

DIRECT TESTIMONY

of

BRYAN C. SANT

Accounting Department
Financial Analysis Division
Public Utilities Bureau
Illinois Commerce Commission

Illinois-American Water Company

Annual Reconciliation of Purchased Water and Purchased Sewer Treatment
Surcharges

Docket No. 03-0179

August 19, 2003

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Bryan C. Sant. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5

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

7 A. I am an Accountant in the Accounting Department of the Financial Analysis
8 Division of the Illinois Commerce Commission ("Commission").

9

10 Q. Please describe your background and professional affiliations.

11 A. I am a Certified Public Accountant licensed to practice in the State of Illinois. I
12 received a Bachelor of Business Administration degree with a double major in
13 Accounting and Finance, and hold a Masters of Business Administration degree
14 with an Accounting emphasis from Idaho State University. I joined the Staff of
15 the Commission ("Staff") in May 2000. Prior to joining Staff, I was employed as
16 an auditor with a national CPA firm for one and a half years.

17

18 Q. Have you previously testified before regulatory bodies?

19 A. Yes, I have testified on several occasions before the Illinois Commerce
20 Commission.

21

22 Purpose of Testimony

23 Q. What are your responsibilities in this case?

24 A. I have been assigned to this case by the Manager of the Accounting Department
25 of the Illinois Commerce Commission. I am to review Illinois-American Water
26 Company's ("IAWC" or "Company") reconciliation filing, analyze the underlying
27 data and make recommendations as appropriate.

28

29 Q. What is the purpose of your testimony?

30 A. The purpose of my testimony is to report the results of my review of
31 IAWC's Purchased Water and Purchased Sewer Treatment Surcharges as
32 provided in the Petition and in the Direct Testimony of Michael A. Rumer.

33

34 Q. Describe IAWC's water and sewer service areas in which purchased water and
35 sewage treatment services are provided.

36 A. For the reconciliation year, the Company had ten service areas in the Chicago-
37 Metro division in which a purchased water or sewer treatment surcharge is paid
38 by the customers. These service areas include seven areas of purchased water
39 service and three areas of purchased sewage treatment service.

40

41 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0?

42 A. Yes. I am sponsoring the following schedules:

43

44 Schedule 1 - Purchased Water Surcharge Reconciliation Summary

45 Schedule 2 - Purchased Water Surcharge Reconciliation by Service Area
46 Schedule 3 – Purchased Sewer Treatment Surcharge Reconciliation
47 Summary
48 Schedule 4 - Purchased Sewer Treatment Surcharge Reconciliation by
49 Service Area
50

51 Q. Explain Schedule 1, Purchased Water Surcharge Reconciliation Summary.

52 A. Schedule 1 summarizes the reconciliations proposed by Staff for each of the
53 seven water service areas in which a water purchase surcharge is administered.
54

55 Q. Explain Schedule 2, Purchased Water Surcharge Reconciliation by Service Area.

56 A. Schedule 2 identifies the components of the Company's annual reconciliation, as
57 calculated by Staff, and compares those components against the same elements
58 as calculated by the Company. This Schedule nets the Company's calculated R
59 factor and the Staff's calculated reconciliation of 2002 cost and revenue to arrive
60 at an O factor. Schedule 2 shows that the following water service areas have
61 under-collections, with the under-collected amount to be received from the
62 customers: Alpine Heights, Chicago Suburban, Dupage County – fixed costs,
63 Fernway and Southwest Suburban. As also reflected in Schedule 2, the following
64 water service areas have over-collections that need to be refunded to the
65 customers: Dupage County – variable costs, Moreland, and Waycinden.
66

67 Q. Explain Schedule 3, Purchased Sewer Treatment Surcharge Reconciliation
68 Summary.

69 A. Schedule 3 summarizes the reconciliations proposed by Staff for each of the
70 three sewer service areas in which a sewage treatment purchase surcharge is
71 administered. Schedule 3 also reflects the total adjustment to the sewer
72 treatment surcharge proposed by Staff.

