

**Docket No. 01-0488
ICC Staff Exhibit 9.00**

SURREBUTTAL TESTIMONY

OF

ROY A. KING

WATER DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

CRYSTAL CLEAR WATER COMPANY

Docket No. 01-0488

May 2002

1 **Q. Please state your name and business address.**

2 A. My name is Roy A. King. My business address is 527 East Capitol Avenue,
3 Springfield, Illinois 62701.

4

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission (Commission) as a Water
7 Engineer in the Water Department of the Financial Analysis Division (FAD).

8

9 **Q. Are you the same Roy A. King who previously submitted ICC Staff Exhibits**
10 **1.0, 3.0, and 5.0 with attached schedules in these proceedings?**

11 A. Yes, I am.

12

13 **Q. Are you familiar with the rebuttal testimony presented by Crystal Clear**
14 **Water Company's (CCWC or Company) witness Mr. Thomas P. Mathews?**

15 A. Yes, I have personally reviewed the rebuttal testimony presented by Mr.
16 Mathews.

17

18 **Q. What is the purpose of your testimony?**

19 A. I am responsible for presenting surrebuttal testimony in response to Company
20 witness T. P. Mathew's statements regarding his compliance to the Order in
21 Docket No. 97-0605

22

23

24 **GENERAL RATE RELIEF**

25 **Q. In Mr. Mathews’ rebuttal testimony, p.1, he indicates, “substantial rate relief**
26 **was and remains absolutely critical to maintain the financial viability,**
27 **reality, and water quality of these utilities.” Based on your experience, do**
28 **you agreed with Mr. Mathews’ statement that rate relief is a necessity to**
29 **maintain any public utility system to the standards of government agencies**
30 **and be financially fit to meet all operating expenses?**

31 **A.** Yes. In my opinion, a utility should seek a rate increase on a regular basis so
32 that the Company can maintain a high level of proficiency, be financially sound to
33 maintain the standards of the governing agencies, and operate and maintain their
34 systems in excellent condition. However, based on the following table, it appears
35 that Crystal Clear has sought rate relief four times since receiving its initial
36 certificate of public convenience and necessity in 1955.

<u>Docket</u> <u>Number</u>	<u>Date of</u> <u>Request</u>	<u>Date of</u> <u>Order or</u> <u>Final Action</u>	<u>Amount</u> <u>Granted</u> <u>(000)</u>
76-0005	8-Dec-75	15-Sep-76	9.1
87-SF	8-Sep-86	21-Jan-87	10.1
97-0605	19-Nov-97	16-Jun-99	12.0
02-SF	17-May-01	28-Jan-02	withdrawn

37

38 **Q. In Mr. Mathews’ rebuttal testimony, p. 2, he states, “Ironically, given this**
39 **desperate need for additional revenues (rate relief), the Staff inexplicably**
40 **demanded that the new short form rate cases which were proceeding on a**
41 **parallel track with these proceedings be ‘voluntarily’ dismissed by each of**

42 **my water companies.” In your opinion, has Mr. Mathews accurately**
43 **described the status of the current rate relief requested by the Company?**

44 A. In my opinion, the only accurate statement made by Mr. Mathews is that the
45 utility has requested that the short form rate case be withdrawn. Staff at no time
46 demanded withdrawal of the previously pending short form rate cases. Mr.
47 Mathews’ testimony ignores the fact that the Company failed to provide Staff with
48 responses to our discovery on a timely basis and failed to co-operate with Staff.

49
50 **Q. I am showing you several letters and documents marked for identification**
51 **as ICC Staff Exhibit 9.00, Group Schedule 9.01, and ask you to identify**
52 **these documents.**

53 A. Group Schedule 9.01 represents copies of written communications between Mr.
54 Mathews and Staff concerning the Simplified Rate Procedures filed in May 2001.
55 These documents set forth the lack of co-operation by the Company with Staff.
56 In my opinion, the letters also demonstrate that Staff tried to provide CCWC with
57 opportunities to complete the rate proceedings. However, without supporting
58 documents for CCWC’s adjustments, Staff’s discovery was hindered and was
59 unable to proceed further with CCWC’s rate case in a timely manner.

60
61 **Q. In Mr. Mathews’ rebuttal testimony, p. 2, he indicates that his utilities are**
62 **being singled out by virtue of these proceedings. In your opinion, has Staff**
63 **singled out the Company because of the type of operation Mr. Mathews**
64 **currently maintains?**

65 A. In my opinion the Company, by not complying with the Commission's previous
66 order, has singled itself out. Several of the items reflect requirements set by 83
67 Il. Adm. Code Part 600, which has been in effect since 1977. CCWC has had
68 over 20 years to achieve compliance with Part 600.

69

70 **Q. Mr. Mathews' rebuttal testimony, p. 2, references a Report that you**
71 **provided to the Company as a response to their inquiry. Mr. Mathews**
72 **indicates that it showed "approximately 200 utilities, many, if not most, of**
73 **which appeared to be regulated by the Commission, with very serious**
74 **service problems." In your opinion, has Mr. Mathews correctly identified**
75 **the information provided by you?**

76 A. Mr. Mathews failed to recognize that the information provided was a copy of the
77 Environmental Register, which is a publication of the Illinois Pollution Control
78 Board. The information being referred to by Mr. Mathews is the public water
79 supplies, regulated by IEPA, that have been placed on restricted status. The
80 Commission regulates about 10 of approximately 150 public water supplies listed
81 as being on restricted status. Further, the Commission currently regulates only
82 approximately 50 public water suppliers.

