

FILED
JULY 25, 2019
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
MORGAN COUNTY RURAL WATER)
CORPORATION, A NON-PROFIT PUBLIC)
UTILITY LOCATED IN MARTINSVILLE,)
INDIANA, FOR APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES FOR)
WATER UTILITY SERVICE)

CAUSE NO. 45198

SETTLEMENT TESTIMONY

OF

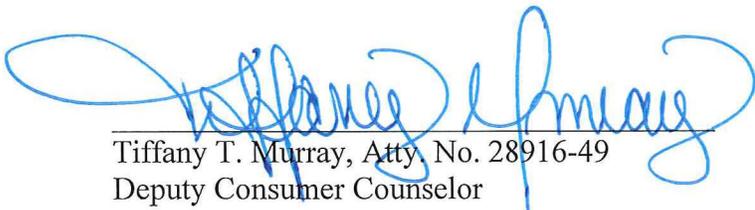
THOMAS W. MALAN - PUBLIC'S EXHIBIT NO. 1S

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

July 25, 2019

Respectfully Submitted,

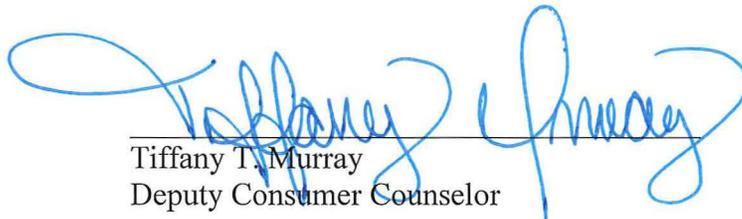


Tiffany T. Murray, Atty. No. 28916-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor's Settlement Testimony of Thomas W. Malan* has been served upon the following counsel of record in the captioned proceeding by electronic service on July 25, 2019

Stephen K. Watson
William W. Barrett
**WILLIAMS BARRETT & WILKOWSKI,
LLP**
600 N. Emerson Avenue
P.O. Box 405
Greenwood, IN 46142
E-mail: swatson@wbwlawyers.com
wbarrett@wbwlawyers.com



Tiffany T. Murray
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile

**TESTIMONY OF OUCC WITNESS THOMAS W. MALAN
CAUSE NO. 45198
MORGAN COUNTY RURAL WATER CORPORATION**

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 W. Washington
3 St., Suite 1500 South, Indianapolis, IN 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 with the Water-Wastewater Division. My qualifications and
7 experience are set forth in Appendix A.

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 Morgan County Rural Water Corporation
12 ("Petitioner" or "MCRW") and the OUCC (the "Settling Parties"). In the
13 Settlement, the Settling Parties have agreed to an overall rate increase of 13.42%.
14 My testimony presents the OUCC's position on the agreed rate increase and changes
15 to MCRW's non-recurring charges. OUCC witness Jerry Mierzwa presents the
16 OUCC's settlement testimony in support of the agreed rate design in this Cause.
17 Ultimately, I recommend approval of the Settlement in its entirety without
18 modification.

1 **Q: What are the overall terms of the Settlement?**

2 A: The Settling Parties seek approval of the Settlement, which contains the following
3 agreed terms:

- 4 • Petitioner's total annual revenue requirement will be \$2,250,669.
- 5 • Petitioner's net annual revenue requirement will be \$2,209,072.
- 6 • Petitioner's rates will be designed with three declining rate blocks, in addition
7 to a monthly fixed charge based on meter size.
- 8 • Petitioner's rates are designed to provide Petitioner with an opportunity to earn
9 an additional \$261,441 in pro forma operating revenues for an overall increase
10 of 13.42%.

11 **Q: At a high level, how does the revenue requirement agreed to in Settlement**
12 **compare against Petitioner's original rate request?**

13 A: Table 1 below presents a comparison between general components of Petitioner's
14 original rate request and the agreed result in Settlement.

**Table 1: Comparison of Petitioner's and Settlement
Revenue Requirements**

	<u>Revised Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 1,340,104	\$ 1,326,642	\$ (13,462)
Taxes other than Income	-	-	-
Extensions and Replacements	389,463	389,463	-
Working Capital	-	-	-
Debt Service	534,564	534,564	-
Debt Service Reserve	-	-	-
Total Revenue Requirements	2,264,131	2,250,669	(13,462)
Less: Interest Income	(7,780)	(7,780)	-
Late Fees	(15,446)	-	15,446
Reconnect Fees	(18,562)	(21,322)	(2,760)
Return Check Fee	-	(495)	(495)
Farm Rent	(12,000)	(12,000)	-
Net Revenue Requirements	2,210,343	2,209,072	(1,271)
Revenues at current rates subject to increase	(1,922,564)	(1,947,631)	(25,067)
Other revenues at current rate:	-	-	-
Recommended Increase	\$ 287,779	\$ 261,441	(26,338)
Recommended Percentage Increase	14.97%	13.42%	-1.55%

1 **Q: How does the Settlement resolve the Petitioner's operating expense?**

2 A: Petitioner proposed \$1,266,839 of test year expenses with adjustments totaling
3 \$73,265 to yield a *pro forma* operating expense of \$1,340,104. Through
4 negotiations the Settling Parties agreed on an operating expense increase of \$59,803
5 yielding a *pro forma* operating expense of \$1,326,642. This results in a \$13,462
6 reduction to Petitioner's original request.