73
74 Q. Explain Schedule 4, Purchased Sewer Treatment Surcharge Reconciliation by
75 Service Area.

76 A. Schedule 4 identifies the components of the Company's annual reconciliation, as
77 calculated by Staff, and compares those components against the same elements
78 as calculated by the Company. This Schedule nets the Company's calculated R
79 factor and the Staff's calculated reconciliation of 2002 cost and revenue to arrive
80 at an O factor. Schedule 4 shows that the Romeoville sewer service area has an
81 under-collection that needs to be received from the customers. As reflected in
82 Schedule 3, there are two sewer service areas, Country Club and Valley View,
83 that I am not proposing an O factor adjustment.

84
85 Q. Please explain the rationale for your adjustments to the Company's
86 reconciliation.

87 A. The purpose of the reconciliation is to compare actual cost against water and
88 sewer revenues recovered. In reviewing the Company's documentation, I
89 discovered some costs, and in some case, revenues, that were not correctly
90 reflected in the Company's schedules. The result of this process indicated that
91 several adjustments needed to be proposed.

92

93 As reflected in Schedules 1 and 3, the majority of the adjustment amount that I
94 am proposing is related to the cost of the purchased water or sewer treatment to
95 the Company. The adjustments related to costs are based upon the Company's
96 allocation of monthly costs to prior period charges and current period charges as
97 explained in Mr. Rumer's testimony. (See Direct Testimony of Micheal A. Rumer,
98 starting at page 7, line 11). The Company's allocation formula incorrectly
99 counted the number of days in each period. In each water service area some
100 period of days in each month was not being allocated to either the current or past
101 period, thereby resulting in less than the total amount of costs getting allocated to
102 the customers. Therefore, as reflected in these schedules, the result is an
103 increase to the total costs. In the Moreland service area, not enough days worth
104 of costs were being allocated to the current period, but too many days worth of
105 costs were being allocated to the prior period. In this service area, the correct
106 calculation actually reflects a decrease to the total cost.

107
108 Schedules 1 also reflects that some of the adjustments are related to revenue
109 that was recovered through the surcharges. The amounts reflected in these
110 adjustments to revenue are related to special billings that the Company did not
111 correctly or completely present in its schedules. The proposed increase to
112 "revenue recovered" works as a buffer to decrease the overall adjustments
113 proposed by myself due to the under-allocation of costs.

114

115 Q. Do you have any recommendations?

116 A. Yes, I recommend that the Commission adopt the Purchased Water Surcharge
117 Reconciliations as presented on Schedule 1. I further recommend that the
118 Commission adopt the Purchased Sewer Treatment Surcharge Reconciliations
119 as presented on Schedule 3. I further recommend that the O Factor to be either
120 recovered from the ratepayers or refunded to the ratepayers should include an
121 interest component in accordance with 83 Ill. Adm. 655(c). The refund and
122 collection of the O factor and interest should be accomplished by their inclusion
123 as part of the water and sewer charge calculated with the first information sheet
124 that the Company files subsequent to the Order in this Docket.

125

126 Q. Does this end your testimony?

127 A. Yes.

Illinois-American Water Company
 Purchased Water Surcharge Reconciliation Summary
 For the Year Ended December 31, 2002
 Total Company

RECONCILIATION

<u>Line No.</u>	<u>Description</u>	<u>Alpine Heights (1)</u>	<u>Chicago Suburban (2)</u>	<u>Dupage County (2)</u>	<u>Fernway (1)</u>	<u>Moreland (1)</u>	<u>Southwest Suburban (1)</u>	<u>Waycinden (1)</u>	<u>Total (Sum of (B) - (H))</u>
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	26,070	589,301	792,871	146,999	9,755	3,775,109	220,218	5,560,323
3	Revenue Recovered	24,372	508,794	809,467	141,525	11,621	3,618,533	194,007	5,308,319
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	1,698	80,507	(16,596)	5,474	(1,866)	156,576	26,211	252,004
5	R Factor	780	61,738	(14,178)	173	(1,356)	(73,903)	30,660	3,914
6	O Factor (Line 4 - Line 6)	\$ 918	\$ 18,769	\$ (2,418)	\$ 5,301	\$ (510)	\$ 230,479	\$ (4,449)	\$ 248,090

7 Sources:

8 (1) ICC Staff Exhibit 1.0, Schedule 2. See respective page for specific service area.

