

FILED
January 13, 2021
INDIANA UTILITY
REGULATORY COMMISSION

Petitioner's Exhibit No. 4

COLUMBUS CITY UTILITIES

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 45427

SETTLEMENT TESTIMONY

OF

DOUGLAS L. BALDESSARI, CPA

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

2 A. My name is Douglas L. Baldessari and my business address is 8365 Keystone Crossing,
3 Suite 300, Indianapolis, Indiana 46240-0458.

4
5 **Q. Are you the same Doug Baldessari who prepared Direct Testimony in this Cause on**
6 **behalf of the City of Columbus, Indiana (“Petitioner”) and Columbus City Utilities**
7 **(“CCU”)?**

8 A. Yes, I am.

9
10 **Q. What is the purpose of your settlement testimony?**

11 A. The purpose of my settlement testimony is to support and sponsor the Stipulation and
12 Settlement Agreement (“Settlement Agreement”) reached among Petitioner, the Office of
13 Utility Consumer Counselor (“OUCC”) and Southwestern Bartholomew Water
14 Corporation (“SBWC”) (collectively the “Settling Parties” and each a “Settling Party”) in
15 this Cause to resolve all issues in this proceeding. A copy of the Settlement Agreement is
16 being filed simultaneously herewith. I will specifically discuss the terms of the Settlement
17 agreement and explain why the Settlement Agreement is in the public interest and should
18 be approved by the Commission.

19
20 **Q. Are you sponsoring any attachments to your settlement testimony?**

21 A. Yes. I am sponsoring Attachment DLB-1S, which includes the following settlement
22 schedules:

23 - Pro Forma Annual Revenue Requirements and Annual Operating Revenues

- 1 - Comparison of Allocated Cost of Service with Revenue Under Adjusted Rates
- 2 - Present and Proposed Rates and Charges

3

4 **Q. Do you have any overall comments regarding the Settlement Agreement?**

5 A. Yes. I am authorized to inform the Commission that for purposes of this proceeding
6 Petitioner believes: (a) the Settlement Agreement as a whole presents a fair and reasonable
7 resolution of all issues in this proceeding; and (b) approval of the Settlement Agreement is
8 in the public interest. Petitioner encourages the Commission, after considering the
9 evidence filed in support of the Settlement, to find the Settlement Agreement to be
10 reasonable and in the public interest and enter an order approving the Settlement
11 Agreement. I understand the OUCC and SBWC likewise believe the Settlement
12 Agreement is a reasonable resolution of all issues and that approval of the Settlement is in
13 the public interest.

14

15 **Q. Was the Settlement Agreement the result of an arm's-length transaction among the**
16 **parties?**

17 A. Yes. The Settlement Agreement represents the result of arm's-length negotiations by a
18 diverse group of stakeholders with differing views on the issues raised in this proceeding.
19 The Settling parties and legal counsel were involved in the development of both the
20 conceptual framework and the terms of the Settlement Agreement. The Settling Parties
21 devoted significant time to discussions, collaborative exchange of information and
22 settlement negotiations.

23

1 **Q. Please discuss how the Settlement Agreement is structured.**

2 A. Paragraph 4 sets forth the Settling Parties' agreement with respect to the revenue
3 requirement, rates, financing matters and depreciation issues in this Cause. Paragraph 5
4 sets forth the Settling Parties' agreement with respect to other rates and charges, including
5 Petitioner's proposed System Development Charges and the OUCC's recommendation that
6 Petitioner consider implementing a separate irrigation rate. Further, Paragraph 6 sets forth
7 the Settling Parties' agreement with respect to the cost of service study and rate design
8 issues in this Cause. I will discuss the key terms and conditions included in the Settlement
9 Agreement and explain how the parties arrived at the compromise reflected in the
10 Settlement terms and conditions.

11
12 **Q. Please describe the key terms of the Settlement Agreement related to the revenue**
13 **requirements.**

14 A. The OUCC agreed to many of Columbus's operating revenue and expense adjustments, as
15 well as the pro forma depreciation expense requirement and the proposed issuance of \$22.2
16 million of long-term debt to fund Columbus's capital improvement program as set forth in
17 my prefiled testimony.

