

JOINT PETITIONERS' EXHIBIT NO. 3

FILED
March 12, 2024
**INDIANA UTILITY
REGULATORY COMMISSION**

INDIANA-AMERICAN WATER COMPANY, INC.

AND

SILVER CREEK WATER CORPORATION

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 46023

DIRECT TESTIMONY

OF

MATTHEW H. HOBBS, II

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BACKGROUND

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

2 A. My name is Matthew H. Hobbs, II. My business address is 153 North Emerson
3 Avenue, Greenwood, Indiana 46143.

4 **Q. By whom are you employed?**

5 A. I am employed by Indiana-American Water Company, Inc. (“Indiana American,”
6 or “Company”).

7 **Q. What is your position with Indiana-American?**

8 A. I am the Director of Engineering.

9 **Q. How long have you held that position?**

10 A. I have been employed with Indiana American since February 2023 as Director of
11 Engineering.

12 **Q. What do your job responsibilities include?**

13 A. My job responsibilities are to lead and direct a staff of engineering personnel at
14 Indiana American to deliver planning, design, and construction of source of supply,
15 treatment, production, transmission, and distribution facilities for Indiana
16 American, and to provide engineering support to daily operations.

17 **Q. What is your educational background?**

1 A. I received a Bachelor of Science Degree in Agricultural and Biological Engineering
2 from Purdue University in 2003.

3 **Q. Are you a Registered Professional Engineer?**

4 A. Yes, I have been a Registered Professional Engineer in Indiana and Illinois, and
5 currently maintain an active Registered Professional Engineer status in Indiana.

6 **Q. Please describe your business experience in the water utility industry.**

7 A. From 2004 to 2006 I was employed with the Indiana Department of Natural
8 Resources as a water and wastewater project engineer. My job responsibilities were
9 planning, designing, and managing construction of water and wastewater facilities
10 for the State of Indiana. From 2006 to 2023, I was employed with HNTB
11 Corporation as a project engineer, project manager, and engineering manager. My
12 job responsibilities were managing a staff of engineering personnel to deliver
13 planning, design, and construction of water and wastewater projects.

14 **Q. What is the purpose of your direct testimony?**

15 A. The purpose of my direct testimony is to describe the Silver Creek Water
16 Corporation Water System (referred to as the “Silver Creek System”), planned
17 improvements, any challenges faced by the system, and the approaches Indiana
18 American will likely take to address those challenges, based on information I have
19 reviewed. I will also testify that the utility property is “used and useful” to the Silver
20 Creek System for purposes of Ind. Code § 8-1-30.3-5(d).

21 **Q. Are you generally familiar with the Silver Creek System facilities and**
22 **operations?**

1 A. Yes.

2 **Q. What have you done to familiarize yourself with the Silver Creek System**
3 **facilities and operations?**

4 A. I have reviewed documents pertaining to the Silver Creek System including an
5 appraisal report prepared by BLN Engineering and Banning Engineering dated
6 November 2022, and 2017 Master Plan Update (Preliminary Engineering Report)
7 prepared by Jacobi, Toombs, & Lanz, Inc. I have reviewed documents and spoken
8 with Indiana American engineering personnel who visited the Silver Creek System
9 on September 6, 2022, in addition to my own site visit to assess facilities on
10 November 20, 2023. The facilities site visit included a review of the major system
11 assets, including but not limited to storage tanks, booster stations and system
12 interconnections, along with distribution system piping, valves, and hydrants.

13 **Q. Please describe the Silver Creek System.**

14 A. Based on information provided by Silver Creek, at the time the Asset Purchase
15 Agreement (the “Agreement”) was entered into, the Silver Creek System had
16 approximately 7,938 unique customers. Silver Creek Water Corporation purchases
17 water from Indiana American through system interconnections.