9 (2) ICC Staff Exhibit 1.0, Schedule 2. Sum of pages 1 and 2 for specific service areas.

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Alpine Heights**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	25,152 (1)	918	26,070 (3)
3	Revenue Recovered	<u>24,372 (1)</u>	<u>-</u>	<u>24,372 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	780	918	1,698 (4)
5	R Factor	<u>780 (2)</u>	<u>-</u>	<u>780 (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 918</u>	<u>\$ 918</u>

7 Sources:

- 8 (1) Company Exhibit D, filed in this proceeding, Columns (A) & (B), sum of September through
 9 December amounts, plus 17/31 of August amount.
 10 (2) Company Exhibit D filed in this proceeding.
 11 (3) Company revised Exhibit D attached to response to Staff data request BCS 1.01, Columns
 12 (A) & (B), sum of September through December amounts, plus 17/31 of August amount.
 13 (4) Company revised Exhibit D attached to response to Staff data request BCS 1.01.

**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Chicago Suburban
 Variable Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	343,539 (1)	11,601	355,140 (3)
3	Revenue Recovered	<u>350,948 (1)</u>	<u>-</u>	<u>350,948 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(7,409)	11,601	4,192 (4)
5	R Factor	<u>(7,409) (2)</u>	<u>-</u>	<u>(7,409) (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 11,601</u>	<u>\$ 11,601</u>

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 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Chicago Suburban
 Fixed Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	226,993 (1)	7,168	234,161 (3)
3	Revenue Recovered	<u>157,846 (1)</u>	<u>-</u>	<u>157,846 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	69,147	7,168	76,315 (4)
5	R Factor	<u>69,147 (2)</u>	<u>-</u>	<u>69,147 (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 7,168</u>	<u>\$ 7,168</u>

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 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Dupage County
 Variable Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	534,529 (1)	17,927	552,456 (3)
3	Revenue Recovered	<u>561,743 (1)</u>	<u>27,026</u>	<u>588,769 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(27,214)	(9,099)	(36,313) (4)
5	R Factor	<u>(27,214) (2)</u>	<u>-</u>	<u>(27,214) (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ (9,099)</u>	<u>\$ (9,099)</u>

7 Sources:

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- 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Dupage County
 Fixed Costs**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	232,700 (1)	7,715	240,415 (3)
3	Revenue Recovered	<u>219,664 (1)</u>	<u>1,034</u>	<u>220,698 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	13,036	6,681	19,717 (4)
5	R Factor	<u>13,036 (2)</u>	<u>-</u>	<u>13,036 (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 6,681</u>	<u>\$ 6,681</u>

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 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Fernway**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	141,698 (1)	5,301	146,999 (3)
3	Revenue Recovered	<u>141,525 (1)</u>	<u>-</u>	<u>141,525 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	173	5,301	5,474 (4)
5	R Factor	<u>173 (2)</u>	<u>-</u>	<u>173 (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 5,301</u>	<u>\$ 5,301</u>

7 Sources:

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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Moreland**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	10,265 (1)	(510)	9,755 (3)
3	Revenue Recovered	<u>11,621 (1)</u>	<u>-</u>	<u>11,621 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(1,356)	(510)	(1,866) (4)
5	R Factor	<u>(1,356) (2)</u>	<u>-</u>	<u>(1,356) (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ (510)</u>	<u>\$ (510)</u>

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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Southwest Suburban**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	3,532,003 (1)	243,106	3,775,109 (3)
3	Revenue Recovered	<u>3,605,906 (1)</u>	<u>12,627</u>	<u>3,618,533 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(73,903)	230,479	156,576 (4)
5	R Factor	<u>(73,903) (2)</u>	<u>-</u>	<u>(73,903) (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 230,479</u>	<u>\$ 230,479</u>

