusses, rate cases in Illinois require application of substantial legal resources over a relatively limited amount of time. In most cases it will be more cost effective to obtain the "peak capacity" needed for a rate case from an outside firm. An analysis of the cost-effectiveness of utilizing outside counsel is attached. This analysis was performed using the data from the Service Fee Study cost structure, the legal costs in the current rate case and utilizing the Company's rate case history since the 2002 rate case, which reflects a nine year period through the end of 2010 (during which there were three rate cases). The analysis shows the cost of maintaining an additional staff of in-house regulatory attorneys to prosecute rate cases would have cost the Company an estimated \$8,974,467 over the nine year period. Using outside legal counsel, the estimated cost is \$2,790,000 for a total savings of \$6,184,467 over the nine year period. From this analysis, it is apparent that the Company's approach to legal costs for rate cases is the least cost approach. See attachment AG10.21.xls. Moreover, this analysis is considered conservative for at least three reasons:

- 1) The analysis assumes that a general counsel, two attorneys and a paralegal would be a sufficient staff to prosecute a rate case for IAWC. Additional legal staff in-house might be required if there are extensively litigated issues, extensive discovery (e.g., IAWC has already responded to over 750 data requests in this proceeding), or multiple required studies (e.g., in the present case IAWC was required to perform a service fee study, a demand study, and a cost of service study). An advantage of utilizing outside counsel is outside firms can efficiently scale attorney resources up or down to meet the needs of a particular case;

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.21
PAGE 2**

- 2) The analysis reduces the cost of an in-house legal rate case staff by the estimated cost to IAWC of in-house counsel who work on IAWC's current rate case. In-house counsel for IAWC provide services for the current rate case including, but not limited to, coordination of discovery responses, coordination of testimony preparation, and coordination of IAWC's participation in public forums and other meetings. The adjustment to the analysis for current in-house counsel cost assumes that these types of services would continue to be provided even if a complete in-house rate case team was retained;
- 3) The analysis assumes that an in-house rate case staff for IAWC could be retained at compensation levels similar to those attorney compensation levels used by the Service Company as shown in IAWC Exhibits 1.04 and 11.01 and related workpapers. The Company believes, however, that to retain attorneys with comparable levels of regulatory and rate case as expertise as that offered by outside counsel, IAWC would have to offer compensation levels higher than the compensation levels presently used for Service Company attorneys.

Attachment: AG 10.21 R1.xls

Date Response Provided: November 11, 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

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

08-0363

**SECTION 285.3090
SCHEDULE C-10.1
RATE CASE EXPENSE COMPARISON**

Page 1 of 1

Utility: Northern Illinois Gas Company
d/b/a Nicor Gas Company

Test Year: 12 Months Ended 12/31/09

Line No.	Category (A)	Projected Cost Current Case (B)	Actual Cost Previous Case (C) (See Note 1)
1	Outside Consultants or Witnesses	1,031,250	1,110,000
2	Outside Legal Services	2,800,000	2,300,000
3	Paid Overtime	-	-
4	Other Expenses	510,000	164,880
5	Total Expense	<u>4,341,250</u>	<u>3,574,880</u>
6	Difference (%)	21%	

7 ***In the Company's previous rate case, Nicor Gas projected total rate case expense to be***
8 ***\$3,574,880. Such budgeted costs were uncontested and accordingly are being recovered***
9 ***through base rates. Actual costs, however, exceeded the budget and totaled \$5,431,893.***
10 ***The Company has projected current rate case costs to be \$4,341,250, or 20% below actual***
11 ***rate case expense incurred in the previous case.***

09-0166

Section 285.3090
Schedule C-10.1
Page 1 of 1North Shore Gas CompanyRate Case Expense Comparisons

Line No.	Item of Expense [A]	Current Rate Case [B]	Company Direct Prior Rate Case (Dkt. 07-0241) (2) [C]	Line No.
1	Outside Consultants and Witnesses	\$589,000	\$308,000	1
2	Outside Legal Services	1,019,000	1,382,000	2
3	InterCompany (Billings from Affiliates)	942,000	1,078,000	3
4	Paid Overtime	---	---	4
5	Other Expenses	<u>47,000</u>	<u>94,000</u>	5
6	Total Expense	<u>\$2,597,000</u> (1)	<u>\$2,862,000</u>	6

Notes: (1) The decrease in expense compared to the prior rate case is due primarily to more detail time reporting and cost allocations from affiliates' billings to Company and lower costs, compared with the prior rate case, associated with rider proposals, offset by increased costs for the use of a future test year.