1 **Q: What led to the difference between Petitioner's proposed net revenue**
2 **requirement and the agreed revenue requirement?**

3 A: As shown in Table 1, the agreed net revenue requirement is \$1,271 less than
4 Petitioner's original request. The difference is made up of four parts. First, is the
5 \$13,462 decrease to operating expense, discussed previously. The second
6 difference is a \$15,446 reclassification of late fee revenue. Third is an increase to
7 reconnect fees of \$2,760 because the Settling Parties have agreed that the increased
8 reconnection fee, discussed in more detail below, will lead to increased revenues.
9 The fourth reason for the difference is recognition of \$495 in returned check fees
10 that was not recognized in Petitioner's original request.

11 **Q: How does the Settlement resolve Petitioner's revenue increase?**

12 A: Petitioner originally proposed a revenue increase of \$287,779, and the Settlement
13 reflects agreed revenues of \$261,441 – a difference of \$26,338 as reflected in Table
14 1. The agreed revenue increase amount is based on reclassification of late fees to
15 revenues at current rates subject to increase and inclusion of a test year
16 normalization adjustment.

17 **Q: How did the Settlement resolve Petitioner's request to modify its non-**
18 **recurring charges?**

19 A: While the OUCC agreed with several of Petitioner's proposed modifications, the
20 Settling Parties reached agreement on alternative changes to Petitioner's non-
21 recurring charges and related tariff language.

22 For example, Petitioner proposed to raise its connection charge to
23 \$2,415.00, the OUCC determined this figure was based on an incorrect labor
24 estimate and an additional easement recording fee. The connection charge was
25 recalculated as \$2,020.00, to which Petitioner agreed. Petitioner also requested to

1 add a delinquency service charge of \$75.00 to its tariff. Although the OUCC agreed
2 Petitioner should include such a charge, the OUCC calculated Petitioner's actual
3 costs associated with such delinquencies to be closer to \$60.00, which serves as the
4 basis for the agreed charge in the same amount. The Settling Parties also agreed on
5 specific language as to when the delinquency service charge would be applicable.

6 Petitioner sought to increase its dishonored check charge to \$30.00, and to
7 apply this charge to both dishonored checks and failed ACH payments. In
8 Settlement, Petitioner agreed to a separate failed ACH charge of \$25.00, in
9 acknowledgement that it does not incur a bank fee when an ACH payment fails to
10 process. The Settlement also reflects tariff language indicating that the failed ACH
11 charge will not be applied when an ACH payment fails for reasons that are outside
12 of the customer's control, which is a customer benefit of the Settlement.

13 Petitioner will implement a tampering charge of \$300. The OUCC
14 requested that specific language be added to Petitioner's tariff indicating that the
15 tampering charge will not be applied for accidental damage, and the agreed tariff
16 includes such language. Finally, Petitioner originally sought to include a \$2,500
17 per day backflow prevention policy fine. In Settlement, this charge was removed
18 from the tariff.

19 **Q: Did the Settling Parties reach agreement on Petitioner's proposal to eliminate**
20 **the Western Expansion Surcharge?**

21 **A:** Yes. Petitioner has been charging \$9.74 per month to each customer in the Western
22 Expansion service area since this surcharge was approved by the Commission in
23 2001. In this Cause, Petitioner proposed to remove this charge so that all customers
24 on the system would be uniformly billed. Given the level of integration of

1 MCRW's system and the length of time over which the system has been in place,
2 through negotiation, the Settling Parties agreed to remove the surcharge.

3 **Q: Does the Settlement resolve all issues raised by the parties in this proceeding?**

4 A: Yes. While the OUCC did not file direct testimony in this Cause, it raised issues in
5 settlement negotiations that are addressed in full by the resulting Settlement.

6 **Q: Is the Settlement in the public interest?**

7 A: Yes. The Settlement is a reasonable compromise and should be approved. The
8 Settlement addresses all issues presented in this Cause, including Petitioner's
9 revenue requirement, non-recurring charges and tariff language, and cost of service
10 and rate design. Approval of the Settlement promotes administrative efficiency,
11 eliminates the need for protracted litigation, and provides an element of certainty
12 to Petitioner's ability to raise the revenue necessary to pay all lawful expenses
13 incident to the operation of the utility.

14 **Q: Do you recommend the Commission approve the Settlement?**

15 A: Yes. The Settlement is a fair and reasonable resolution of the Petitioner's requested
16 rate increase, and results in benefits to both the utility and its customers. The terms
17 of the Settlement are in the public interest and as such, the Commission should
18 approve the agreement in its entirety without modification.

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

20 A: Yes.

APPENDIX A

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

2 A: In December 2002, I received a Bachelor's degree in Business Administration
3 focusing in Accounting from Indiana University Kelley School of Business. In
4 December 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 Water / Wastewater division of the OUCC on
8 April 30, 2018. Prior to being hired by the OUCC, I was the controller of All Trades
9 Staffing. I have over fifteen years of accounting experience. I worked for several
10 years as a Financial Analyst in the insurance and healthcare industries. I have
11 participated in conferences and seminars regarding utility regulation, rate making,
12 and financial issues. I have completed the National Association of Regulatory
13 Utility Commissioners ("NARUC") Eastern Utility Rate School. I also regularly
14 attend the National Association of State Utility Consumer Advocates (NASUCA)
15 Accounting and Tax committee monthly meetings.

16 **Q: Have you previously testified before the Indiana Utility Regulatory**
17 **Commission?**

18 A: Yes.

AFFIRMATION

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



By: Thomas W. Malan
Cause No. 45198
Indiana Office of
Utility Consumer Counselor

07.25.2019

Date: