

STATE OF INDIANA

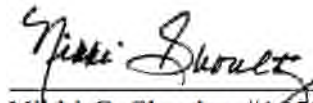
INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF EASTERN HEIGHTS)
UTILITIES, INC. FOR AUTHORITY TO INCREASE)
RATES AND CHARGES THROUGH THE SMALL)
UTILITY PROCEDURE PURSUANT TO IND. CODE) CAUSE NO. 46084-U
§ 8-1-2-61.5 AND 170 IAC 14-1-1 ET SEQ.)

EASTERN HEIGHTS UTILITIES, INC.'S
SUBMISSION OF PRE-FILED REBUTTAL TESTIMONY

Petitioner, Eastern Heights Utilities, Inc., by counsel, hereby submits the attached Verified
Pre-Filed Rebuttal Testimony of Gary VerDouw.

Respectfully submitted,



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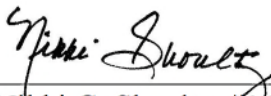
Attorney for Petitioner,
Eastern Heights Utilities, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Eastern Heights Utilities, Inc.'s Submission of Pre-Filed Rebuttal Testimony* has been served upon the following counsel electronically this 16th day of October, 2024:

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EASTERN HEIGHTS UTILITIES, INC.
INDIANA UTILITY REGULATORY COMMISSION
CAUSE NO. 46084-U

VERIFIED PRE-FILED REBUTTAL TESTIMONY
OF
GARY M. VERDOUW

SPONSORING ATTACHMENTS GMV-1 THROUGH GMV-5

1 **Eastern Heights Utilities, Inc.**

2 **Direct Testimony of Gary M. VerDouw**

3
4 **I. WITNESS BACKGROUND**

5
6 **Q. Please state your name and business address.**

7 A. My name is Gary M. VerDouw, and my business address is 1268 Emerald Gardens Drive,
8 Saint Peters, Missouri 63376.

9
10 **Q. By whom are you employed and in what capacity?**

11 A. I am the Owner/CEO of VerDouw Regulatory Services LLC. I am an independent rate and
12 utility regulatory consultant. I have been hired in this Cause by Eastern Heights Utilities,
13 Inc. (“Eastern Heights”, or “EHU”) to prepare and file the Small Utility (“Small-U”) rate
14 case filing with the Indiana Utility Regulatory Commission (“Commission”, or “IURC”).

15
16 **Q. Please summarize your educational and professional qualifications.**

17 A. I graduated from the University of Mary in Bismarck, North Dakota in 1981 with a
18 Bachelor of Science degree in Business Administration. I returned to the University of
19 Mary and completed a second major in Accounting in May of 1988. I have over 40 years
20 of utility experience, working with gas, electric, and water/wastewater utilities throughout
21 my career. I have attended Utility Rate Seminars sponsored by the National Association of
22 Regulatory Utility Commissioners (“NARUC”) Water Committee and the American Water
23 Works Association (“AWWA”) and have participated in various continuing education

1 programs sponsored by my former employers, the AWWA, and others. I am a member of
2 the AWWA, the Indiana Section AWWA, and the Missouri Section AWWA.

3
4 **Q. Please outline your business experience.**

5 A. I began my employment in February of 1981 when I was hired as Reconciliation and Funds
6 Administrator for the North Dakota State Treasurer's Office. In December 1981 I was
7 hired as a Field Accountant for ANG Coal Gasification Company, which was constructing
8 North America's first commercial scale coal gasification project near Beulah, North
9 Dakota. While employed with ANG, I was promoted and brought on as the project's first
10 permanent hire for its 80-person accounting team and promoted to Accounts Payable
11 Supervisor in 1982. I was again promoted to Cash Manager in 1984, where I oversaw daily
12 cash management of over \$1.5 billion in secured debt and over \$400 million in daily cash
13 balances. In 1988 I was hired as Business Manager for Capital Electric Cooperative, Inc.,
14 which is in Bismarck, North Dakota. My responsibilities there included the supervision
15 and oversight of all accounting, finance, billing, budget, insurance, human resources, cash
16 management, rate studies, and other functions for a growing electric distribution
17 cooperative that currently serves approximately 22,000 consumers. In 2005 I accepted the
18 position of Senior Financial Analyst – Rates and Regulations with American Water Service
19 Company in their Saint Louis, Missouri office. In this role I assisted in the preparation of
20 utility filings in American Water Company's operations in the states of Indiana, Ohio,
21 Illinois, and Missouri. I was promoted to Manager of Rates and Regulation in 2008, where
22 I was responsible for all rate and regulatory issues for American Water operations in the
23 states of Indiana, Ohio, and Michigan. I was promoted to Director of Rates – Eastern

1 Division in 2011, where I was responsible for rates and rate issues for American Water
2 operations located in the states of Indiana, Ohio, Michigan, Kentucky, Tennessee, Virginia,
3 West Virginia, Maryland, and New York. In November of 2011, I was named Director of
4 Rates for American Water's newly created Central Division, where I was responsible for
5 rate and regulatory issues for American Water operations in the states of Indiana, Ohio,
6 Michigan, Kentucky, Tennessee, Illinois, Iowa, and Missouri. In 2016, I was named
7 Director of Rates and Regulatory for Indiana and Michigan American Water, where I was
8 responsible for all rate and regulatory issues for American Water operations in the states
9 of Indiana and Michigan. In 2018 I accepted the position of Director of Business Services
10 for Greenville Water in Greenville, South Carolina, the largest water utility in South
11 Carolina. In this role, I was responsible for leading fifty-eight employees serving in the
12 Billing, Customer Service, and Field Services (metering) Departments, ensuring prompt
13 billing and delivery of excellent water and customer service to Greenville Water's 185,000
14 accounts serving over 500,000 residents of the South Carolina Upstate. I retired from my
15 position at Greenville Water in April 2021, at which time I formed VerDouw Regulatory
16 Services LLC, where I am Owner/CEO. In my current role, I provide utility and regulatory
17 consulting services to various utility clients, including Eastern Heights.

18
19 **Q. Have you testified before any regulatory agencies with respect to regulatory matters?**

20 A. Yes. I have testified in numerous regulatory proceedings before the IURC, the Public
21 Utilities Commission of Ohio, the Kentucky Public Service Commission, the Tennessee
22 Public Utility Commission, the Iowa Utilities Board, the Missouri Public Service

Commission, and the Illinois Commerce Commission. A list of my regulatory work is included in Attachment GMV-1.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this Cause?

A. The purpose of my testimony is to respond on behalf of Eastern Heights Utilities, Inc. to Public's Exhibit No. 1, Testimony of Thomas W. Malan on behalf of the Indiana Office of Utility Consumer Counselor ("OUCC"); Public's Exhibit No. 2, Testimony of Kristen Willoughby on behalf of the Indiana Office of Utility Consumer Counselor; and Public's Exhibit No. 3, Testimony of Shawn Dellinger on behalf of the Indiana Office of Utility Consumer Counselor, all of which were filed in this case on September 18, 2024.

Q. What attachments are you sponsoring in this proceeding?

A. I am sponsoring the following attachments:

Attachment GMV-1

Curriculum Vitae - Gary M. VerDouw

Attachment GMV-2

Small Utility Rate Application, Adjusted for Rebuttal Testimony Positions – October 2024 Comparison of Eastern Heights's Proposed Water Rate at 4,000 Gallons of Usage per Month to Water Rates for all Other Indiana Not for Profit Water Utilities

Attachment GMV-3

Resolution approving pay increase for Eastern Heights employees effective November 2024

Attachment GMV-4

Affidavit of Chris Wilson, Eastern Heights Manager, relative to Farmers and Mechanics Loan

Attachment GMV-5

1 **Q. Were all attachments and workpapers prepared by you or under your direction and**
2 **supervision?**

3 A. Yes.
4

5 **III. OVERALL SUMMARY OF CASE HISTORY**
6

7 **Q. Mr. VerDouw, please provide an overview of the rate case filed by Eastern Heights in**
8 **this Cause.**

9 A. Eastern Heights Utilities, Inc. is a not for profit water utility headquartered in Bloomfield,
10 Indiana, that owns and maintains over 500 miles of water mains that serve over 7,000
11 customers across six different counties in west south central Indiana. Eastern Heights
12 operates their utility with 14 full time employees. Eastern Heights' last rate increase was
13 filed as Cause No. 45435-U on September 18, 2020, and was approved by the IURC on
14 April 7, 2021. The base Test Year for Cause No. 45435-U was the twelve months ended
15 December 31, 2019, or five years previous to this rate case filing. With the marked increase
16 in commodities, labor, capital expenditures, and other expenses, the Eastern Heights Board
17 of Directors made the decision to file a new request for an increase in rates with the IURC.
18 This filing was made on June 6, 2024, and was docketed as Cause No. 46084-U. With that
19 filing, Eastern Heights is seeking a 59.40% increase in user rates that will provide
20 additional revenue of \$1,586,892 to pay for those increased operating expenses mentioned
21 above. The base year for this filing is the twelve months ended December 31, 2023,
22 adjusted for known and measurable changes in revenues and expenses through December
23 31, 2024. Since its last rate case filing, Eastern Heights has seen its costs increase
24 dramatically at all levels. Unadjusted Operations and Maintenance expenses for calendar

1 year 2023 are 30% greater than approved Operations and Maintenance expenses included
2 in Cause No. 45435-U. Asset purchases, such as vehicles, and capital improvement projects
3 are also reflecting a marked increase since Eastern Heights' last rate case filing. It is for
4 these reasons that Eastern Heights is requesting an increase in its rates at this time.

5
6 **Q. Did Eastern Heights include any additional documentation to support its rate case**
7 **filing when the case was filed with the IURC on June 6, 2024?**

8 A. Yes. Immediately after the rate case was filed on June 6, 2024, I set up a shared OneDrive
9 directory that both the OUCC and the IURC staff could access. The OneDrive directory
10 contained many subdirectories that included all of the files used to prepare the rate case for
11 Eastern Heights. I prepared separate schedules for each of the adjustments made in the rate
12 case to ensure that those reviewing the case could easily follow the adjustment and why it
13 was being made. I also included narratives to further explain the capital and maintenance
14 projects included in the case. It was my intent in filing this case on behalf of Eastern
15 Heights to make it as easy as possible for anyone reviewing the case at the OUCC or the
16 IURC to follow all adjustments made to the base case numbers.

