

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY UTILITIES OF)
INDIANA, INC. FOR: AUTHORITY TO INCREASE)
ITS RATES AND CHARGES FOR WATER AND)
WASTEWATER UTILITY SERVICE; APPROVAL)
OF NEW SCHEDULES OF RATES AND CHARGES)
APPLICABLE THERETO; AUTHORITY TO)
RECOVER CERTAIN COSTS INCURRED IN) CAUSE NO. 45651
CONNECTION WITH CAUSE NOS. 44724, 45342)
AND 45389; AUTHORITY TO RECOVER COSTS)
INCURRED AND DEFERRED IN CONNECTION)
WITH THE COVID-19 PANDEMIC; APPROVAL OF)
A NEW RESIDENTIAL LOW-INCOME RATE FOR)
WATER AND WASTEWATER SERVICE; AND)
OTHER APPROPRIATE RELIEF)

PUBLIC'S EXHIBIT NO. 4

TESTIMONY OF SCOTT A. BELL

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 28, 2022

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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TESTIMONY OF OUCC WITNESS SCOTT A. BELL
CAUSE NO. 45651
COMMUNITY UTILITIES OF INDIANA, INC.

I. INTRODUCTION

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

2 A: My name is Scott A. Bell, and my business address is 115 West Washington Street, Suite
3 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as the
6 Director of the Water/Wastewater Division. My qualifications and experience are set forth
7 in Appendix A.

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to address Community Utilities of Indiana, Inc.'s ("CUII"
10 or "Petitioner") proposal to establish a low-income rate. While the OUCC does not object
11 to low-income rates in general, I recommend that the Commission deny CUII's request to
12 fund its proposal through a mandatory charge imposed on its non-low-income ratepayers.

13 **Q: What have you done to prepare your testimony?**

14 A: I reviewed CUII's Petition and the testimony of Andrew Dickson, Senior Financial
15 Analyst, Water Service Corporation.

II. LOW-INCOME RATE

16 **Q: Please describe the low-income rates CUII includes in its petition for rate increase.**

17 A: CUII seeks authority to establish and implement a low-income rate for its eligible
18 residential water and wastewater customers. To be eligible, a residential customer's income
19 must fall at or below the federal poverty level. Petitioner also proposes that to be eligible,

1 water and wastewater utility customers must opt-in to receive the low-income rate. CUII
2 proposes to charge eligible low-income water utility customers a \$4.316 per 1,000 gallon
3 volumetric rate in Phase I and a \$4.675 per 1,000 gallon volumetric rate in Phase II. CUII
4 proposes to charge eligible low-income wastewater utility customers a \$4.112 per 1,000
5 gallon volumetric rate in Phase I and a \$4.565 per 1,000 gallon volumetric rate in Phase II.
6 These low-income rates are approximately 38% of the regular residential volumetric rate
7 charged to customers.¹

8 **Q: Why is Petitioner proposing to establish and implement a low-income rate?**

9 A: In the “Rate Design” section of his testimony, Andrew Dickson states that CUII has
10 developed “this low-income rate to mitigate affordability concerns that CUII has for its
11 most vulnerable customers.”² Mr. Dickson also stated that a “[l]ow-income customer will
12 receive an approximate 62% discount on the volumetric portion of their bills.”³

13 **Q: How does CUII propose to fund the low-income rate?**

14 A: In addition to CUII’s proposed overall increases of 87.59% for water customers and
15 51.47% increase for wastewater customers, CUII proposes to increase the volumetric rate
16 for regular residential water and wastewater utility customers by an additional 5% to pay
17 for the lost revenue associated with establishing a low-income rate.

18 **Q: Do you have any concerns with CUII’s proposal to implement a low-income rate?**

19 A: Yes. Petitioner proposes to fund the low-income rate entirely with compulsory charges
20 imposed on other residential water and wastewater utility customers. There is also the
21 potential for CUII to over-collect revenues if not enough low-income customers apply and

¹ See CUII Excel document titled Attachment AD-1 and AD-3.

² Direct Testimony of Andrew Dickson, p. 49.

³ Dickson, p. 52.

1 take advantage of the low-income rate.

2 **Q: Is CUII proposing to help fund the low-income residential rate with any other source**
3 **of funds?**

4 A: No. CUII's proposal includes no financial contribution by CUII shareholders of funds to
5 offset the low-income rates, thus placing the cost of providing low-income customer
6 assistance entirely on its residential customers.

7 **Q: Based on the language included in Ind. Code § 8-1-2-46, what should the Commission**
8 **consider when determining whether to approve a water or wastewater utility's**
9 **proposed customer assistance program?**

10 A: My reading of the plain language of section 46 indicates that when the Commission
11 considers whether to approve Petitioner's proposed customer assistance program, it should
12 determine whether the proposed customer assistance program (1) "furthers the interests set
13 forth in section 0.5 of this chapter" and (2) "is in the public interest."

14 **Q: What are the interests set forth in I.C. § 8-1-2-0.5?**

15 A: Ind. Code § 8-1-2-0.5 establishes that it is the continuing policy of the State to promote
16 utility investment in infrastructure while protecting affordability of utility service:

17 Sec. 0.5. The general assembly declares that it is the continuing policy of
18 the state, in cooperation with local governments and other concerned public
19 and private organizations, to use all practicable means and measures,
20 including financial and technical assistance, in a manner calculated to create
21 and maintain conditions under which utilities plan for and invest in
22 infrastructure necessary for operation and maintenance while protecting the
23 affordability of utility services for present and future generations of Indiana
24 citizens.