18 Based on information provided by Silver Creek, the water system consists of
19 approximately 742,430 linear feet of water mains ranging from 3/4-inch to 16-inch
20 diameter, approximately 2,148 valves, 8,451 meters, and 877 hydrants. There are
21 five (5) storage tanks in the system. The HWY 60 Water Tank (0.5 MG) and Deam
22 Lake Water Tank (0.25 MG) are elevated storage tanks. Lake Subdivision Tank

1 (0.15 MG), St. Joe Tank (2.0 MG), and Fairview Knob Tank (2.25 MG) are ground
2 storage tanks. There are four (4) booster pump stations throughout the system.
3 There are system interconnects with Indiana American at two (2) locations, Grant
4 Line Road and County Line Road. Permanent generators are located at pump
5 station Nos. 1 and 5 and a mobile generator is available for use at pump station Nos.
6 2 and 4.

7 **Q. You mentioned an engineering appraisal report and master plan update. Are**
8 **you aware of any water system improvements which are planned to occur after**
9 **the reports have been prepared?**

10 A. Yes, projects either proposed or in process include watermain and hydrant
11 replacements, pipeline reinforcements or extensions, along with three (3) known
12 watermain relocations associated with bridge replacement projects. Additionally,
13 chlorine analyzers and pressure transmitters are planned to be installed at existing
14 storage tanks and booster stations.

15 **Q. How would you describe the condition of the Silver Creek System?**

16 A. Based on the documents reviewed and conversations with Indiana American
17 personnel who have visited the utility, I would describe the Silver Creek System as
18 well maintained. The utility made investments for operationally critical
19 components such as constructing two (2) water storage tanks at Fairview Knob and
20 Deam Lake to replace existing aging 100,000- and 200,00-gallon standpipes,
21 rehabilitation and rebuild of pump station Nos. 2 and 4, inspection and coating
22 replacement to the HWY 60 and Lake Subdivision storage tanks, in addition to
23 water main replacements.

1 **Q. Are you aware of any infrastructure, environmental, or other issues affecting**
2 **Silver Creek?**

3 A. Silver Creek purchases their water from Indiana American and does not currently
4 have any water quality or environmental challenges that the Company is aware of.
5 However, the potential for environmental challenges exists due to the amount of
6 storage in the System which has the potential to create water quality challenges due
7 to the loss of residual chlorine levels. The average day demand in the Silver Creek
8 System is about 1.5 MGD, while their System storage is approximately 5.15 MG.
9 Thus, with the acquisition, there would be approximately 4.75 MG of additional
10 storage available. Through future comprehensive planning efforts, Indiana
11 American will utilize our hydraulic modeling capabilities to maximize the potential
12 benefit of the System's existing finished water storage for the benefit of our
13 combined customer base. Through these efforts, we will also identify and mitigate
14 any potential water age challenges of the existing distribution network and finished
15 water storage of the Silver Creek System.

16 **Q. Please discuss how the customers of Silver Creek and Indiana American will**
17 **benefit from economies of scale realized through the acquisition.**

18 A. Upon acquisition, Indiana American's engineering team will manage the day-to-
19 day operations of the Silver Creek System and Silver Creek customers will benefit
20 from the engineering infrastructure, expertise and technical capabilities of Indiana
21 American and American Water as a whole. One example of how the Silver Creek
22 customers will benefit by economies of scale realized through the acquisition is in
23 the area of cybersecurity. According to the U.S. Environmental Protection Agency,

1 cyber-attacks against public water systems are increasing.¹ Given these threats and
2 the significant impact a cyber-attack could have on a community's safe drinking
3 water and its critical infrastructure, now more than ever, a utility must have robust
4 cybersecurity capabilities and infrastructure in place to protect the health and safety
5 of the customers and communities it serves.