17
18 **IV. OUCC REVIEW OF RATE CASE FILING**
19

20 **Q. When did the OUCC file its testimony that summarizes its review of Eastern Heights'**
21 **rate case filing made on June 6, 2024?**

22 A. The OUCC filed testimony from three OUCC witnesses relative to their review of Eastern
23 Heights' rate case filing on September 18, 2024. The OUCC's filing consisted of three

1 sets of testimony that was comprised of 45 total pages, along with 530 pages of support to
2 the testimony provided.

3
4 **Q. What is the rate increase recommended by the OUCC after their review of this**
5 **Cause?**

6 A. Eastern Heights filed for an overall increase of \$1,586,892, or an increase of 59.40%. After
7 its review, the OUCC is recommending an increase of \$1,164,636, or an increase of
8 43.02%.

9
10 **Q. Do you agree with the adjustments the OUCC recommended be made in order to**
11 **arrive at their recommended overall increase of \$1,164,636?**

12 A. I do agree with some of the adjustments that the OUCC has recommended. I do not agree
13 with a number of the adjustments they are recommending, however. I will discuss each of
14 those recommendations below.

15
16 **V. RESPONSE TO OUCC WITNESS THOMAS W. MALAN TESTIMONY**

17
18 **Q. Mr. VerDouw, have you reviewed Public's Exhibit No. 1, Testimony of Thomas W.**
19 **Malan on behalf of the OUCC?**

20 A. Yes, I have. Mr. Malan's testimony was prepared after reviewing the Eastern Heights rate
21 case and supporting documents filed with the IURC and/or provided directly to the OUCC
22 by Eastern Heights in this Cause. In addition, the OUCC, on behalf of Mr. Malan, issued
23 several data requests to Eastern Heights relative to questions regarding the filing. Mr.
24 Malan also spent two days at Eastern Heights' office to conduct an on-site review of files

1 and information. Mr. Malan also reached out to me directly and a number of questions he
2 had were addressed in an informal manner.

3
4 **Q. Can you summarize the positions that Mr. Malan has taken in this proceeding on**
5 **behalf of the OUCC?**

6 A. Yes, I can. In his review of Pro Forma Revenues and Adjustments, Mr. Malan agreed with
7 Eastern Heights' commercial account normalization adjustment and its adjustment made
8 to increase rental income, but did not agree with the adjustment Eastern Heights made to
9 normalize residential customer growth. In his review of Pro Forma Operating Expenses
10 and Adjustments, Mr. Malan agreed with Eastern Heights' adjustments to insurance
11 expense, employee related expenses, and postage expense. Mr. Malan disagreed with
12 Eastern Heights's adjustments to salaries and wage expense, system delivery expense, rate
13 case expense, and periodic maintenance expense. Mr. Malan is also recommending that the
14 costs to prepare Eastern Heights' Asset Management Plan, which were included in this
15 filing, be recovered over an amortization period rather than as a capital cost. Finally, Mr.
16 Malan is recommending that certain legal fees be removed from recovery.

17
18 **Q. Do you agree with the adjustments Mr. Malan has recommended be made to Eastern**
19 **Heights' filing in this Cause?**

20 A. I do not agree with all of Mr. Malan's recommended adjustments to revenue and expenses
21 in this Cause. I will address each of Mr. Malan's recommendations below.

1 **VI. RESIDENTIAL AND COMMERCIAL CUSTOMER NORMALIZATION**

2
3 **Q. The first adjustment that Mr. Malan recommends to Operating Revenues is to adjust**
4 **the residential customer normalization adjustment for calendar year 2023. Do you**
5 **agree with Mr. Malan's adjustment?**

6 A. Yes, I do. Eastern Heights converted to a new billing system in August of 2023. When
7 preparing the residential customer count by month, an incorrect parameter was included
8 when obtaining residential and commercial customer counts for the months of August
9 through December 2023 on the new billing system. As such, Eastern Heights' original
10 filing included residential customer counts that were lower than actual for those months.
11 Mr. Malan has calculated the residential customer normalization adjustment for 2023 to
12 reflect an increase in revenue of \$15,058. I have calculated the increase in revenue due to
13 the corrected numbers to be \$15,061, with the three dollar difference in the numbers due
14 to rounding. As such, I agree with Mr. Malan's adjustment for 2023 residential customer
15 count normalization in Mr. Malan's recommended adjustments to revenue and expenses in
16 this Cause.

17
18 **Q. Mr. Malan took the residential customer normalization adjustment a step further and**
19 **made an adjustment for residential customer account number changes that have**
20 **occurred by month for the pro forma period of January through July of 2024. Do**
21 **you agree with this adjustment?**

22 A. OUCC witness Malan looked at actual residential customer counts by month for the pro
23 forma months of January through July 2024 and as a result made an additional adjustment
24 to increase pro forma residential revenue by \$9,542. My only objection to this adjustment

1 is that residential customer counts could fluctuate further if the remainder of 2024 data
2 were available, and this adjustment could go up or down even further. However, I do agree
3 with the concept of the adjustment that OUCC witness Malan is making. Having said that,
4 I do disagree with the methodology Mr. Malan used in calculating the adjustment. I have
5 made an adjustment to capture residential customer normalization for the months of
6 January through July 2024 by following the same methodology recommended by the IURC
7 in its Small-U filing forms, adjusted for actual residential customer counts for the months
8 of January through July 2024, and with that have calculated an adjustment to increase
9 revenue by \$4,299, rather than the \$9,542 calculated by Mr. Malan. My adjustment can be
10 found on Attachment GMV-2, Small Utility Rate Application, Adjusted for Rebuttal
11 Testimony Positions, October 2024 - Schedule 5 – Revenue Adjustments, Page 2 of 2.

12
13 **Q. OUCC witness Mr. Malan agreed with the commercial customer count normalization**
14 **adjustment made by Eastern Heights which results in an adjustment to increase base**
15 **year revenue by \$3,404. Are there any issues with this?**

16 A. OUCC witness Mr. Malan adjusted base year residential customer revenue for
17 normalization using updated residential customer count numbers for the months of August
18 through December 2023. At the time the residential customer counts for those months
19 were updated, customer counts for commercial customers were updated for those same
20 months. Yet, Mr. Malan chose not to update the adjustment made by Eastern Heights to
21 account for commercial count normalization. The original adjustment made to account for
22 commercial count normalization was to increase pro forma revenue by \$3,404; if the
23 adjustment is updated to account for the correct customer counts by month for August
24 through December 2024, the update adjustment would be \$3,081. I have updated my

1 adjustment to account for the proper commercial account customer normalization, with the
2 updated adjustment of \$3,081 shown on Attachment GMV-2, Small Utility Rate
3 Application, Adjusted for Rebuttal Testimony Positions, October 2024 - Schedule 5 –
4 Revenue Adjustment (2).

5
6 **VII. SALARIES AND WAGES AND RELATED**

7
8 **Q. OUCC witness Mr. Malan disagreed with several of the expense adjustments made**
9 **by Eastern Heights. The first expense adjustment Mr. Malan did not accept was the**
10 **adjustment made by Eastern Heights to Salaries and Wages to account for a planned**
11 **wage increase to its employees in the fourth quarter of 2024. Do you disagree with**
12 **Mr. Malan’s recommendation to eliminate this adjustment to Salaries and Wages?**

13 **A.** Yes, I do. Eastern Heights’ filing included an adjustment to account for a planned annual
14 increase to all Eastern Heights employees, with that increase to be approved and made
15 effective in November 2024. Mr. Malan incorrectly states in his testimony “*Applicant*
16 *included in its adjustment a wage increase that that has not yet been considered or*
17 *approved by the board and which will not be implemented before the end of 2024, which*
18 *is outside the adjustment period.*” (Malan Testimony, Page 11 of 25, Lines 4-6) As part
19 of his due diligence in this case, Mr. Malan raised this question and reached out to me for
20 clarification. In preparing this case for Eastern Heights, I had specific discussions with
21 Chris Wilson, Manager of Eastern Heights, and further conversations with the Board of
22 Directors of Eastern Heights during their June 3, 2024, Board Meeting, to verify that this
23 annual wage increase was planned in the amount of six percent for each employee and
24 would be implemented in November of 2024. Mr. Wilson verified this, and the Board of

1 Directors agreed with that verification. Annual wage increases for Eastern Heights
2 employees are approved in November of each year and go into effect immediately upon
3 approval. Both Mr. Wilson and the Eastern Heights Board of Directors confirmed the
4 planned six percent increase for all employees as well. In confirming the need for a six
5 percent increase, a number of points were raised. First, Eastern Heights is operating their
6 water utility that serves over 7,000 customers with over 500 miles of water mains that cover
7 parts of six counties in Indiana with 14 full time employees. I would absolutely consider
8 this a bare-bones staff that is working very diligently to provide superior service and safe,
9 clean drinking water to its over 7,000 customers. In my work I have performed for Eastern
10 Heights, I have found the Eastern Heights team to work extremely hard to ensure that the
11 customers of Eastern Heights are well taken care of. One problem Eastern Heights has in
12 maintaining this bare bones staff is paying them enough to reward them for all of the hard
13 work they do and to help ensure that their employees do not leave for better paying utility
14 jobs at neighboring utilities. With that, a six percent increase is not only appropriate, but
15 also necessary. Further, this increase will be made in November 2024, which does not fall
16 outside of the adjustment period, and as such should be fully considered. All of this
17 information was verified in an email I sent to Mr. Malan on August 7, 2024, wherein I
18 stated ***“I talked to Chris Wilson about pay raises and when they go into effect. He***
19 ***confirmed to me that the Board approves pay raises in November and those new pay***
20 ***raises go into effect immediately – they do not start in January, they start in November.***
21 ***Thus, the pay increases that I included in the rate case are correct. Chris also confirmed***
22 ***to me that the Board is looking at a 6% increase as was included in the rate case.”***
23 (VerDouw email to Thomas Malan, August 7, 2024, sent at 11:45 a.m. CDT) Thus, I

1 disagree with Mr. Malan's testimony that the adjustment "*does not meet the standard of*
2 *being fixed in time, known to occur, or measurable in amount and occurring within*
3 *twelve months of the end of the test year.*" (Malan Testimony, Page 11 of 25, Lines 8-10)

4 With that, I completely disagree with Mr. Malan's recommendation to eliminate this
5 adjustment from the rate case.
6

7 **Q. Has the Eastern Heights Board of Directors taken any action to provide assurance to**
8 **the OUCC that the proposed raise for Eastern Heights employees does occur as**
9 **scheduled in November 2024?**

10 A. Yes. On October 10, 2024, the Eastern Heights Board of Directors approved a resolution
11 by unanimous vote that states that each employee of the corporation (Eastern Heights)
12 would be receiving a six percent (6%) pay increase, and that said pay increase for each
13 employee shall be effective for the second pay period for the month of November 2024.
14 Please see **Attachment GMV-4**, which is a signed copy of said Resolution. This action
15 was taken to provide assurance to the OUCC that Eastern Heights intends on following
16 through on their planned six percent increase for all employees, and that the increase will
17 be effective in November 2024, which is before the end of the twelve month adjustment
18 period.
19

20 **Q. OUCC witness Mr. Malan recommended additional adjustments to Payroll Tax**
21 **Expense and Employee Benefits as a result of the adjustment Mr. Malan made to**
22 **Salaries and Wages, as explained above. Do you agree with the adjustments**
23 **recommended by Mr. Malan to Payroll Tax Expense and Employee Benefits?**

1 A. I do not agree with Mr. Malan's recommended adjustments to Payroll Tax Expense and
2 Employee Benefits, as those recommended adjustments go away with the rejection of the
3 adjustment to Salaries and Wages that had been recommended by Mr. Malan.

4
5 **VIII. SYSTEM DELIVERY EXPENSE**
6

7 **Q. OUCC witness Mr. Malan recommended a further adjustment to System Delivery**
8 **Expense based on his adjusted number of residential accounts added due to the**
9 **customer normalization adjustment he made earlier. Do you agree with this and with**
10 **the calculation Mr. Malan included?**

11 A. I agree with the methodology used by Mr. Malan in making this additional system delivery
12 calculation. However, based on my testimony above relative to my disagreement as to how
13 many customers Mr. Malan included in the revenue normalization adjustment, my
14 calculation for the system delivery adjustment is slightly different than Mr. Malan's. I
15 have updated my adjustment to account for the proper residential and commercial account
16 customer normalization, with the updated adjustment of \$1,735 for purchased power and
17 \$590 for chemical expense shown on **Attachment GMV-2**, Small Utility Rate Application,
18 Adjusted for Rebuttal Testimony Positions, October 2024 - Schedule 6(d) (Power) and
19 Schedule 6(e) (Chemicals).

20
21 **IX. RATE CASE EXPENSE**
22

1 **Q. OUCC witness Malan proposed to arbitrarily reduce Rate Case Expense from a total**
2 **of \$145,000 to instead allow only a recovery of \$45,000. Do you agree with this**
3 **arbitrary adjustment made to Rate Case Expense by Mr. Malan?**

4 A. Absolutely not – for many reasons. I will address these reasons below.

5
6 **Q. OUCC witness Mr. Malan states “*the \$145,000 Applicant seeks to recover for this***
7 ***Cause does not reflect a reasonable cost for rate case expense for this small utility rate***
8 ***application filing.*” (Malan testimony, Page 15 of 25, Lines 10-12) Do you agree with**
9 **Mr. Malan’s statement?**

10 A. No. If this rate case had not been filed using the Small Utility (“Small-U”) rate case
11 process, the rate case expense that would have been incurred to prepare testimony, prepare
12 all additional schedules necessary, include a full legal review on all testimony and exhibits,
13 properly prepare, review and submit all formal data requests for the case, and file all
14 necessary documents with the IURC would easily require substantially more than
15 \$145,000 in rate case expense to file and complete a rate case using the full rate case
16 process for a utility such as Eastern Heights. Instead, Eastern Heights chose to file this rate
17 case via the Small Utility Rate Application (Small-U) process – a process that will serve
18 Eastern Heights and its customers with positive results at a much lower rate case expense
19 cost in preparing and filing the case. However, even by using the Small-U filing process,
20 the rate case needs to be researched, prepared, reviewed, filed, questions answered, rebuttal
21 response developed, and followed through to completion in order for the rate case to
22 succeed. Legal review and response to official filings (formal discovery requests, OUCC
23 testimony, etc.) is also required. The rate case expense included with this rate case filing
24 reflects the time and effort necessary to complete those tasks that are part of a Small-U

1 filing. Mr. Malan points to no specific time entry that he claims was unnecessary for the
2 filing and pursuit of this rate case. Instead, he relies on an unsupported generalization that
3 rate case expense should not exceed \$45,000, saying the \$145,000 "...does not reflect a
4 reasonable cost for rate case expense for this small utility rate application filing." Malan
5 Testimony at 15.

6
7 **Q. OUCC witness Mr. Malan goes on to state "*The Commission provides rate case***
8 ***schedules already populated with the utility's most recently available financial and***
9 ***accounting data. The utility only needs to input the applicable adjustments to calculate***
10 ***its proposed rate increase.*" (Malan testimony, Page 16 of 25, Lines 3-6). What was**
11 **done in order to prepare this Small-U rate case?**

12 A. I agree with Mr. Malan that the Commission does provide a working rate case filing Excel
13 spreadsheet that Commission Staff can pre-populate on behalf of the utility with historical
14 financial information in an effort to assist the utility in preparing its Small-U case. The
15 Commission Staff is also available to answer any questions that the utility may have in
16 preparing the Small-U rate case. This assistance is greatly appreciated. I mention above
17 in my testimony that Eastern Heights provides safe, clean drinking water to over 7,000
18 customers, and does a great job of providing excellent customer service and service
19 reliability in doing so. Having said that, the Staff at Eastern Heights is stretched so thin
20 that they do not have any additional in-house bandwidth (or the experience) to put together
21 the information, schedules, and other necessary information required to file even a Small-
22 U rate case.

1 Eastern Heights' last rate increase was filed as Cause No. 45435-U on September 18, 2020,
2 and was approved by the IURC on April 7, 2021. Eastern Heights's previous rate case
3 included expense only for the costs of their outside accounting firm to prepare the initial
4 rate filing, and did not include any rate case expense for any legal time or filing costs
5 (customer notice, etc.) associated with the case. Upon completion of the prior rate case,
6 Eastern Heights was dissatisfied with the work provided by their outside accounting firm
7 and realized that their in-house staff did not have the time or even necessarily all of the
8 expertise necessary to complete a small utility rate case application and follow it through
9 to completion. For example, during the last rate case, Eastern Heights did not employ
10 attorneys or consultants with experience to counsel the utility on the merits of submitting
11 a rebuttal report to the OUCC, which could have benefited the utility. It is because of this
12 that Eastern Heights hired me to prepare the Small-U rate case and guide it through the rate
13 case process. I did in fact take advantage of Commission assistance and reached out to
14 Commission Staff on a number of occasions to ask questions and to review the information
15 that was to be included in Eastern Heights' Small-U filing. That assistance is greatly
16 appreciated, as I wanted to ensure that the filing was as complete and self-explanatory as
17 possible. Although Commission Staff does aid in pre-loading recent financial information
18 in the Small-U forms for a utility, adjustments to that data still need to be made. In the
19 case for Eastern Heights, I made three adjustments to pro forma present rate revenue, and
20 fifteen adjustments to pro forma present rate expenses to obtain the numbers used for pro
21 forma net operating income. In order to make each of these adjustments, information was
22 researched, and support schedules were prepared to ensure that the reason for each of the
23 adjustments was crystal clear to anyone reviewing the filing. A number of these support

1 schedules literally took hours or even days to compile and complete. Contacts with the
2 utility's management, consulting engineers, and outside legal counsel were made as the
3 case was prepared and progressed. From there, final adjustments were made to the Small-
4 U filing to account for the revenue increase requested in the filing. Again, this all takes
5 time and effort to complete. Before filing, a meeting was held not only OUCC staff
6 members and attorneys, but also with IURC Staff as well. A meeting was held with the
7 Eastern Heights management, consulting engineer, and Board of Directors prior to filing
8 to ensure they fully understood the rate case filing and what it contained. As part of the
9 filing, notices to customers, newspaper notices, and rate case highlights and talking points
10 were prepared to ensure all filing requirements were being met and Eastern Heights
11 customers would have good information to assist in their understanding of the rate case
12 filing and why it was necessary. As soon as the rate case was filed with the IURC, full sets
13 of supporting documentation and files, sorted by expense and revenue types, were uploaded
14 onto a shared drive for both IURC and OUCC staff to ensure they had full information on
15 the adjustments that were included in the case. Both formal and informal data requests
16 from the OUCC were received and responded to. Attendance by legal counsel was
17 appropriate at the Public Field Hearing that was scheduled for the case. Once the OUCC
18 filed its response to the rate case on September 18, 2024, the 45 pages of testimony and
19 530 pages of support documentation included in the OUCC's response needed to be read
20 and reviewed, and from there responded to. All of these efforts take time and money to
21 complete. Thus, even though this is a Small-U filing that is supposed to be a streamlined
22 filing, there is still a considerable effort needed from those that prepare the case, provide

1 legal support and advice, and provide engineering data and support, in order to complete
2 the Small-U case and follow it through to completion.