25 **Q: Does CUII's proposed low-income rate protect "the affordability of utility services**
26 **for present and future generations of Indiana citizens?"**

27 A: No. Although CUII's low-income rate would make water and wastewater service more
28 affordable to those customers that apply and qualify, it does so entirely at the expense of
29 all other residential customers that either do not qualify or chose not to enroll. Non-

1 participating residential customers will fund the low-income rate 100%, making their water
2 and wastewater rates *less* affordable.

3 **Q: Does Ind. Code § 8-1-2-46(c) allow CUII to develop a low-income rate that is fully**
4 **funded by voluntary contributions or from sources other than ratepayer funded**
5 **revenue requirements?**

6 A: Nothing in I.C. § 8-1-2-46(c) prohibits CUII from establishing a program relying on
7 voluntary contributions or sources other than a revenue requirement included in rates. The
8 legislature modified I.C. § 8-1-2-46 to indicate that a customer assistance program that
9 affects rates and charges for service is not discriminatory for purposes of that chapter or
10 any other law regulating rates and charges for service. This language allows utilities to
11 establish programs to charge customers lower rates based on something other than usage
12 characteristics of a kind of customer. However, that does not mean that any program a
13 utility proposes is in the public interest or should be approved. Moreover, nothing in I.C.
14 § 8-1-2-46 explicitly authorizes a utility to fund a customer assistance program by creating
15 a charge imposed on other ratepayers. In fact, the only source of funds described in the
16 statute is state or federal infrastructure funds. I.C. § 8-1-2-46(c). While a special rate for
17 certain customers is no longer considered discriminatory, it remains unreasonable to make
18 captive customers fund a customer assistance program through higher rates. Charging
19 higher rates to regular residential customers to fund the proposed low-income rates is not
20 in the public interest. The proposed low-income rate is more appropriately funded by other
21 sources that would not increase rates by creating a revenue requirement.

22 **Q: Could CUII solicit voluntary contributions to fund the low-income rate?**

23 A: Yes. CUII could fund all or a portion of the low-income rate by soliciting voluntary
24 customer contributions.

1 **Q: Could CUII also make contributions to fund the low-income rate?**

2 A: Yes. CUII is a for-profit company and is a wholly owned subsidiary of Utilities, Inc. The
3 CUII website (www.uiwater.com/indiana) states that “the company is backed by a private
4 equity owner with extensive capital to fuel the company’s continued growth.” Utilities,
5 Inc., and therefore CUII, is owned by a privately held corporation named Corix through
6 the Corix Group of Companies (US). According to its website (www.corix.com), “[t]he
7 Corix Group of Companies are leaders in Water, Wastewater and Thermal Energy utility
8 infrastructure solutions for small to medium-sized communities across North America.”
9 The website also indicates that Corix is “owned by the British Columbia Investment
10 Management Corporation (BCI) with head offices located in Vancouver, BC and Chicago,
11 IL.” According to its website (bci.ca), “[w]ith \$199.6 Billion of managed assets, British
12 Columbia Investment Management Corporation (BCI) is the provider of investment
13 management services for British Columbia’s public sector and one of the largest asset
14 managers in Canada.” CUII has significant resources that it can draw from to fund the
15 proposed low-income rate.

16

III. RECOMMENDATIONS

17 **Q: What do you recommend?**

18 A: I recommend the Commission deny CUII’s request to increase the rates of regular
19 residential customers to fund its proposed low-income rate.

20 **Q: Does this conclude your testimony?**

21 A: Yes.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I have a Bachelor of Science degree in Industrial Management, with a minor in Industrial
3 Engineering from Purdue University. I began working for the Indiana Utility Regulatory
4 Commission ("Commission") in 1988 as a Staff Engineer. In 1990, I transferred to the
5 OUCC at the time of the reorganization of the Commission and the OUCC. In 1999, I was
6 promoted to the position of Assistant Director and in 2005 I was promoted to the position
7 of Director of the Water / Wastewater Division. During my term as Director, I have served
8 on the Water Shortage Task Force, created by SEA 369 in the 2006 General Assembly and
9 the Water Resources Task Force, created by HEA 1224 in the 2009 General Assembly. I
10 am a member of the American Water Works Association ("AWWA") and have attended
11 numerous utility related seminars and workshops including the Western Utility Rate
12 Seminar sponsored by the National Association of Regulatory Utility Commissioners
13 ("NARUC"). I also completed additional coursework regarding water and wastewater
14 treatment at Indiana University-Purdue University at Indianapolis ("IUPUI").

15 **Q: Have you previously testified before the Commission?**

16 A: Yes. I have testified in many causes relating to telecommunications, natural gas, electric,
17 water, and wastewater utilities. During the past twenty (20) years, I have testified
18 exclusively on water and wastewater utility issues. Some of those issues included the
19 reasonableness of cost of service studies, rate design, fair value, Replacement Cost New
20 Less Depreciation ("RCNLD") studies, engineering-related operation and maintenance
21 expenses, capital improvement projects, non-revenue water and water conservation.

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.

A handwritten signature in black ink that reads "Scott A. Bell". The signature is written in a cursive style with a horizontal line underneath it.

By: Scott A. Bell
Cause No. 45651
Office of Utility Consumer Counselor (OUCC)

Date: 04/27/2022

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 4 – Testimony of Scott A. Bell on behalf of the OUCC* has been served upon the following counsel of record in the captioned proceeding by electronic service on April 28, 2022.

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