18
19 Petitioner, for purposes of settlement, agrees to accept the OUCC's position with regard to
20 the proposed adjustments for purchased power expense and to remove non-water utility
21 and temporary labor expenses recorded during the test year along with the OUCC's
22 proposed adjustment to revenue requirement offsets and the normalization of the Eastern
23 Bartholomew Water Corporation ("EBWC") test year revenues.

1 The OUCC proposed an adjustment to debt service to reduce the assumed interest rate on
2 the proposed Indiana State Revolving Loan Fund Program ("SRF") bonds from an assumed
3 100 basis point allowance over the current SRF interest rates to a 50 basis point allowance.
4 Petitioner calculated a different annual requirement for the debt service and debt service
5 reserve assuming the lower SRF interest rates due to the maximum period allowed by SRF
6 for bonds issued over 35 years. These requirements will be trued-up and the difference
7 was not significant so, for purposes of settlement, Petitioner has agreed to accept the
8 OUCC's proposed debt service and debt service reserve requirement. The Parties also
9 agreed that Petitioner will not be required to reduce rates once the debt service reserve
10 requirement is fully funded, which the OUCC recommended. In the alternative, upon fully
11 funding the debt service reserve, Petitioner will use the amount made available to make
12 additional capital improvements or set the monies aside to offset future borrowing.

13
14 For purposes of settlement, SBWC has agreed to accept the revenue requirements and
15 revenues as agreed to by Petitioner and the OUCC. SBWC has also agreed to withdraw
16 the testimony of SBWC witness Ben Foley.

17
18 **Q. What is the proposed timing for the Bond Issuance?**

19 A. It is dependent upon the Commission's Order in this Cause, but it is Petitioner's intention
20 to issue the bonds by the end of this year. To that end, the OUCC would like the proposed
21 bonds to be issued within 365 days of the issuance of the Order in this Cause. Petitioner
22 finds this timeframe to be acceptable.

1 **Q. What does the Settlement Agreement provide with respect to the true-up process**
2 **discussed by the OUCC in the testimony of Mr. Dellinger?**

3
4 A. Both Petitioner and the OUCC proposed a true-up on the rates and charges once the bonds
5 are issued. The OUCC proposed that the true-up report include the terms of the loan, the
6 amount of the debt service reserve and an itemized account of all issuance costs on the
7 long-term bond issue and be filed within 30 days of closing on each of Petitioner's bond
8 issuances. The report should also include a revised tariff, amortization schedule and
9 information regarding the effect on rates. Because Petitioner proposed limiting its Phase I
10 rate increase, any adjustment in debt service would not likely affect Phase I rates and, as
11 such, no true-up on Phase I is required. The Phase II rates and charges effective January
12 1, 2023 and the Phase III rates effective January 1, 2024 will be adjusted for a true-up. The
13 OUCC shall have 14 calendar days to state whether it objects or disagrees with the true-up
14 report, and Petitioner likewise has 14 days to respond to the OUCC. If Petitioner and the
15 OUCC agree in writing that the increase or decrease indicated by the true-up report does
16 not need to occur because the increase or decrease would be immaterial, the true-up need
17 not be implemented. Petitioner agrees with the OUCC's proposed true-up requirements.

18
19 **Q. Please describe the key terms of the Settlement Agreement related to the cost of**
20 **service study.**

21 A. Both the OUCC and SBWC proposed adjustments to Petitioner's cost of service
22 allocations. Petitioner has, for purposes of settlement, agreed to accept the OUCC's
23 proposed cost of service which includes adjustments to the capacity factors and the cost

1 allocations. More specifically, the OUCC recommended modifications to the maximum
2 day excess capacity and maximum hour excess capacity factors and further recommended
3 allocation of 100% of purchased power expense to base. These modifications were the
4 main drivers of the cost shifts away from the residential customer class to the large
5 commercial, industrial and wholesale customers. The OUCC's cost of service
6 recommendations shifted more costs from the residential users to the large commercial,
7 industrial and wholesale customers EBWC and SBWC. Accepting the OUCC's
8 recommended modifications for purpose of settlement avoids the need for Columbus to file
9 rebuttal testimony and the need for the Commission to make a determination as to whether
10 those modifications should be employed.

11 The OUCC also proposed to limit SBWC's rate increase to approximately 150
12 percent of the overall system increase with the offset to fire protection, which had only a
13 slight increase based on the results of the cost of service study. The OUCC did not limit
14 the revenue increase for any other customer class. The resulting increases proposed by the
15 OUCC based on this customer class revenue increase limitation for SBWC are denoted
16 below with an asterisk. The pro forma revenue increases by customer class, after adjusting
17 for the OUCC's pro forma revenue requirement adjustments, resulted in the following
18 percentage customer class revenue increases:

19	- Residential	66.38%
20	- Small commercial	96.97%
21	- Large commercial	117.80%
22	- Industrial	121.58%
23	- Eastern Bartholomew Water Corp.	171.81%

1 - Southwestern Bartholomew Water Corp. 115.09%*

2 - Fire protection 11.96%*

3

4 The Settlement Agreement includes a cap on the revenue increase on all customer classes
5 equal to 150% of the system average revenue increase or approximately 113%. The
6 resulting customer class revenue increases after capping all customer classes revenue
7 increases at approximately 113% are as follows:

8

9 - Residential 70.52%

10 - Small commercial 97.89%

11 - Large commercial 112.90%

12 - Industrial 111.92%

13 - Eastern Bartholomew Water Corp. 112.35%

14 - Southwestern Bartholomew Water Corp. 111.56%

15 - Fire protection 11.96%

16

17 The offset for the reduction of SBWC's revenue increase is to Fire Protection as proposed
18 by the OUCC and the offset for the reductions in the large commercial, industrial and
19 EBWC customer classes were to the residential customer class.

20

21 Both the OUCC and SBWC proposed gradualism related to the proposed revenue increases
22 for customer classes which would have seen significant increases resulting from the cost
23 of service study. In its prefiled testimony, SBWC calculated requirements for their rates

1 which were higher than what Petitioner proposed in its case-in-chief. SBWC also proposed
2 a 100% limit on their revenue and rate increase and the OUCC proposed a 150% limit of
3 the system average revenue increase which results in approximately 113%. The concept
4 of gradualism is well known and understood, and Petitioner agrees that gradualism limiting
5 all customer classes to 150% of the system average revenue increase, or approximately a
6 113% increase, is appropriate in this case. By capping the customer class increase at not
7 more than 113%, the parties end up at a stipulated rate level which results in no one
8 customer class receiving an overly burdensome increase, moderates the rate impacts, and
9 limits the differences between the OUCC's, SBWC's and Petitioner's proposed cost of
10 service rates and charges.

11
12 **Q. What other terms are included in the Settlement?**

13 A. Paragraph 7 of the Settlement Agreement addresses the effect and scope of the Settlement,
14 the approval being sought for the agreement and applicable conditions to the effect of the
15 agreement. Specifically, Paragraph 7 makes clear that the Settlement Agreement is the
16 result of negotiations and compromise reached during those negotiations, and that neither
17 the making of the Settlement Agreement nor any of its provisions shall constitute an
18 admission or waiver by any Settling Party in any proceeding other than this Cause, now or
19 in the future, or shall it be cited as precedent. The Settlement Agreement is a compromise
20 and will be null and void unless approved in its entirety without modification or further
21 condition that is unacceptable to any Settling Party. The Settlement Agreement also
22 includes provisions concerning the substantial evidence in the record supporting the
23 approval of the Settlement Agreement, recognizes the confidentiality of settlement

1 communications and reflects other terms typically found in settlement agreements before
2 the Commission.

3 **Q. In your opinion, is Commission approval of the Settlement Agreement in the public**
4 **interest?**

5 A. Yes. The Settlement Agreement is supported by and within the scope of the evidence
6 presented by the Settling Parties. In particular, it represents the result of extensive, good
7 faith, arm's-length negotiations reflecting a fair and balanced outcome of the issues in this
8 Cause. Each party's testimonial positions were modified through the negotiations as
9 reflected in the Settlement. The Settlement Agreement reasonably addresses the concerns
10 raised in this proceeding and reaches a reasonable compromise among all parties.
11 Petitioner respectfully requests the Commission to issue an order approving the Settlement
12 Agreement as described herein.

13

14 **Q. Does this conclude your settlement testimony in this Cause?**

15 A. Yes it does.

VERIFICATION

I, Douglas L. Baldessari, affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.



Douglas L. Baldessari

Date: January 13, 2021

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL OPERATING REVENUES**

	Phase I Pro Forma <u>8/1/2021</u>	Phase II Pro Forma <u>1/1/2023</u>	Phase III Pro Forma <u>1/1/2024</u>
<u>Annual Revenue Requirements:</u>			
Operation and Maintenance Expenses	\$4,905,722	\$4,905,722	\$4,905,722
Additional Utility Receipts Tax (1.4%)	<u>24,394</u>	<u>34,717</u>	<u>41,210</u>
Total Operating Expenses	4,930,116	4,940,439	4,946,932
Debt Service: Proposed 2021 Bonds	577,425	1,276,511	1,276,511
Debt Service Reserve	255,302	255,302	255,302
Depreciation Expense	<u>1,018,327</u>	<u>1,138,880</u>	<u>1,652,480</u>
Total Annual Revenue Requirements	6,781,170	7,611,132	8,131,225
Less Penalties	(18,783)	(18,783)	(18,783)
Less Reconnect Fees	(61,120)	(61,120)	(61,120)
Less Miscellaneous Revenues	(212,864)	(212,864)	(212,864)
Less Interest Income	(14,824)	(14,824)	(14,824)
Less Rental Income	<u>(85,200)</u>	<u>(85,200)</u>	<u>(85,200)</u>
Net Annual Revenue Requirements	<u>\$6,388,379</u>	<u>\$7,218,341</u>	<u>\$7,738,434</u>
<u>Annual Revenues:</u>			
Water Sales	\$3,672,802	\$3,672,802	\$3,672,802
Fire Protection	754,236	754,236	754,236
Plus revenues from rate increase	<u>-</u>	<u>1,961,341</u>	<u>2,791,303</u>
Total Annual Operating Revenues	<u>\$4,427,038</u>	<u>\$6,388,379</u>	<u>\$7,218,341</u>
Additional Revenue Required	<u>\$1,961,341</u>	<u>\$829,962</u>	<u>\$520,093</u>
Percentage Increase	<u>44.30%</u>	<u>12.99%</u>	<u>7.21%</u>

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

**COMPARISON OF ALLOCATED COST OF SERVICE WITH
REVENUE UNDER ADJUSTED RATES**

Customer Classification	Cost of Service	Normalized Revenue Under Existing Rates (1)	Revenue Under Adjusted Rates	Adjusted Rates Increase/(Decrease)		Variance Between Adjusted Revenues and Cost of Service	
				%	Amount	%	Amount
Residential	\$3,320,473	\$1,996,499	\$3,404,409	70.52%	\$1,407,910	2.53%	\$83,936
Small Commercial	912,447	460,591	911,470	97.89%	450,879	-0.11%	(977)
Large Commercial	973,935	451,486	961,225	112.90%	509,739	-1.31%	(12,710)
Industrial	1,280,401	576,970	1,222,712	111.92%	645,742	-4.51%	(57,689)
Eastern Bartholomew Water	30,362	11,219	23,823	112.35%	12,604	-21.54%	(6,539)
Southwestern Bartholomew Water	454,814	176,037	372,426	111.56%	196,389	-18.11%	(82,388)
Fire Protection	766,002	754,236	844,407	11.96%	90,171	10.24%	78,405
Totals	\$7,738,434	\$4,427,038	\$7,740,472	74.85%	\$3,313,434	0.03%	\$2,038

(1) Assumes the calculated test year revenues adjusted for; 1) the normalization adjustments on pages 20 to 27; 2) OUCC's normalization adjustment for Eastern Bartholomew Water Corporation; 3) pro rata allocation of the \$41,267 consumer study variance between the residential, small commercial, large commercial and industrial customer classes.

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

		<u>Present (1)</u>	<u>Proposed</u>		
			<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
<u>Monthly Metered Flow Rate (per 1,000 gallons)</u>					
First	10,000 gallons	\$1.61			
Next	40,000 gallons	1.34			
Next	250,000 gallons	1.11			
Next	700,000 gallons	1.03			
Over	1,000,000 gallons	0.88			
First	15,000 gallons		\$2.54	\$2.87	\$3.08
Next	285,000 gallons		2.17	2.45	2.63
Over	300,000 gallons		1.61	1.82	1.95
<u>Monthly Charge (per bill)</u>		\$0.74	\$0.00	\$0.00	\$0.00
<u>Meter Charge (per month)</u>					
5/8 - 3/4	inch meter	\$2.64	\$3.63	\$4.10	\$4.40
1	inch meter	3.68	7.31	8.26	8.85
1 1/2	inch meter	4.41	13.42	15.16	16.25
2	inch meter	7.35	20.76	23.46	25.15
3	inch meter	29.41	37.90	42.82	45.90
4	inch meter	36.76	62.38	70.48	75.55
6	inch meter	55.87	123.56	139.61	149.65
8	inch meter	77.93	197.00	222.59	238.60
10	inch meter	107.33	282.70	319.42	342.40
12	inch meter	148.76	527.46	595.98	638.85
<u>Private Hydrants (per year)</u>		\$289.65	\$133.26	\$150.57	\$161.40

(1) Present rates and charges pursuant to IURC Order in Cause No. 39425 dated August 13, 1992.

(Continued on next page)

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

		Present (1)	Proposed		
			Phase I	Phase II	Phase III
<u>Fire Protection Charges (per month)</u>					
5/8 - 3/4	inch meter	\$1.65	\$2.11	\$2.38	\$2.55
1	inch meter	4.22	5.27	5.95	6.38
1 1/2	inch meter	9.50	10.53	11.90	12.75
2	inch meter	16.90	16.84	19.03	20.40
3	inch meter	38.02	31.58	35.68	38.25
4	inch meter	67.58	52.63	59.47	63.75
6	inch meter	152.06	105.27	118.94	127.50
8	inch meter	270.34	168.43	190.31	204.00
10	inch meter	422.40	242.12	273.57	293.25
12	inch meter	608.26	452.65	511.45	548.25
<u>Automatic Sprinkler Systems (per year)</u>					
2	inch connection	\$29.41	\$7.41	\$8.37	\$8.98
3	inch connection	72.04	21.52	24.32	26.07
4	inch connection	130.86	45.87	51.83	55.56
5	inch connection	199.96	0.00	0.00	0.00
6	inch connection	289.65	133.26	150.57	161.40
8	inch connection	516.08	283.98	320.87	343.95
10	inch connection	802.78	510.69	577.03	618.54
12	inch connection	1,156.00	824.90	932.05	999.11
<u>Wholesale Rates (per 1,000 gallons)</u>					
Eastern Bartholomew Water Corp.		\$1.55	\$2.30	\$2.60	\$2.78
Southwestern Bartholomew Water Corp.		0.84	1.47	1.66	1.78
<u>System Development Charges</u>					
5/8 - 3/4	inch meter		\$990.00	\$990.00	\$990.00
1	inch meter		2,475.00	2,475.00	2,475.00
1 1/2	inch meter		4,950.00	4,950.00	4,950.00
2	inch meter		7,920.00	7,920.00	7,920.00
3	inch meter		15,840.00	15,840.00	15,840.00
4	inch meter		24,750.00	24,750.00	24,750.00
6	inch meter		49,500.00	49,500.00	49,500.00
8	inch meter		79,200.00	79,200.00	79,200.00
10	inch meter		207,900.00	207,900.00	207,900.00
12	inch meter		262,350.00	262,350.00	262,350.00

(1) Present rates and charges pursuant to IURC Order in Cause No. 39425 dated August 13, 1992.

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

COMPARISON OF PRESENT AND PROPOSED RATES AND CHARGES

<u>Meter Size</u>	<u>Monthly Usage</u>	<u>Monthly Bill</u>			
		<u>Current</u>	<u>CCU Revised Proposed</u>	<u>Increase/Decrease</u>	
				<u>(Dollars)</u>	<u>(%)</u>
Metered Users					
5/8 inch meter	0 gallons	\$3.38	\$4.40	\$1.02	30.2%
	1,000 gallons	4.99	7.48	2.49	49.9%
	2,000 gallons	6.60	10.56	3.96	60.0%
	3,000 gallons	8.21	13.64	5.43	66.1%
	4,000 gallons	9.82	16.72	6.90	70.3%
	5,000 gallons	11.43	19.80	8.37	73.2%
	10,000 gallons	19.48	35.20	15.72	80.7%
1 inch meter	25,000 gallons	40.62	81.35	40.73	100.3%
	50,000 gallons	74.12	147.10	72.98	98.5%
	100,000 gallons	129.62	278.60	148.98	114.9%
6 inch meter	1,000,000 gallons	1,124.81	2,310.40	1,185.59	105.4%
	10,000,000 gallons	9,044.81	19,860.40	10,815.59	119.6%
	20,000,000 gallons	17,844.81	39,360.40	21,515.59	120.6%
	30,000,000 gallons	26,644.81	58,860.40	32,215.59	120.9%
Eastern Bartholomew Water					
4 inch meter	159,000 gallons	245.97	517.57	271.60	110.4%
6 inch meter	300,000 gallons	464.10	983.65	519.55	111.9%
Southwestern Bartholomew Water					
6 inch meter	1,000,000 gallons	899.61	1,929.65	1,030.04	114.5%
	5,000,000 gallons	4,271.61	9,049.65	4,778.04	111.9%
	10,000,000 gallons	8,486.61	17,949.65	9,463.04	111.5%

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

COMPARISON OF REVISED CCU PROPOSAL AND OUCC PROPOSED RATES AND CHARGES

<u>Meter Size</u>	<u>Monthly Usage</u>	<u>Monthly Bill</u>			
		<u>OUCC Proposed</u>	<u>CCU Revised Proposed</u>	<u>Increase/Decrease</u>	
				<u>(Dollars)</u>	<u>(%)</u>
Metered Users					
5/8 inch meter	0 gallons	\$4.40	\$4.40	\$0.00	0.0%
	1,000 gallons	7.36	7.48	0.12	1.6%
	2,000 gallons	10.32	10.56	0.24	2.3%
	3,000 gallons	13.28	13.64	0.36	2.7%
	4,000 gallons	16.24	16.72	0.48	3.0%
	5,000 gallons	19.20	19.80	0.60	3.1%
	10,000 gallons	34.00	35.20	1.20	3.5%
1 inch meter	25,000 gallons	80.25	81.35	1.10	1.4%
	50,000 gallons	147.75	147.10	(0.65)	-0.4%
	100,000 gallons	282.75	278.60	(4.15)	-1.5%
6 inch meter	1,000,000 gallons	2,412.55	2,310.40	(102.15)	-4.2%
	10,000,000 gallons	21,042.55	19,860.40	(1,182.15)	-5.6%
	20,000,000 gallons	41,742.55	39,360.40	(2,382.15)	-5.7%
	30,000,000 gallons	62,442.55	58,860.40	(3,582.15)	-5.7%
Eastern Bartholomew Water					
4 inch meter	159,000 gallons	663.85	517.57	(146.28)	-22.0%
6 inch meter	300,000 gallons	1,259.65	983.65	(276.00)	-21.9%
Southwestern Bartholomew Water					
6 inch meter	1,000,000 gallons	1,959.65	1,929.65	(30.00)	-1.5%
	5,000,000 gallons	9,199.65	9,049.65	(150.00)	-1.6%
	10,000,000 gallons	18,249.65	17,949.65	(300.00)	-1.6%