3
4 **Q. OUCC witness Mr. Malan goes on to state “By design, a small utility rate application**
5 **does not require the utility to hire an attorney or a rate consultant to prepare case-in-**
6 **chief testimony.” (Malan testimony, Page 16 of 25, Lines 6-8). Do you agree with Mr.**
7 **Malan’s statement?**

8 A. I agree that case-in-chief *testimony* does not need to be prepared for a Small-U filing.
9 However, there are still legal requirements that need to be met which require an attorney
10 to review. The Small-U filing still requires many days and hours of work to prepare and
11 complete. Data requests still need to be responded to, some of which require legal review.
12 And, in this case, the OUCC submitted testimony from three OUCC staff members, all of
13 which have to be reviewed and responded to as necessary. Because the OUCC chose to
14 respond to the case via written filed testimony rather than writing a report summarizing
15 their review of the case (similar to what the OUCC Gas Department Staff does when
16 responding to a Small-U case), Eastern Heights will need to file rebuttal testimony in
17 response to the OUCC report – testimony that takes time to research and prepare and
18 requires legal review before it is submitted. As I mentioned above, Eastern Heights staff
19 do not have the in-house bandwidth to accomplish all of the tasks necessary to properly
20 prepare, review, follow through, and complete a Small-U filing, which is the reason Eastern
21 Heights hired me to prepare and guide this Small-U filing through to completion. The rate
22 case expense included in this case for a rate case consultant, outside legal services, and
23 engineering consulting services are in fact all necessary and, in my opinion, reasonable.

1 **Q. Mr. VerDouw, you mention above that the OUCC issued both formal and informal**
2 **data requests. Can you elaborate on this?**

3 A. Yes, I can. Prior to filing their response to this rate case, the OUCC made both formal and
4 informal requests for additional data and documentation to assist them in their due
5 diligence in reviewing this case. I am unsure of the number of informal data requests that
6 the OUCC had, but they sent Eastern Heights five formal sets of discovery, with those five
7 sets of discovery encompassing 35 questions with 106 total subparts to the questions. Mr.
8 Malan states in his testimony *“By design, a small utility rate application does not require*
9 *the utility to hire an attorney or a rate consultant to prepare case-in-chief testimony.”*
10 (Malan testimony, Page 16 of 25, Lines 6-8). Again, no case-in-chief testimony needed to
11 be prepared in this case; however, when formal discovery requests are sent to the utility’s
12 attorney, they need to act on them. Written response and legal review to both formal and
13 informal discovery requests is just one of many reasons why legal expense and outside
14 regulatory assistance is required in a Small-U rate case such as Eastern Heights’ case.

15
16 **Q. Mr. VerDouw, have you assisted other small utilities in preparing and filing their**
17 **Small-U rate case with the IURC?**

18 A. Yes, I have. I assisted Fountaintown Gas Company, Inc. in the preparation, filing, and
19 completion of their most recent Small-U rate case, which was docketed as Cause No. 45802
20 U and approved by the IURC on May 3, 2023. I am also assisting South Eastern Indiana
21 Natural Gas Company, Inc. with the preparation, filing, and completion of its most recent
22 Small-U rate case, which was docketed as Cause No. 46074-U. The OUCC has filed its
23 Public’s Exhibit No. 1 – OUCC Report in this case, and South Eastern Indiana Natural Gas

1 Company, Inc. is in the process of preparing and filing its response to the OUCC report at
2 this time. In both of these cases, the rate case expense included the expense of an outside
3 regulatory consultant (VerDouw Regulatory Services LLC) and outside legal counsel
4 (Barnes and Thornburg) that the utilities requested as part of their filings. Each of those
5 cases had simpler and fewer issues than the Eastern Heights case, and the rate case expense
6 for each of these cases reflected that, with \$80,000 of rate case expense reflected for
7 Fountaintown and \$83,200 for South Eastern. In both of these cases, the OUCC asked no
8 formal data requests and fewer informal data requests. In using these two small utility rate
9 case expense totals in comparison to Eastern Heights, the rate case expense incurred by
10 Eastern Heights is reasonable given the added complexity and effort required to respond to
11 substantially more information requests by the OUCC.

12
13 **Q. Both of the Small-U filings listed above included a request to recover both outside**
14 **legal expense and outside regulatory assistance in preparing and overseeing the filing**
15 **and completion of these cases. Did the OUCC, in its final report on these two Small-**
16 **U filings, recommend that only a portion of the rate case expense included in these**
17 **cases be recovered?**

18 A. The OUCC did not object to any of the rate case expense in either of these cases. In the
19 South Eastern Indiana Natural Gas Company Inc. Small-U case docketed as Cause No.
20 46074, the OUCC did not object to any of the rate case expense; however, the OUCC did
21 recommend that the rate case expense be amortized over a five year period rather than the
22 three year period recommended by the utility.

1 **Q. Since the OUCC did not object to the rate case expense as submitted for these two**
2 **Small-U gas filings, and since the rate case expense for those two filings included the**
3 **expenses for both outside legal counsel and an outside regulatory consultant, do you**
4 **find Mr. Malan's recommendation to reduce rate case expense in this Cause to be**
5 **inconsistent with past recommendations made by the OUCC relative to rate case**
6 **expense?**

7 A. Yes, I do. The expense of outside legal counsel and an outside regulatory consultant to
8 prepare the rate case filing and follow it through to completion on behalf of Eastern Heights
9 is a necessary expense that should be included in its entirety for this case. Reducing the
10 rate case expense to an arbitrary number as was recommended by the OUCC in this Cause
11 is definitely inconsistent with OUCC action in other cases relative to Small-U rate case
12 expense.

13
14 **Q. Given the need for outside regulatory assistance, legal assistance, and engineering**
15 **assistance that is necessary in Eastern Heights' rate case, do you agree with OUCC**
16 **witness Mr. Malan's recommendation to reduce rate case expense?**

17 A. I do not agree with Mr. Malan's recommended reduction to rate case expense, which is
18 based on a sweeping generalization rather than facts supporting his claim. I certainly feel
19 that the rate case expense included in Eastern Heights' Small-U rate case is necessary and
20 reasonable. As such, I recommend that the rate case expense included in the filing of this
21 case for Eastern Heights be approved in its entirety.

22
23 **X. PERIODIC MAINTENANCE EXPENSE**
24

1 **Q. Eastern Heights has proposed an adjustment in this Cause to increase Periodic**
2 **Maintenance Expense by \$133,059. OUCC witness Mr. Malan has instead**
3 **recommended an increase to Periodic Maintenance Expense of \$108,526. Can you**
4 **elaborate on why the OUCC is recommending a decrease to the utility's proposed**
5 **Periodic Maintenance Expense adjustment?**

6 A. OUCC witnesses Mr. Malan and Ms. Willoughby have proposed to reduce Eastern
7 Heights's proposed adjustment for Periodic Maintenance Expense from \$133,059 to
8 \$108,526, or a reduction of \$24,433. Mr. Malan and Ms. Willoughby arrived at this
9 reduction by eliminating the cost of repainting, inspecting, and rehabilitating the 90,000
10 gallon Bloomfield Tank. The Bloomfield Tank is currently in service but is only being used
11 to store water that could only be used in an emergency water need. This tank would play
12 a role should a fire occur within the Eastern Heights footprint and would ensure that water
13 is available to assist in the fighting of that fire. Wessler Engineering has recommended in
14 its Capital Improvement Plan prepared for Eastern Heights that the Bloomfield Tank be
15 demolished within the next 20 years. Wessler Engineering has estimated that it will cost
16 an estimated \$249,000 to take the Bloomfield Tank out of service and demolish the tank.
17 Ms. Willoughby has recommended that this tank be taken out of service and eventually be
18 demolished.

19
20 **Q. Do you agree with the adjustment made by OUCC witnesses Mr. Malan and Ms.**
21 **Willoughby to exclude the Bloomfield Tank from Periodic Maintenance Expense and**
22 **thus reduce the adjustment proposed by Eastern Heights in this category by \$24,433?**

1 A. I can agree with Mr. Malan and Ms. Willoughby's recommendation to remove this tank
2 from the Periodic Maintenance Expense, thus reducing Eastern Heights' recommended
3 adjustment to increase Periodic Maintenance Expense from a total of \$133,059 to the new
4 adjusted total of \$108,526. However, I do have a problem with Ms. Willoughby's
5 recommendation to take the tank out of service while it is waiting to be demolished. If the
6 tank is taken out of service and is not demolished immediately after taking the tank out of
7 service, Eastern Heights may have a liability on its hands should something happen while
8 the tank is sitting idle and not yet demolished. If the tank were to be demolished
9 immediately after taking it out of service, the cost of demolishing the tank, estimated to be
10 \$249,000, is not included in this rate case proceeding. It would be my recommendation to
11 leave the Bloomfield Tank in service for its current use of providing water for emergency
12 situations but remove the tank from the list of tanks that will be repainted/rehabilitated in
13 the future. I would then recommend that Eastern Heights plan to take the tank out of service
14 and demolish it after it is taken out of service as a project to include in Eastern Heights's
15 next rate case proceeding. With that, Eastern Heights can plan for the demolition of the
16 tank in the near future and recover the cost of the demolition without adding additional
17 revenue requirement to this case.

18
19 **Q. OUCC witnesses Mr. Malan and Ms. Willoughby take the adjustment for Periodic**
20 **Maintenance Expense one step further and recommend that Eastern Heights set aside**
21 **\$318,933 and restrict the use of such funds to the painting, cleaning, and inspection**
22 **of its water storage tanks. Do you agree with this recommendation?**

1 A. It is Eastern Heights' intent to clean, paint, and rehabilitate as necessary one water tank per
2 year. I do not believe it is necessary to direct Eastern Heights to set aside \$318,933 and
3 restrict the use of such funds to the painting, cleaning, and inspection of its water storage
4 tanks. As such, I disagree with this recommendation made by OUCC witnesses.

5
6 **XI. EXTENSIONS AND REPLACEMENTS BASED ON A CAPITAL**
7 **IMPROVEMENT PLAN**
8

9 **Q. Eastern Heights has included as part of its Extensions and Replacements based on a**
10 **Capital Improvement Plan the cost of preparing an Asset Management Plan &**
11 **Capital Improvements Plan (prepared by Wessler Engineering) in the amount of**
12 **\$63,000. OUCC witnesses Mr. Malan and Ms. Willoughby are recommending that**
13 **the cost to prepare this Asset Management Plan & Capital Improvements Plan be**
14 **removed from the Extensions and Replacements based on a Capital Improvement**
15 **Plan and instead be reflected as an operating expense and amortize the cost of the**
16 **Asset Management Plan over a period of five years at \$12,600 per year (\$63,000 / 5**
17 **years = \$12,600/Year). Do you agree with this recommendation?**

18 A. The Asset Management Plan & Capital Improvements Plan was prepared by Wessler
19 Engineering to outline Eastern Heights' water system needs, priorities, and improvements
20 and guide Eastern Heights in the future to ensure the recommended capital improvements
21 are completed in a guided, well thought out manner. The Asset Management Plan is
22 required to be prepared and completed by the Indiana Department of Environmental
23 Management ("IDEM") if any future expansions are needed; thus, it is a requirement to
24 complete the Asset Management Plan by Eastern Heights, as their steady growth will

1 require future expansion of its water supply and treatment. Although an argument could
2 be made to expense the cost of the Asset Management Plan and amortize it over a number
3 of years, as suggested by OUCC witnesses Mr. Malan and Ms. Willoughby, this document
4 was prepared as a requirement for IDEM and others and serves as a guide to future capital
5 improvements at Eastern Heights. Because of that, I feel that the Asset Management Plan
6 should remain a part of the Extensions and Replacements based on a Capital Improvement
7 Plan rather than expense and amortize the cost as recommended by the OUCC.

8
9 **XII. CONTRACTUAL SERVICES – LEGAL EXPENSE**

10
11 **Q. OUCC witness Mr. Malan has recommended two adjustments to Legal Expense. The**
12 **first adjustment recommended by Mr. Malan is to reduce legal expense paid to Bose**
13 **McKinney & Evans LLP and Jones, McGlasson & Seifers, P.C. by \$5,502 for “non-**
14 **recurring charges associated with a special project” (Malan testimony, Page 19 of 25,**
15 **Lines 17-18). Do you agree with Mr. Malan’s recommendation?**

16 **A.** I do not. I held numerous discussions with Mr. Malan regarding the “special project” that
17 he is referring to. The \$5,502 in legal expense included in the test year Legal Expense
18 category is for an ongoing item that Eastern Heights needs to address and requires legal
19 guidance in order to address. This is not a non-recurring legal expense; this is an expense
20 that Eastern Heights had in 2023 and will continue to have in 2024 and beyond. Thus, the
21 expense is not a “non-recurring” legal expense. It is for this reason that I do not agree with
22 Mr. Malan’s recommendation to reduce Legal Expense by \$5,502 for this item.

1 **Q. OUCC witness Mr. Malan recommends a second adjustment to Legal Expense to**
2 **reduce test year Legal Expense by \$18,891 for legal services billed by Todd R. Corn**
3 **in 2023 that in actuality were legal costs that were incurred in 2022 but were not billed**
4 **until 2023. Do you agree with this recommended the adjustments Mr. Malan has**
5 **recommended be made to Eastern Heights’ filing in this Cause?**

6 A. The invoice from Mr. Corn that was billed to Eastern Heights on April 30, 2023, included
7 billings for the period of July 5, 2022, through April 4, 2023. Of this total, \$18,891 was
8 billed for legal services that were incurred from July through December 2022. Had Mr.
9 Corn billed his legal services provided for Eastern Heights every month rather than on a
10 sporadic bill covering a longer period of time, he would have billed Eastern Heights for his
11 services for December 2022 (10.125 hours X \$325/hour, or a total of \$3,291) in January
12 2023 and the bill would have been paid as part of 2023 business in January. If that had
13 happened, there would have been no need for the OUCC’s recommended adjustment for
14 December 2022 services, as it would have evened out with December 2023 legal services
15 being billed in 2024. As such, I agree with Mr. Malan’s adjustment to eliminate Mr. Corn’s
16 billing for services from July through November 2022 in the amount of \$15,600 but do not
17 agree with the adjustment to eliminate December 2022 legal services in the amount of
18 \$3,291.

19
20 **XII. EXTENSIONS AND REPLACEMENTS**

21
22 **Q. What recommendations does OUCC witness Mr. Malan make to the Extensions and**
23 **Replacements (“E&R”) included in this rate case by Eastern Heights?**

1 A. Eastern Heights included a total of \$2,377,450 in Extensions and Replacements (E&R)
2 based on a Capital Improvement Plan for Years 1-3 of this rate case period, or a total of
3 \$792,483 per year. OUCC witness Mr. Malan has recommended three reductions to
4 Eastern Heights' E&R proposal: 1) elimination of the SCADA system upgrade; 2)
5 expensing rather than capitalizing the Asset Management Plan; and 3) eliminating \$50,000
6 of the yearly E&R revenue requirement to reflect the application of funds Applicant has
7 set aside for capital projects.

8
9 **Q. Do you agree with the adjustments Mr. Malan has recommended be made to Eastern**
10 **Heights' E&R included in this Cause?**

11 A. I do not agree with Mr. Malan's recommended adjustments to Eastern Heights' E&R
12 included in this Cause. I will address each of Mr. Malan's recommendations below.

13
14 **Q. First, Mr. Malan is recommending that the E&R cost of \$72,700 for the SCADA**
15 **System Upgrade be eliminated. Why should the cost of the SCADA System Upgrade**
16 **remain in Eastern Heights' E&R numbers?**

17 A. Mr. Malan states in his testimony that the cost of the SCADA System Upgrade has
18 *"already been completed"* (Malan testimony, Page 20 of 25, Line 13). The SCADA
19 System Upgrade was begun in calendar year 2023 but was not completed and fully put into
20 service until May 2024, which is five months after the end of the base test year ending
21 December 31, 2023. As such, the \$72,700 cost for the SCADA System Upgrade that is
22 included in Eastern Heights' E&R numbers should remain and should not be eliminated as
23 recommended by Mr. Malan.

1 **Q. OUCC witness Mr. Malan’s second recommendation to adjust Eastern Heights’ E&R**
2 **cost by eliminating the cost of producing Eastern Heights’ Asset Management Plan**
3 **& Capital Improvements Plan in the amount of \$63,000 and instead show the cost of**
4 **the Asset Management Plan & Capital Improvements Plan as an expense to be**
5 **amortized over a five year period at \$12,600 per year. Do you agree with Mr. Malan’s**
6 **recommendation to handle the Asset Management Plan & Capital Improvements**
7 **Plan in this manner?**

8 A. No, I do not. As I state above in Section IX, Extensions and Replacements Based on a
9 Capital Improvement Plan, I believe the cost of preparing the Asset Management Plan
10 & Capital Improvements Plan, totaling \$63,000, should be captured as an E&R cost and,
11 as such, should remain in the E&R category. As such, I do not agree with Mr. Malan’s
12 recommendation to expense and amortize the cost of the Asset Management Plan & Capital
13 Improvements Plan and instead recommend it remain as part of Eastern Heights’ E&R
14 numbers.

15
16 **Q. OUCC witness Mr. Malan’s third recommendation was to remove \$50,000 from**
17 **Eastern Heights’ annual E&R requirement (for a total of \$150,000) and instead**
18 **recover this dollar amount of E&R with existing funds. Do you agree with Mr.**
19 **Malan’s recommendation?**

20 A. What OUCC witness Mr. Malan is recommending is to arbitrarily reduce Eastern Heights’
21 revenue requirement by \$50,000 per year, or by a total of \$150,000. Mr. Malan has
22 provided no reason or reference as to how he arrived at reducing the revenue requirement
23 by this total, other than to state *“This will mitigate Applicant’s rate increase.”* (Malan

1 testimony, Page 21 of 25, lines 19-20). In essence, Mr. Malan is recommending that Eastern
2 Heights not be allowed to recover capital investments in the amount of \$150,000 that needs
3 to be made on behalf of its customers. I understand Mr. Malan's goal of mitigating the rate
4 increase in this Cause, but this action in essence does not allow Eastern Heights to recover
5 the \$150,000 in investments that need to be made on behalf of its customers. As such, I
6 disagree with Mr. Malan's recommendation to remove \$50,000 per year from the
7 Applicant's annual E&R revenue requirement.

8
9 **XIII. WORKING CAPITAL**
10

11 **Q. Eastern Heights included in its Small-U filing a request for an Annual Working**
12 **Capital Requirement in the amount of \$107,140. OUCC witness Mr. Malan is**
13 **recommending that no recovery of Working Capital be allowed in this Cause. Do you**
14 **agree with Mr. Malan's recommendation?**

15 **A.** No, I do not. Eastern Heights calculated the working capital total using the exact method
16 of calculation recommended by the IURC in their Small-U filing form. As such, the
17 working capital calculation included cash accounts as recommended by the IURC. The
18 working capital calculation following the IURC approved methodology shows an annual
19 working capital requirement of \$107,140, which is the amount of working capital I
20 recommend be included in this Cause for Eastern Heights.

XIV. AFFORDABILITY

Q. OUCC Witness Mr. Malan discusses affordability of rates on Page 23 of 25 and Page 24 of 25 of his testimony. Mr. VerDouw, can you elaborate on affordability and Eastern Heights' view on affordability of rates for its customers?

A. Eastern Heights certainly believes in providing great service and safe, reliable drinking water for its customers at an affordable price. Eastern Heights serves over 7,000 customers and owns and maintains over 500 miles of water lines to serve those customers. Eastern Heights' service territory stretches over six different Indiana counties. While rate increases are unfortunately necessary to cover the costs of maintaining that reliable service to provide safe, clean drinking water while still providing great service to its customers, Eastern Heights is doing everything they can to keep costs down. Eastern Heights maintains those 500-plus miles of water lines with a bare-bones staff of 14 dedicated individuals that work hard to keep safe, clean drinking water flowing to Eastern Heights customers 24 hours a day, seven days a week, 365 days a year. The Asset Management Plan & Capital Improvement Plan prepared for Eastern Heights by Wessler Engineering shows that even more dollars are needed to continue to build and maintain Eastern Heights' infrastructure necessary to serve its customers. Some of Eastern Heights' water lines are approaching 100 years in age and will need to be replaced on a regular basis in order to keep the water flowing properly. Eastern Heights' engineering consulting firm has estimated capital and maintenance projects that should be considered by EHU to complete over the next three years (2024-2026) to cost \$34,972,000. If all of these projects were to be completed and included in this rate case filing, EHU would be requesting an increase of over 450%. In an effort to keep the rate increase as low as possible, each of the capital improvement projects

1 recommended by Wessler Engineering was scrutinized by Eastern Heights management
2 and Board of Directors, and only the capital projects absolutely necessary were included
3 with this filing. As a result of that review and scrutiny, Eastern Heights has included capital
4 and maintenance projects that absolutely need to be completed in the amount of \$3,785,000
5 in this rate filing.

6
7 Having said that, Eastern Heights' Operations and Maintenance ("O&M") expenses for
8 calendar year 2024, as adjusted and filed in this Cause, have increased by 47% over the
9 O&M expense level approved by the IURC in Eastern Heights' most recent rate case
10 docketed as Cause No. 45435-U and approved on April 7, 2021. Electricity costs, chemical
11 costs, postage, and most other expenses are increasing again in 2024, on top of many
12 increases seen since 2020. For example, a similarly configured truck that Eastern Heights
13 purchased in 2022 will cost \$11,000 (over 21%) more to purchase in 2024. Unfortunately,
14 between the marked increases Eastern Heights has seen in its O&M expenses, and the
15 capital improvement projects that need to be completed to ensure Eastern Heights can
16 continue to provide clean, safe drinking water to its over 7,000 customers, the need for a
17 rate increase for Eastern Heights has been demonstrated in this rate case filing.

18
19 I have prepared and attached **Attachment GMV-2**, which is Eastern Heights's Small-U
20 filing adjusted for Eastern Heights' rebuttal position. As shown on **Attachment GMV-2**,
21 Eastern Heights, through the rebuttal positions shown in my testimony, is recommending
22 approval of an increase in rate of \$1,471,688, or 54.48% over current rates. While this is
23 indeed a large increase, it is an increase that I believe Eastern Heights has fully supported

1 in this case. If this increase is approved, a typical Eastern Heights customer using 4,000
2 gallons a month will be billed \$36.05. Even with the proposed increase, a typical Eastern
3 Heights customer using 4,000 gallons a month will still be paying less than a penny per
4 gallon of usage, and that is a very affordable rate. **Attachment GMV-3** shows a
5 comparison of Eastern Heights's proposed water rate for 4,000 gallons of usage per month
6 to the water rates at 4,000 gallons of usage per month for all other Indiana not for profit
7 water utilities. There are 30 not for profit water utilities in Indiana. The proposed rate for
8 Eastern Heights customers at 4,000 gallons of usage per month would rank Eastern
9 Heights' monthly bill as the 14th lowest out of the 30 not for profit water utilities located
10 in Indiana. While the amount of increase requested in this case may be considered on the
11 high side, I believe the proposed rates for water consumed at Eastern Heights is still very
12 reasonable and affordable.

13
14 **XV. RESPONSE TO OUCC WITNESS KRISTEN WILOUGHBY TESTIMONY**
15

16 **Q. Mr. VerDouw, have you reviewed Public's Exhibit No. 2, Testimony of Kristen**
17 **Willoughby on behalf of the OUCC?**

18 **A.** Yes, I have. Ms. Willoughby's testimony was prepared after reviewing the Eastern Heights
19 rate case and supporting documents filed with the IURC and/or provided directly to the
20 OUCC by Eastern Heights in this Cause. In addition, the OUCC, on behalf of Ms.
21 Willoughby, issued several data requests to Eastern Heights regarding the filing. Ms.
22 Willoughby also spent one day with Chris Wilson, Eastern Heights' Manager, and Jessica
23 Hall, Eastern Heights' Assistant Office Manager, touring the Eastern Heights service
24 territory and conducting an on-site review of information.

1
2 **Q. Can you summarize the positions that Ms. Willoughby has taken in this proceeding**
3 **on behalf of the OUCC?**

4 A. Yes, I can. Ms. Willoughby recommends that the Bloomfield 90,000 gallon tank, currently
5 being used as reserve water storage for emergency purposes, be removed from the list of
6 tanks that are included in tank painting, inspection and rehabilitation expense, and instead
7 be taken out of service until it is demolished. Ms. Willoughby is also recommending that
8 the Commission require that \$318,933 of Eastern Heights' revenues be set aside and restrict
9 the use of such funds to perform tank inspection, cleaning, and maintenance to ensure the
10 funds are available when needed to meet those needs and achieve the reasonable useful
11 lives of those assets. Finally, Ms. Willoughby is recommending that the Commission
12 require Eastern Heights to submit a summary of E&R projects completed each year as part
13 of its annual report.

14
15 **Q. Do you agree with the adjustments Ms. Willoughby recommended be made to Eastern**
16 **Heights' filing in this Cause?**

17 A. I can agree with some of Ms. Willoughby's recommended adjustments in this Cause. I do
18 not agree with all of them, however. I will address each of Ms. Willoughby's
19 recommendations below.

20
21 **XVI. BLOOMFIELD STORAGE TANK DEMOLITION**
22

23 **Q. Ms. Willoughby is recommending that the Bloomfield 90,000 gallon tank, currently**
24 **being used as reserve water storage for emergency purposes, be removed from the list**

1 **of tanks that are included in tank painting, inspection and rehabilitation expense, and**
2 **instead be taken out of service until it is demolished. Do you agree that the tank**
3 **should not be maintained and instead be taken out of service until it is demolished?**

4 A. The Bloomfield Tank is currently in service and is providing a valuable role as a tank that
5 is available to provide water to the Eastern Heights system should an emergency situation,
6 such as to provide water in case of a fire. Having said that, Wessler Engineering has
7 recommended in its Capital Improvement Plan prepared for Eastern Heights that the
8 Bloomfield Tank be demolished within the next 20 years. Wessler Engineering has
9 estimated that it will cost an estimated \$249,000 to take the Bloomfield Tank out of service
10 and demolish the tank. Ms. Willoughby has recommended that this tank be taken out of
11 service and eventually be demolished. I can agree with Mr. Malan and Ms. Willoughby's
12 recommendation to remove this tank from the Periodic Maintenance Expense, thus
13 reducing Eastern Heights' recommended adjustment to increase Periodic Maintenance
14 Expense from a total of \$133,059 to the new adjusted total of \$108,526. However, I do
15 have a problem with Ms. Willoughby's recommendation to take the tank out of service
16 while it is waiting to be demolished. If the tank is taken out of service and is not demolished
17 immediately after taking the tank out of service, Eastern Heights may have a liability on
18 its hands should something happen while the tank is sitting idle and not yet demolished. If
19 the tank were to be demolished immediately after taking it out of service, the cost of
20 demolishing the tank, estimated to be \$249,000, is not included in this rate proceeding. It
21 would be my recommendation to leave the Bloomfield Tank in service for its current use
22 of providing water for emergency situations but remove the tank from the list of tanks that
23 will be repainted/rehabilitated in the future. I would then recommend that Eastern Heights

1 plan to take the tank out of service and demolish it after it is taken out of service as a project
2 to include in Eastern Height's next rate case proceeding. With that, Eastern Heights can
3 plan for the demolition of the tank in the near future and recover the cost of the demolition
4 without adding additional revenue requirement to this case.

5
6 **Q. OUCC witnesses Mr. Malan and Ms. Willoughby take the adjustment for Periodic**
7 **Maintenance Expense one step further and recommend that Eastern Heights set aside**
8 **\$318,933 and restrict the use of such funds to the painting, cleaning, and inspection**
9 **of its water storage tanks. Do you agree with this recommendation?**

10 A. It is Eastern Heights' intent to clean, paint, and rehabilitate as necessary one water tank per
11 year. I do not believe it is necessary to direct Eastern Heights to set aside \$318,933 and
12 restrict the use of such funds to the painting, cleaning, and inspection of its water storage
13 tanks. As such, I disagree with this recommendation made by OUCC witnesses.

14
15 **XVII. EXTENSIONS AND REPLACEMENTS ("E&R")**
16

17 **Q. What did Eastern Heights include in this Cause for Extensions and Replacements**
18 **(E&R) based on a Capital Improvement Plan?**

19 A. Eastern Heights reviewed all of its capital improvements recommended by Wessler
20 Engineering in its Asset Management Plan & Capital Improvements Plan prepared for
21 Eastern Heights Utilities, Inc. and dated June 2024. Wessler Engineering firm has
22 estimated capital and maintenance projects that should be considered by EHU to complete
23 over the next three years (2024-2026) to cost \$34,972,000. If all of these projects were to
24 be completed and included in this rate case filing, EHU would be requesting an increase of

1 over 450%. In an effort to keep the rate increase as low as possible, each of the capital
2 improvement projects recommended by Wessler Engineering was scrutinized by Eastern
3 Heights management and Board of Directors, and only the capital projects absolutely
4 necessary were included in this filing. As a result of that review and scrutiny, Eastern
5 Heights has included E&R projects that absolutely need to be completed in the amount of
6 \$2,377,450 (\$792,483 per year) in this rate filing.

7
8 **Q. OUCC witness Kristen Willoughby states on Page 9 of 12 of her testimony that Eastern**
9 **Heights did not provide any additional support for its proposed E&R revenue**
10 **requirement in its small utility application. Is this a true statement?**

11 A. Absolutely not. Ms. Willoughby states in her testimony *“No additional support was*
12 *included for the above items in its Small-Utility Application. However, through the*
13 *discovery process, the OUCC sought and received additional information about the*
14 *proposed E&R projects.”* (Willoughby testimony, Page 9 of 12, Lines 3-5). That is not true
15 and is in fact rather disappointing to see Ms. Willoughby state in her written testimony.
16 Immediately after the rate case was filed on June 6, 2024, I set up a shared OneDrive
17 directory that both the OUCC and the IURC could access. The OneDrive directory
18 contained many subdirectories that included all of the files used to prepare the rate case for
19 Eastern Heights. I prepared separate schedules for each of the adjustments made in the rate
20 case to ensure that those reviewing the case could easily follow the adjustment and why it
21 was being made. I also included narratives to further explain the capital and maintenance
22 projects included in the case. It was my intent in filing this case on behalf of Eastern
23 Heights to make it as easy as possible for anyone reviewing the case at the OUCC or the

1 IURC to follow all adjustments made to the base case numbers. Specifically, in
2 conjunction with Extensions and Replacements included in the rate case filing, I included
3 a full copy of the Asset Management Plan & Capital Improvements Plan prepared by
4 Wessler Engineering for this case, a summary report of this information, and a full written
5 description of all items included in Periodic Maintenance Expense (Schedule 6 – Expense
6 Adjustment (f)); Extensions and Replacement based on a Capital Improvement Plan; and
7 Capital Improvements Included in New Debt Service (Schedule 9); and other schedules
8 and information. As such, Ms. Willoughby’s statement that “no additional support was
9 included” is blatantly false and is disappointing to see in her testimony.

10
11 **Q. Ms. Willoughby has made three recommendations related to Eastern Heights’**
12 **Extensions and Replacements (E&R) included in this case. The first recommendation**
13 **is to remove the cost of the Asset Management Plan and Capital Improvement Plan**
14 **from the E&R list and instead reclassify the cost of the Plan as an operational expense**
15 **and amortize the cost of preparing the plan over a five year period. Do you agree**
16 **with this recommendation?**

17 A. No, I do not. The Asset Management Plan was prepared by Wessler Engineering to outline
18 Eastern Heights’ water system needs, priorities, and improvements and guide Eastern
19 Heights in the future to ensure the recommended capital improvements are completed in a
20 guided, well thought out manner. The Asset Management Plan is required to be prepared
21 and completed by the Indiana Department of Environmental Management (“IDEM”) if any
22 future expansions are needed; thus, it is a requirement to complete the Asset Management
23 Plan by Eastern Heights, as their steady growth will require future expansion of its water

1 supply and treatment. Although an argument could be made to expense the cost of the
2 Asset Management Plan and amortize it over a number of years, as suggested by OUCC
3 witnesses Mr. Malan and Ms. Willoughby, this document was prepared as a requirement
4 for IDEM and others and serves as a guide to future capital improvements at Eastern
5 Heights. Because of that, I feel that the Asset Management Plan should remain a part of
6 the Extensions and Replacements based on a Capital Improvement Plan rather than expense
7 and amortize the cost as recommended by the OUCC.

8
9 **Q. OUCC witness Ms. Willoughby's second recommendation is to eliminate the E&R**
10 **cost of \$72,700 for the SCADA System Upgrade. Why should the cost of the SCADA**
11 **System Upgrade remain in Eastern Heights' E&R numbers?**

12 A. Ms. Willoughby and Mr. Malan both address their recommendation to eliminate the E&R
13 cost of \$72,700 for the SCADA system upgrade. Mr. Malan states in his testimony that
14 the cost of the SCADA System Upgrade has "*already been completed*" (Malan testimony,
15 Page 20 of 25, Line 13). The SCADA System Upgrade was begun in calendar year 2023
16 but was not completed and fully put into service until May 2024, which is five months after
17 the end of the base test year ending December 31, 2023. As such, the \$72,700 cost for the
18 SCADA System Upgrade that is included in Eastern Heights' E&R numbers should remain
19 and should not be eliminated as recommended by both Ms. Willoughby and Mr. Malan.

20
21 **Q. What was OUCC witness Ms. Willoughby's third recommendation relative to E&R?**

22 A. Ms. Willoughby is recommending that Eastern Heights create an addendum to its Annual
23 Report to the IURC that identifies each E&R project completed during that year. Ms.

Willoughby goes on to state that the addendum should include a description of the project, the year completed, and the total capital improvement cost for each project.

Q. Do you agree with Ms. Willoughby's recommendation to create an addendum report summarizing E&R projects and include that report with Eastern Heights' filing if its Annual Report to the IURC?

A. No, I do not. I believe the creation of such report is unnecessary and does not need to be a part of Eastern Heights' Annual Report to the IURC. This is all information that would be available to the OUCC as part of its discovery process in Eastern Heights' next rate case filing, if the OUCC found it necessary to inquire about the projects completed.

XVIII. RESPONSE TO OUCC WITNESS SHAWN DELLINGER TESTIMONY

Q. Mr. VerDouw, have you reviewed Public's Exhibit No. 3, Testimony of Shawn Dellinger on behalf of the OUCC?

A. Yes, I have. Mr. Dellinger's testimony was prepared after reviewing the Eastern Heights rate case and supporting documents filed with the IURC and/or provided directly to the OUCC by Eastern Heights in this Cause. In addition, Mr. Dellinger gathered information through informal email exchanges with me in order to assist him in his review of the case. Mr. Dellinger also contacted me directly and we had several discussions via telephone and Teams regarding his review.

Q. Can you summarize the recommendations made by Mr. Dellinger in this proceeding on behalf of the OUCC?

1 A. Yes, I can. Mr. Dellinger focused on financing and other matters in his review of Eastern
2 Heights rate case. As a result of his review, Mr. Dellinger is recommending that the
3 Commission reject Eastern Heights's requested debt authorization. As part of that
4 requested debt authorization, Mr. Dellinger is recommending that the Commission approve
5 an increase to its debt service requirement of \$190,209. Mr. Dellinger is recommending
6 that Eastern Heights' request for a debt service reserve revenue requirement of \$63,403 be
7 rejected.

8
9 **Q. Do you agree with the adjustments OUCC witness Mr. Dellinger recommended be**
10 **made to Eastern Heights' filing in this Cause?**

11 A. I agree with Mr. Dellinger's recommendation to approve an increase to Eastern Heights'
12 debt service revenue requirement of \$190,209. I also agree with Mr. Dellinger's
13 recommendation to reject Eastern Heights' request for a debt service reserve revenue
14 requirement of \$63,403. Although I cannot argue with Mr. Dellinger's recommendation
15 to reject Eastern Heights' requested debt authorization, I can tell the Commission that
16 Eastern Heights was not aware of the requirement at the time the decision was made, and
17 it did not intend to ignore or disobey applicable regulations. As a result, I humbly ask for
18 Commission forgiveness in the process Eastern Heights followed in its most recent debt
19 financing and will do my part to ensure that any future debt service requests be made up
20 front rather than after the fact.

21
22 **XIX. NEW DEBT DRAWN DOWN BY EASTERN HEIGHTS**

23
24 **Q. Did Eastern Heights include any new debt in this rate case application?**

1 A. Yes. Eastern Heights had a one million dollar line of credit that they obtained from Farmers
2 and Mechanics Federal Bank in April of 2023. In April of 2024, this initial line of credit
3 matured. At that time, the line of credit was modified and extended with a new maturity
4 date of April 19, 2025. This line of credit was mainly being used to cover the costs of the
5 new Booster station that was under construction and set to be completed in August 2024.
6 In May 2024, the Board of Directors of Eastern Heights sought to obtain longer term debt
7 financing to replace the line of credit they had in place. As a result, the Eastern Heights
8 Board of Directors received a proposal from Farmers and Mechanics Federal that included
9 four options to refinance the one million dollar line of credit that was currently in place.
10 The four options offered provided refinancing the line of credit under various interest rates
11 with four rate term options of three, five, seven, or ten years. The Board of Directors chose
12 to refinance the line of credit with a seven year, one million dollar loan at an interest rate
13 of 8.49% that included a monthly payment of \$15,850.78, or \$190,209 in total loan
14 payments (principal and interest) per year. This new refinanced loan was signed in June
15 2024 and will be used for the payment for the construction of a new Booster Station in the
16 amount of \$847,700 and to be placed in service in the third quarter of 2024, and for
17 payment of \$152,300 towards the installation of Eastern Heights' new SCADA system,
18 which totals \$225,000 and was placed in service in the second quarter of 2024.

19
20 **Q. Did Eastern Heights contact the IURC and inform them of the line of credit drawn at**
21 **Farmers and Mechanics Federal that was opened on behalf of Eastern Heights in**
22 **April of 2023?**

1 A. I do not believe so. I believe the only notice Eastern Heights provided the IURC in regard
2 to the initial line of credit set up in April of 2023 would be the mention of the line of credit
3 in the IURC Annual Report filed by Eastern Heights for the calendar year ended December
4 3, 2023.

5
6 **Q. Should Eastern Heights have provided written notice to the IURC prior to obtaining**
7 **the line of credit from Farmers and Mechanics Federal?**

8 A. Yes, written notice should have been provided to the IURC before any debt was drawn
9 down.

10
11 **Q. Did Eastern Heights provide written notice to the IURC prior to renewing the line of**
12 **credit in April 2024 or when that line of credit was renegotiated into a seven year loan**
13 **with Farmers and Mechanics Federal?**

14 A. I believe the only request for debt authorization provided by Eastern Heights was the
15 language included in the Case Summary Description of this rate case filing, which includes
16 the following language: *“EHU is also requesting the approval to draw down \$1,000,000*
17 *in additional debt. The debt will be financed by Farmers and Mechanics Bank and will*
18 *be a seven year note with an interest rate of 8.49%. The debt will be used to pay for the*
19 *Booster Station that will be completed in 2024 at a cost of \$847,700, as well as for*
20 *\$152,300 of the total \$225,000 cost for SCADA upgrade and installation, also completed*
21 *in 2024.”*

1 **Q. Why was written notice not provided to the IURC by Eastern Heights prior to these**
2 **loan transactions?**

3 A. The fact that written notice was not provided to the IURC by Eastern Heights prior to these
4 loan transactions taking place was definitely not intentional. With Eastern Heights'
5 transition to new outside legal counsel in 2023 and 2024, and with current Manager Chris
6 Wilson only appointed as General Manager in May of 2023, I believe the requirement to
7 provide notice to the IURC was just an item that slipped through the cracks as part of the
8 transition. On behalf of Eastern Heights, I offer apologies to the Commission, Commission
9 Staff, and the OUCC for not providing notification prior to seeking and obtaining loan
10 funds for Eastern Heights. In addition to new outside legal counsel now in place at Eastern
11 Heights, new outside regulatory legal counsel and an outside regulatory consultant (myself)
12 are now representing Eastern Heights. Between myself and Eastern Heights' new outside
13 and regulatory legal counsel, we will ensure that proper notification is provided to the
14 IURC and OUCC for any financing being contemplated by Eastern Heights in the future.

15
16 **Q. Does Eastern Heights now realize that any loans require IURC approval prior to the**
17 **issuance of that debt?**

18 A. Yes, they do. As I stated above, I believe it was a combination of timing errors and new
19 people in place that led to this notification error. I have included **Attachment GMV-5**,
20 which is an Affidavit signed by Chris Wilson, Manager of Eastern Heights, stating that he
21 is familiar with the loan funds received from Farmers and Mechanics Bank, and that the
22 Board of Directors was not aware that IURC advance approval of said loan was necessary.
23 Mr. Wilson further states in his Affidavit that he personally apologizes on behalf of the
24 complete Board of Directors of Eastern Heights Utilities, Inc. for their failure to obtain

1 advance IURC approval. Mr. Wilson ends his Affidavit by stating that Eastern Heights is
2 confident that such error or admission will not occur in the future.