83

84 **Q. Mr. Mathews further indicated on page 3, lines 81-84 that I acknowledged in**
85 **a response to a data request, that I was unaware of any previous**
86 **proceedings like this being initiated against any other water company. Is**
87 **this correct?**

88 A. Yes. Based on my experience with the Commission, once the Commission has
89 issued an order requiring compliance to be completed or reported, the utility
90 normally follows the Commission's directive without further formal proceedings.
91 In this instance, CCWC has elected not to comply with the requirements set forth
92 in the Order in Docket No. 97-0605.

93

94 **STORAGE TANKS**

95 **Q. According to Mr. Mathews' rebuttal testimony, p. 6, he takes issue with you**
96 **utilizing a population equivalent (p.e.) of 3.5 because it is a 1978 standard.**
97 **Do you concur with Mr. Mathews?**

98 A. No, for the following reasons. The Company, in the original case, did not provide
99 any studies disputing Staff's recommendations that the Company should
100 increase storage capacity and install an elevated storage tank. In that
101 proceeding, I utilized the same method in calculating the storage capacity as I
102 did in drafting my testimony in this proceeding. In my years of experience as an
103 engineer with the Commission, I have always utilized the 3.5 p.e. which is the
104 standard that the Illinois Environmental Protection Agency has established.
105 Based on my understanding of IEPA rules, CCWC has the option to petition the
106 Illinois Pollution Control Board for a variance from the current 3.5 p.e. to his
107 proposal of 2.63 p.e. However, I am not aware that any such petition has been
108 filed with and granted by the Illinois Pollution Control Board. It is also my
109 understanding that CCWC would also have to provide additional evidence to the

110 Illinois Pollution Control Board by canvassing the homes in the service area to
111 get an actual population count.

112

113 **Q. Is it still your opinion that CCWC's storage capacity is inadequate to meet**
114 **customer demands and that the Company should install additional**
115 **capacity?**

116 A. Yes. As indicated in my direct testimony, the Commission found that CCWC
117 should install an elevated storage tank having at least 40,000 gallons of storage
118 within 24 months of the date of the Order (June 19, 1999). However, nearly
119 three years have elapsed and CCWC has not provided any evidence showing
120 any progress being made toward installing additional storage capacity to meet
121 the demands of customers.

122

123 **Q. Does the Respondents Exhibit 2.2 submitted in this case by Mr. Mathews**
124 **alter your conclusion concerning inadequate storage capacity?**

125 A. No.

126

127 **UNCAPPED MAINS**

128 **Q Based on Mr. Mathews' rebuttal testimony, p. 6, is it your opinion that**
129 **having uncapped mains is still a safety hazard that should be repaired as**
130 **soon as possible?**

131 A. Yes. I considered this a safety issue in the original docket, as well as in this
132 proceeding, which should be corrected as soon as possible. Mr. Mathews' only

133 comment was that the dead end mains were not leaking (lines 256 and 257).
134 The reason for correcting this situation is that, if a main break should occur
135 during the flushing cycle, it is possible a vacuum could be created on the system.
136 This could pull dirt and other contaminants into the water main, thus
137 contaminating the water. 83 Ill. Adm. Code Section 600.210 requires a utility to
138 furnish a safe water supply suitable for drinking and free of any hazards to
139 health. Given the Commission order to cap these mains, I believe that the failure
140 of CCWC to comply violates the Commission rule.
141 Based on Mr. Mathews' rebuttal testimony, it appears that the uncapped mains
142 will never be corrected.

143

144 **UNPAID ELECTRIC BILLS**

145 **Q Mr. Mathews' rebuttal testimony, p. 7, appears to take issue with your**
146 **investigation of the electric bills for CCWC and the underlying reasons as**
147 **to why Commonwealth Edison ("Com Ed") has not been paid. Based on**
148 **your investigation has CCWC paid ComEd?**

149 A. No. Nothing has been paid, since the last rate proceeding when the Commission
150 allowed \$6,900 as an operating expense for electricity.

151

152 **Q. Based on Mr. Mathews' rebuttal testimony, in your opinion, does an**
153 **outstanding electric bill affect its service?**

154 A. Yes. If the Company is shut-off for non-payment of electric bills, this could result
155 in a safety and health hazard to the public. Such an unnecessary service

156 interruption undercuts the continuity of service demanded of a public utility,
157 which in my opinion violates Section 8-101 of the Act, 220 ILCS 5/8-101.

158

159 **METER TESTING AND METER REPLACEMENT**

160 **Q. In reviewing Mr. Mathews' rebuttal testimony, p.12, lines 506-514, has**
161 **CCWC or any of the other companies owned by Mr. Mathews' complied**
162 **with the citation orders which required the institution of meter testing**
163 **programs or replacement programs?**

164 A. No. Several of the items reflect requirements set by 83 Il. Adm. Code Part 600,
165 which have been in effect since 1977. CCWC has had over 20 years to achieve
166 compliance with Part 600.

167

168 **RECOMMENDATION**

169 **Q. Are you still supporting your direct and rebuttal testimonies concerning**
170 **Section 4-502 of the Act be applied in this instance?**

171 A. Yes, based on my entire testimonies, I am still recommending to the Commission
172 that Section 4-502 be applied to CCWC and that a capable public utility be
173 authorized to acquire CCWC. In my opinion, CCWC does not have sufficient
174 financial, managerial or technical ability or resources to provide safe, adequate,
175 and reliable service.

176

177 **Q. Does this conclude your Surrebuttal Testimony?**

178 A. Yes, it does.

