

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE TOWN OF CHANDLER,)
INDIANA, FOR AUTHORITY AND APPROVAL)
TO: (1) INCREASE RATES AND CHARGES)
FOR WATER UTILITY SERVICE, INCLUDING)
APPROVAL OF NEW SCHEDULE(S) OF) CAUSE NO. 46124
RATES AND CHARGES FOR WATER)
SERVICES; AND (2) ISSUE REVENUE BONDS,)
NOTES, OR OTHER OBLIGATIONS OF)
INDEBTEDNESS)**

PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF THOMAS W. MALAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

January 29, 2025

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1-S – Settlement Testimony of Thomas W. Malan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on January 29, 2025.

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SETTLEMENT TESTIMONY OF OUCC WITNESS THOMAS W. MALAN
CAUSE NO. 46124
TOWN OF CHANDLER, INDIANA

I. INTRODUCTION

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

2 A: My name is Thomas W. Malan, and my business address is 115 West Washington
3 Street, Suite 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
6 a Utility Analyst in the Water/Wastewater Division. My qualifications and
7 experience are set forth in Appendix "A" attached to this testimony.

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

9 A: I explain how the public interest will be served if the Indiana Utility Regulatory
10 Commission ("Commission") approves the Stipulation and Settlement Agreement
11 ("Settlement") reached between the Town of Chandler, Indiana. ("Petitioner" or
12 "Chandler") and the OUCC (collectively called the "Settling Parties"). In the
13 Settlement, the Settling Parties agree to an overall across-the-board revenue
14 increase of \$2,220,188, which is a rate increase of 47.74%, to be implemented in
15 three phases. My testimony presents the agreed-upon revenue requirement and
16 discusses various agreed-upon revenue and operating expense adjustments.

17 **Q: Does the Settlement resolve all issues in this proceeding?**

18 A: Yes.

1 **Q: Please describe the Settlement reached by the Settling Parties?**

2 A: The Settling Parties agreed that Chandler should be authorized to increase its rates
3 and charges for water service to reflect a total net revenue requirement of
4 \$6,871,136. This results in an increase of 47.74% to be implemented in three
5 phases, outlined in Table TWM-1. The rate increase will produce an additional
6 \$2,220,188 over Chandler's current revenues at current rates. Table TWM-2
7 compares the revenue requirements proposed by Petitioner and the OUCC with
8 that agreed-upon in settlement. The Settling Parties also agree that Chandler
9 should be authorized to increase its current System Development Charge
10 from \$660 to \$1,130.

Table TWM-1: Agreed Phased-in Rate Increase

Phase	1	2	3	Overall
% increase	17.98%	15.38%	8.53%	47.74%
Revenue Increase	\$ 836,102	\$ 843,981	\$ 540,105	\$ 2,220,188

TABLE TWM-2: COMPARISON OF OVERALL REVENUE REQUIREMENT

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Per Settlement</u>
Operating Expenses	\$ 2,991,163	\$ 2,808,344	\$ 2,823,586
Taxes other than Income	57,198	57,198	57,198
Depreciation Expense	1,345,782	1,345,782	1,345,782
Debt Service	2,539,624	2,624,724	2,626,352
Debt Service Reserve	295,413	240,081	241,586
Total Revenue Requirements	7,229,180	7,076,129	7,094,504
Less: Revenue Offsets			
Interest Income	(133,800)	(133,800)	(133,800)
Other Income	(65,687)	(65,687)	(65,687)
Miscellaneous Revenue:	-	(6,366)	(6,366)
Disconnection Fees	-	(17,515)	(17,515)
Net Revenue Requirements	7,029,693	6,852,761	6,871,136
Less: Rev @ current rates	(4,575,927)	(4,689,335)	(4,650,948)
Recommended Increase	<u>\$ 2,453,766</u>	<u>\$ 2,163,426</u>	<u>\$ 2,220,188</u>
Recommended % Increase	<u>53.62%</u>	<u>46.14%</u>	<u>47.74%</u>

II. OPERATING REVENUES

1 **Q: What operating revenues did the Settling Parties agree on?**

2 A: The Settling Parties have agreed on *pro forma* operating revenues at present rates
3 of \$4,650,948, an increase of \$73,856 to test year operating revenues of \$4,577,092.

4 **Q: Please explain inputs to the agreed upon *pro forma* operating revenues at
5 present rates?**

6 A: Petitioner's test year operating revenues at present rates of \$4,577,092 were
7 adjusted for (1) late fees, (2) a test year rate reduction, (3) a test year customer
8 normalization, and (4) a post-test year customer growth adjustment. Table TWM-3
9 presents a comparison of the revenue adjustments proposed by Petitioner and
10 OUCC to those agreed upon by the Settling Parties.