(2) 2006 Historical Test Year Rate Case, Docket 07-0242 - General increase in rates for gas service - Company Direct	\$	2,862,000
2006 Historic Test Year Rate Case, Docket 07-0241/07-0242 Consolidated - Final Order	\$	2,169,800
Actual costs incurred by Company (through November 30, 2008)	\$	2,503,000

07-0241

Section 285.3090
Schedule C-10.1
Page 1 of 1North Shore Gas CompanyRate Case Expense Comparisons

Line No.	Item of Expense [A]	Current Rate Case [B]	Prior Rate Case (Dkt. 95-0031) (2) [C]	Line No.
1	Outside Consultants and Witnesses	\$308,000	\$102,000	1
2	Outside Legal Services	1,382,000	92,000	2
3	InterCompany (Billings from Affiliates)	1,078,000	294,000	3
4	Paid Overtime	---	---	4
5	Other Expenses	<u>94,000</u>	<u>17,000</u>	5
6	Total Expense	<u>\$2,862,000</u> (1)	<u>\$505,000</u>	6

Notes: (1) The increase in expense compared to the prior rate case is due primarily to (1) complying with the new and expanded Part 285 filing requirements, (2) utilization of outside expert consultants and witnesses to advise and support the Company's filing and rate case presentation, (3) utilization of outside legal services, (4) services rendered by PEC's and PGL's support departments and (5) general increases in costs for services over the last 11 years.

(2) 1995 Rate Case, Docket 95-0031 - General increase in rates for gas service.

07-0566

Schedule C-10.1
Page 1 of 1Commonwealth Edison CompanyRate Case Expense Comparisons

(In Thousands)

Witness: Houtsma/Frank

Line No.	Description (A)	Estimated For Current Case (1), (2) (B)	ICC Docket No. 05-0597 (3) (C)
1	Delivery Services Rate Case:		
2	Outside Consultants and Witnesses	\$ 5,115	\$ 3,917
3	Outside Legal Services	6,385	6,385
4	Paid Overtime	-	-
5	Other Expenses	-	155
6	Total Rate Case Expense	<u>\$ 11,500</u>	<u>\$ 10,457</u>
7	Percent Difference From Last Case - Total Costs	10.0%	

Notes:

- (1) From Schedule C-10. Cost estimates exclude the costs related to the Original Cost Audit. See schedule C-2.10 for those costs.
- (2) This amount will be updated during this proceeding to include actual costs for 2007 and 2008. There were no actual costs incurred in the 2006 test year.
- (3) ICC Docket No. 05-0597, ComEd Proposed general increase in electric rates, general restructuring of rates, price unbundling of bundled service rates, and revision of other terms and conditions of service. Excludes costs of rehearing proceeding.

05-0597

Schedule C-10.1
Page 1 of 1Commonwealth Edison CompanyRate Case Expense Comparisons
(In Thousands)

Witness: J. Hill

Line No.	Description (A)	Estimated For Current Case (1) (B)	ICC Docket No. 01-0423 (2) (C)
1	Delivery Services Rate Case:		
2	Outside Consultants and Witnesses	\$ 5,193	\$ 2,982
3	Outside Legal Services	4,000	6,466
4	Paid Overtime	(3)	60
5	Other Expenses	(3)	625
6	Total	<u>\$ 9,193</u>	<u>\$ 10,133</u>
7	Expenses Related to Audit Ordered in ICC Dkt. No. 01-0664:		
8	Auditor Cost		\$ 2,500
9	Outside Consultants and Witnesses		2,533
10	Outside Legal Services		1,261
11	Paid Overtime		4
12	Other Expenses		219
13	Total Audit		<u>\$ 6,517</u>
14	Total Rate Case Expense	<u>\$ 9,193</u>	<u>\$ 16,650</u>
15	Percent Difference From Last Case - Total Costs	-44.8%	
16	Percent Difference From Last Case - Excluding Audit Cost	-9.3%	

Notes:

- (1) From Schedule C-10. Cost estimates assume no ICC-ordered audit during the current proceeding.
- (2) ICC Docket No. 01-0423, ComEd Petition for approval of delivery services tariffs and of residential delivery services implementation plan, and for approval of certain other amendments and additions to its rates, terms and conditions.
- (3) Not separately identified.