7 Sources:

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**Illinois-American Water Company
 Purchased Water Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Waycinden**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	207,324 (1)	12,894	220,218 (3)
3	Revenue Recovered	<u>176,664 (1)</u>	<u>17,343</u>	<u>194,007 (3)</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	30,660	(4,449)	26,211 (4)
5	R Factor	<u>30,660 (2)</u>	<u>-</u>	<u>30,660 (2)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ (4,449)</u>	<u>\$ (4,449)</u>

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**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation Summary - Total Company
 For the Year Ended December 31, 2002**

RECONCILIATION

<u>Line No.</u>	<u>Description</u>	<u>Country Club</u>	<u>Romeoville</u>	<u>Valley View</u>	<u>Total (Sum of (B) - (D))</u>
	(A)	(B)	(C)	(D)	(E)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	71,349	7,816 (1)	102,529	181,694
3	Revenue Recovered	<u>87,606</u>	<u>7,637</u>	<u>190,833</u>	<u>286,076</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(16,257)	179	(88,304)	(104,383)
5	R Factor	<u>(16,257)</u>	<u>(33)</u>	<u>(88,304)</u>	<u>(104,595)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ -</u>	<u>\$ 212</u>

7 Source:

8 (1) ICC Staff Exhibit 1.0, Schedule 4. See respective page for specific service area.

**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Country Club**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	71,349 (1)	-	71,349
3	Revenue Recovered	<u>87,606 (1)</u>	<u>-</u>	<u>87,606</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(16,257)	-	(16,257)
5	R Factor	<u>(16,257) (2)</u>	<u>-</u>	<u>(16,257)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

7 Sources:

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 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Romeoville**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	\$ -	\$ -	\$ -
2	Recoverable Purchased Water Cost	7,604 (1)	212	7,816
3	Revenue Recovered	<u>7,637 (1)</u>	<u>-</u>	<u>7,637</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(33)	212	179
5	R Factor	<u>(33) (2)</u>	<u>-</u>	<u>(33)</u>
6	O Factor (Line 4 - Line 6)	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 212</u>

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 9 December amounts, plus 17/31 of August amount.
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**Illinois-American Water Company
 Purchased Sewer Treatment Surcharge Reconciliation by Service Area
 For the Year Ended December 31, 2002
 Valley View**

<u>Line No.</u>	<u>Description</u>	<u>Per Company</u>	<u>Adjustment</u>	<u>Per Staff</u>
	(A)	(B)	(C)	(D)
1	Unamortized Balance at December 31, 2002	-	\$ -	\$ -
2	Recoverable Purchased Water Cost	102,529 (1)	-	102,529
3	Revenue Recovered	<u>190,833 (1)</u>	<u>-</u>	<u>190,833</u>
4	(Over) Under-Recovery Balance at December 31, 2002 (Line 1 + Line 2 - Line 3)	(88,304)	-	(88,304)
5	R Factor	<u>(88,304) (2)</u>	<u>-</u>	<u>(88,304)</u>
6	O Factor (Line 4 - Line 6)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS-AMERICAN WATER COMPANY	:	
	:	
Application for Approval of its annual Reconciliation of Purchased Water and Purchased Sewage Treatment Surcharges pursuant to 83 Ill. Adm. Code 655.	:	03-0179
	:	
	:	

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 19th day of August 2003 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Bryan C. Sant of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.

Steven R. Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 19th day of August 2003.

Steven R. Knepler
Supervisor
Accounting Department

ILLINOIS-AMERICAN WATER COMPANY
Docket No. 03-0179
Service List

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ILLINOIS COMMERCE COMMISSION

John D. Albers, Administrative Law Judge
Bryan Sant, Case Manager, Accounting Department
Steven Knepler, Accounting Department
Tom Smith, Accounting Department