TABLE TWM-3: OPERATING REVENUE ADJUSTMENTS

	<u>Petitioner</u>	<u>OUCC</u>	<u>Settlement</u>
Test year Revenues	\$ 4,577,092	\$ 4,577,092	\$ 4,577,092
Late Fees	-	13,563	13,563
Test year Tariff Decrease	(45,155)	(45,155)	(45,155)
Test year Normalization	43,990	43,990	43,990
Post Test year customer growth	-	99,845	61,458
Total Operating Exp. Adj.	<u>\$ 4,575,927</u>	<u>\$ 4,689,335</u>	<u>\$ 4,650,948</u>

III. OPERATING EXPENSES

1 **Q:** **To what level of operating expenses did the Settling Parties agree?**

2 A: The Settling Parties agreed to *pro forma* operating expense, including taxes, of
3 \$2,880,784 a reduction of \$23,817 from test year operating expense of \$2,904,601.

4 **Q:** **To what expense adjustments did the Settling Parties agree?**

5 A: The Settling Parties agreed to adjustments for employee expenses, purchased
6 power, materials and supplies, engineering contractual services, accounting
7 contractual services, legal contractual services, and system delivery expenses.
8 Table TWM-4 presents a comparison of the adjustments proposed by Petitioner and
9 OUCC to those agreed upon by the Settling Parties.

TABLE TWM-4: OPERATING EXPENSE ADJUSTMENTS

	<u>Petitioner</u>	<u>OUC</u>	<u>Settlement</u>
Salaries and Wages	\$ 87,794	\$ 87,794	\$ 87,794
Employee Benefits	95,603	95,603	95,603
Purchased Power	(12,352)	(12,352)	(12,352)
Materials and Supplies	(27,285)	(27,285)	(27,285)
M&S Capital Expenditures		(25,000)	(25,000)
Contractual Services			
Engineering	-	(140,977)	(140,977)
Accounting	-	(18,967)	(462)
Legal		(10,043)	(10,043)
System Delivery	-	12,168	8,905
Total Operating Exp. Adj.	<u>\$ 143,760</u>	<u>\$ (39,059)</u>	<u>\$ (23,817)</u>

IV. DEBT

1 **Q: What borrowing authority did the Settling Parties agree upon?**

2 A: The Settling Parties agreed to Petitioner's proposed borrowing authority of
3 \$15,155,000.

4 **Q: What debt service revenue requirement did the Settling Parties agree upon?**

5 A: The Settling Parties agreed on a debt service revenue requirement of \$2,288,048
6 for Phase 1, \$2,628,529 for Phase 2, and \$2,626,352 for Phase 3. Although
7 materially different from the initial positions of both settling parties, these amounts
8 reflect the best estimate of the actual cost to be incurred in each Phase.

Table TWM-5: Phased-In Debt Service

	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>
Outstanding \$	1,564,918	\$ 1,564,918	\$ 1,564,918
Proposed	<u>723,130</u>	<u>1,063,611</u>	<u>1,061,434</u>
Total	<u>\$ 2,288,048</u>	<u>\$ 2,628,529</u>	<u>\$ 2,626,352</u>

1 **Q: What debt service reserve revenue requirement did the Settling Parties agree**
2 **upon?**

3 A: The Settling Parties agreed to a total debt service reserve revenue requirement of
4 \$241,586 for all phases. Although this does not directly reflect cash flows by phase,
5 as pointed out by Mr. Miller in his settlement testimony, this amount does reflect
6 the overall cost during the anticipated life of the rates.

7 **Q: Did the Settling Parties agree on a true-up mechanism?**

8 A: Yes. These terms are enumerated in the Settlement Agreement.

V. **CONCLUSION**

9 **Q: Do you believe that the Settlement is a fair, just, and reasonable resolution of**
10 **the issues in this case?**

11 A: Yes. The Settlement represents a reasonable compromise that the OUCC supports
12 as fair, reasonable, and beneficial to both the Utility and its customers. The
13 Settlement is in the public interest. Chandler will have sufficient funds to pay its
14 necessary operating expenses and capital improvements. Ratepayers will benefit
15 from lower rates than those proposed by Petitioner.

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

17 A: Yes.

APPENDIX A

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

2 A: In December of 2002 I received a bachelor's degree in Business Administration
3 focusing on Accounting from Indiana University Kelley School of Business. In
4 December of 2012 I received my Master of Science in Accounting from Indiana
5 University Kelley School of Business, Indianapolis Indiana.

6 **Q: Please describe your professional experience.**


7 A: I was hired as a Utility Analyst in the Water / Wastewater division of the OUCC
8 on April 30, 2018. Prior to being hired by the OUCC, I was the controller of All
9 Trades Staffing. I have over fifteen years of accounting experience. I worked for
10 several years as a Financial Analyst in the insurance and healthcare industries. I
11 have participated in conferences and seminars regarding utility regulation, rate
12 making and financial issues. I have completed the National Association of
13 Regulatory Utility Commissioners (NARUC) Eastern Utility Rate School. I also
14 regularly attend the National Association of State Utility Consumer Advocates
15 (NASUCA) Accounting and Tax committee monthly meetings. In August of 2019
16 I completed the Annual Regulatory Studies Program from the Institute of Public
17 Utilities at Michigan State University.

18 **Q: Have you previously testified before the Indiana Utility Regulatory**
19 **Commission?**

20 A: Yes.

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, reading "Thomas W. Malan". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

By: Thomas W. Malan, Utility Analyst
Cause No. 46124

Office of Utility Consumer Counselor (OUCC)

Date: January 28, 2025