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.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.43
PAGE 2**

- 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

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO OFFICE OF THE ATTORNEY GENERAL
DATA REQUEST NUMBER AG 10.44

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 10.44

Refer to IAWC Ex 7.00R2.

- a. Provide all Documents relied upon for lines 97-108.

RESPONSE:

As cited in IAWC Ex. 7.00R2, page 5, lines 103-104, see IAWC Exhibit 11.01, Schedule 4.2 and 4.3. See also IAWC Exs. 10.00, 11.00, 11.01, 12.00 and associated supporting workpapers (including WP Ex 11.01-S4.2 and WP Ex 11.01-S4.3).

Date Response Provided: November 12, 2009

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	7,208
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 3.04

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

LHW 3.04

Reference Schedule C-10, Rate Case Expenses. For expenses related to "Legal Fees and Expenses" (Line No. 1) and "Other" (Line No. 7), please provide:

- a. The basis for and the calculation of the "Estimated Current Case" expenses including numbers of hours and billing rates if applicable;
- b. Invoices received for "Fees" and "Expenses;"
- c. A summary of the invoices received for "Fees" and "Expenses;"
- d. A summary of fees and expenses incurred to-date;
- e. A projection of fees and expenses yet to be incurred for this case; and
- f. The basis for the projection of fees and expenses yet to be incurred for this case, including numbers of hours and billing rates if applicable.

RESPONSE

- a. See attached and AG 1.17.
- b. See attached
- c. See attached
- d. See attached
- e. The projection of fees and expenses yet to be incurred for this case for "Legal Fees and Expenses" and "Other" is the difference between the projected amount shown in C-10 and the actual amount incurred to date shown in response to part (c) above.
- f. See (e).

Attachments:

- a. [ICC LHW 3.04 legal fee projection CONFIDENTIAL.xls](#)
[ICC LHW 3.04 Other fees projection.xls](#)
- b. [ICC LHW 3.04\(b\) CONFIDENTIAL.pdf](#)
- c. [ICC LHW 3.04 summary of fees and expenses.xls](#)
- d. See attached response to (c)

Date Response Provided: August 30, 2009

PUBLIC VERSION
Confidential version on file with Chief Clerk

ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER LHW 3.05 Update

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

LHW 3.05

Please update your responses to LHW 3.04 through the date of your rebuttal testimony, including any additional invoices received but not included in your initial response to LHW 3.04.

RESPONSE

The information will be provided as requested.

Date Response Provided: August 25, 2009

Update:

See additional invoices and updated invoice summary attached.

[ICC LHW 3.05\(b\) R1 Invoices Updated.pdf](#)

[ICC LHW 3.05\(c\) R1 summary of fees and expenses updated.xls](#)

Date Updated Response Provided: November 5, 2009

PUBLIC VERSION
Confidential version on file with Chief Clerk

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
PAGE 4**

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.

**ILLINOIS-AMERICAN WATER COMPANY
RESPONSE TO ILLINOIS COMMERCE COMMISSION
DATA REQUEST NUMBER ICC LHW 5.01
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 JMO 1.01

Witness Responsible:	<u>Rich Kerckhove</u>
Title:	<u>Manager, Rates and Regulation</u>
Phone No.:	<u>314-996-2366</u>
Date Received:	<u>January 22, 2013</u>
Docket No.:	<u>09-0319</u>

JMO 1.01

Referring to IAWC's responses to Staff Data Requests LHW 3.04 (b) CONFIDENTIAL and LHW 3.05 (b) R1 Invoices Updated, please provide the unredacted invoices for legal fees and expenses rate case expenses.

RESPONSE

See attached invoices.

Attachments:

[JMO 1.01 CONFIDENTIAL Boyd Springer Invoices.pdf](#)
[JMO 1.01 CONFIDENTIAL Jones Day Invoices.pdf](#)

Date Response Provided: February 14, 2013