6 American Water has a company-wide, cybersecurity program that applies to all
7 American Water subsidiaries, including Indiana American. The program includes
8 a comprehensive cybersecurity program which secures all enterprise-wide
9 information assets, as well as a comprehensive data privacy program which secures
10 all American Water employee, customer, vendor and contractor personally
11 identifiable information against unauthorized use and disclosure. American
12 Water's cybersecurity program consists of numerous cybersecurity practices and
13 procedural documents governing the various components of American Water's
14 cybersecurity program, including access control, application security, asset
15 management, data encryption, incident management, risk management, and many
16 others.

17 Further, Silver Creek's geographic location and existing infrastructure connections
18 to Indiana American's system will allow for additional water transmission
19 pathways between Indiana American's Jeffersonville and New Albany service
20 areas in its Southern District. Integrating the Silver Creek System into the broader
21 Indiana American System will result in greater resiliency and redundancy within a

¹ [EPA Cybersecurity for the Water Sector | US EPA. https://www.epa.gov/waterresilience/epa-cybersecurity-water-sector.](https://www.epa.gov/waterresilience/epa-cybersecurity-water-sector)

1 broader connected system, benefiting both Silver Creek and Indiana American
2 customers.

3 **Q. If the acquisition closes, what process will Indiana American undertake to**
4 **determine the reasonable and prudent capital improvements to be made to the**
5 **system?**

6 A. After the acquisition closes, Indiana American will conduct operational and
7 engineering evaluations of the Silver Creek System, implement an asset
8 management strategy and plan, including prioritization models for prioritizing
9 recommended improvements to the system. Indiana American's evaluation and
10 improvement actions may include:

11 • Evaluate existing Supervisory Control and Data Acquisition (SCADA) and
12 make any improvements necessary to integrate into Indiana American's system
13 to allow for remote monitoring and control of the system.

14 • Indiana American will assess pipeline replacement needs by utilizing our GIS
15 based pipeline replacement prioritization model which prioritizes pipeline
16 replacements through identification of service risks associated with pipe failure
17 risks. Pipe failure risks are identified through pipe failure history, pipe material
18 type, decade the pipe was installed, and pipe diameter.

19 • Prepare a future Comprehensive Planning Study to evaluate existing assets and
20 to identify and prioritize improvements in the Water System.

21 **Q. Will Indiana American improve safety and other operational processes?**

1 A. Yes. Our experience with the systems we have acquired has demonstrated that not
2 every system is operated as ours. Operationally, Indiana American prides itself on
3 safety and efficiency. The safety of our employees is very important. We will
4 develop and implement improved procedures consistent with Indiana American
5 practices for working in confined spaces, working with hazardous chemicals,
6 working with electrical equipment and other job functions. Our teams will
7 standardize the use of technology for data and asset management. Indiana American
8 will have an entire team of water professionals available to address needs of the
9 water system.

10 Indiana American will locate, GPS, and map the assets of the Silver Creek System,
11 as necessary, which will allow for more efficient operation and response to main
12 breaks or other maintenance concerns. Additionally, all maintenance and
13 operations records will be maintained in electronic systems using the technology
14 that has been developed by the American Water Technology and Innovation (T&I)
15 team.

16 **Q. Is the utility property to be acquired by Indiana American “used and useful”**
17 **for purposes of Ind. Code § 8-1-30.3-5(d)?**

18 A. Yes. The plain language of the statute requires that the utility property be “used and
19 useful *to the offered utility* in providing water service. . .” Ind. Code § 8-1-30.3-
20 5(d)(1) (emphasis added). The Silver Creek System is currently operating the
21 system and using the utility property to provide water service to its customers.
22 Therefore, the utility property is used and useful for purposes of the statute.

1 Q. **Does this conclude your prepared direct testimony?**

2 A. Yes.

VERIFICATION

I, Matthew H. Hobbs, II, Director of Engineering for Indiana-American Water Co., Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

A handwritten signature in blue ink that reads "Matthew H. Hobbs, II". The signature is written in a cursive style with a prominent initial "M".

Matthew H. Hobbs, II