3
4 **Q. Has the IURC ever approved a financing retroactively under similar facts?**

5 A. Yes. In Cause No. 39104, the Commission found that the owner of a small utility was
6 unaware of the obligation to obtain pre-approval for financing, excused the oversight on
7 the grounds of exigent circumstances, and approved the financing retroactively. In the
8 Matter of LMH Utilities Corp., IURC Cause No. 39104, January 20, 1993.

9
10 **Q. OUCC witness Mr. Dellinger is recommending the Commission reject the requested**
11 **debt authorization included in this case. However, he goes on to agree with the**
12 **recommendation to approve the debt service requirement for this loan in the amount**
13 **of \$190,209 annually. Do you agree with Mr. Dellinger's recommendations regarding**
14 **the approval of the loan and the debt service requirement for this loan?**

15 A. I fully agree with Mr. Dellinger. As I state above, Eastern Heights should have approached
16 the IURC and received approval for this loan prior to receiving it. I fully admit that Eastern
17 Heights was in error in not following the IURC approval process for the loan, and for that
18 I apologize on Eastern Heights' behalf. There are steps in place to ensure that an item like
19 this does not fall through the cracks in the future. With that, I agree with Mr. Dellinger
20 that the proper revenue requirement to reflect in this case for the annual debt service
21 (interest and principal) for this loan is \$190,209 annually.

1 **Q. Eastern Heights also requested the inclusion of a debt service reserve revenue**
2 **requirement in the amount of \$63,403 regarding the new loan obtained from Farmers**
3 **and Mechanics Federal. OUCC witness Mr. Dellinger rejected that request. Do you**
4 **agree with Mr. Dellinger regarding the elimination of a debt service reserve revenue**
5 **requirement for this loan?**

6 A. Yes, I do. This loan was being negotiated just prior to the filing of this case, and at that
7 time it was unsure if a debt service reserve was going to be required for this case. I made
8 an adjustment to include a debt service reserve in the amount of \$63,403 on the assumption
9 that a debt service reserve would be required. It was determined after the case was filed
10 that a debt service reserve was not required for this loan. As such, I agree with Mr.
11 Dellinger that the debt service reserve for the Farmers and Mechanics Loan in the amount
12 of \$63,403 is not required and should not be a part of the revenue requirement for this rate
13 case.

14
15 **XX. SUMMARY**
16

17 **Q. Mr. VerDouw, after reviewing all of the testimony provided by the OUCC, and either**
18 **accepting or rejecting the recommendations made by OUCC witnesses Mr. Malan,**
19 **Ms. Willoughby, and Mr. Dellinger, what is your recommendation for the revenue**
20 **requirement Eastern Heights should receive in this Cause?**

21 A. Based on my review of the testimony provided by OUCC witnesses Mr. Malan, Ms.
22 Willoughby, and Mr. Dellinger on behalf of the Indiana Office of Consumer Counselor, I
23 have provided my written testimony here with my final recommendations for adjustments
24 to be made to this rate case filing on behalf of Eastern Heights. I have prepared

1 **Attachment GMV-2**, which is Eastern Heights’s Small-U filing adjusted to reflect Eastern
2 Heights’ rebuttal position in this Cause. As shown on **Schedule 1, Revenue Requirements**,
3 of **Attachment GMV-2**, and based on all data and recommendations I have either made or
4 agreed to in this case, I am recommending that Eastern Heights receive a recommended
5 increase in rates in the amount of \$1,471,688, which reflects a recommended percentage
6 increase of 54.48%. The recommended increase will result in a bill for the typical Eastern
7 Heights residential water customer that uses an average of 4,000 gallons a month in the
8 amount of \$36.05 per month, which is still a very affordable rate at less than a penny a
9 gallon and ranks Eastern Heights as the 14th lowest rate for 4,000 gallons of usage out of
10 the 30 Not for Profit water utilities located in the State of Indiana.

11
12 **XXI. QUESTIONS FROM IURC STAFF**
13

14 **Q. Did Eastern Heights receive any questions regarding this proceeding from IURC**
15 **Staff?**

16 A. Yes. An email was sent to Gary VerDouw on October 12, 2024 from IURC Staff member
17 Dana Lynn that included 24 questions that IURC Staff had for Eastern Heights relative to
18 this rate proceeding.

19
20 **Q. Has Eastern Heights provided a response to the IURC related to the questions**
21 **included in the IURC email dated October 12, 2024?**

22 A. Yes. Eastern Heights responded to the questions and provided those responses and related
23 Exhibits supporting the responses via an official filing to Cause No. 46084 on October 16,
24 2024.

1
2 **Q.** The first question asked by IURC Staff was a two-part question and is as follows: *Has*
3 *Eastern Heights considered phasing in its rate relief over a two-year period? Would*
4 *Eastern Heights be amenable to phasing in its rate relief either at a 60/40 or 70/30 ratio*
5 *over a two-year period? How did Eastern Heights respond to these questions?*

6 **A.** Eastern Heights responded to this two part question as follows: *In an effort to keep the*
7 *rate increase as low as possible, each of the capital improvement projects recommended*
8 *by Wessler Engineering was scrutinized by Eastern Heights management and Board of*
9 *Directors, and only the capital projects absolutely necessary were included in this filing.*
10 *As a result of that review and scrutiny, Eastern Heights has included E&R projects that*
11 *absolutely need to be completed in the amount of \$2,377,450 (\$792,483 per year) in this*
12 *rate filing. Eastern Heights has not included any future projects that may be part of the*
13 *Asset Management Plan over and above the total included in the \$2,377,450 E&R total*
14 *as part of this filing. Thus, the full amount of a rate adjustment requested is needed to*
15 *fund day to day operations and only these essential capital projects. If Eastern Heights*
16 *were to phase in the rate increase either in a 60/40 or 70/30 ratio over a two-year period,*
17 *Eastern Heights would be unable to meet day to day expenses and to perform the*
18 *essential critical projects included in the E&R totals in this case. Eastern Heights would*
19 *be amenable to phasing in at a 80/20 ratio over a two-year period (80% put in place at*
20 *time of Order receipt, and the remaining 20% put in place one year later) at the revenue*
21 *increase request total proposed by Eastern Heights, as shown in Attachment GMV-2 of*
22 *Gary M. VerDouw Rebuttal Testimony, if the Commission would be agreeable to*
23 *allowing Eastern Heights to delay any tank painting/cleaning until the full rate increase*

is realized. Please also see Gary M. VerDouw Rebuttal testimony, XIV. Affordability, which shows that if this revenue increase request is approved at Eastern Heights' rebuttal recommendation, the proposed rate for Eastern Heights customers at 4,000 gallons of usage per month would rank Eastern Heights' monthly bill as the 14th lowest out of the 30 not for profit water utilities located in Indiana, and the rate would still be less than a penny a gallon for 4,000 gallons of usage, which is a very affordable rate.

XXII. CONCLUSION

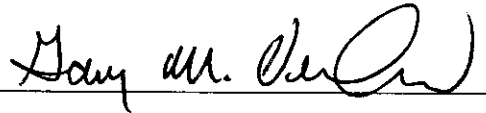
Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

I, Gary M. VerDouw, Owner/CEO of VerDouw Regulatory Services LLC, affirm under penalties for perjury that the foregoing is true to the best of my knowledge, information, and belief.

Dated this 9th day of October 2024.

A handwritten signature in black ink, reading "Gary M. VerDouw", is written over a horizontal line.

Gary M. VerDouw
Owner/CEO
VerDouw Regulatory Services LLC

GARY M. VERDOUW

REGULATORY TESTIMONY PROVIDED**Indiana:**

- 2024 – Eastern Heights Utilities, Inc., Rate Case – responsible for preparation of small utility rate case filing, rebuttal testimony provided, Cause No. 46084-U.
- 2024 – South Eastern Indiana Natural Gas Company, Inc., Rate Case – responsible for preparation of small utility rate case filing, no testimony provided. Cause Number 46074-U.
- 2024 – Ohio Valley Gas Corporation, Cost of Service Study – prepared cost of service study, provided direct and rebuttal testimony, and updated tariffs for Ohio Valley Gas Corporation’s 2024 Rate Case filing, Cause No. 46011.
- 2023 – Crossroads Utilities, LLC, approval and authorization of the acquisition of LMH Utilities Corporation’s wastewater utility assets, Cause No. 45833.
- 2022 – Fountaintown Gas Company, Inc., Rate Case – responsible for preparation of small utility rate case filing; no testimony provided. Cause No. 45802-U.
- 2022 – Aqua Indiana, Inc., Approval of Service Improvement Project, Post-In-Service AFUDC and Deferred Depreciation on Service Improvement Project Assets, Cause No. 45675.
- 2022 – Lakes of the Four Seasons Property Owner’s Association, testimony in opposition to rate increase proposed by Community Utilities of Indiana, Inc., Cause No. 45651.
- 2021 – Jackson County Regional Sewage District/Seymour Municipal Sanitation Services, Wholesale Cost of Service Review, Cause No. 45548.
- 2018 – Indiana American Water Company, Town of Sheridan, Indiana Acquisition, Cause Number 45050.
- 2018 – Indiana American Water Company, Customer Owned Lead Service Line Replacement Program Approval, Cause Number 45043.
- 2018 – Indiana American Water Company, Town of Lake Station, Indiana Acquisition, Cause Number 45041.
- 2018 – Indiana American Water Company, DSIC, Cause No. 42351-DSIC-11.
- 2017 – Indiana American Water Company, City of Seymour, Indiana Fire Protection Surcharge, Filing No. 3520.
- 2017 – Indiana American Water Company, Depreciation Rate Study, Cause Number 44992.
- 2017 – Indiana American Water Company, Town of Charlestown, Indiana Acquisition, Cause Number 44976.
- 2017 – Indiana American Water Company, Town of Georgetown, Indiana Acquisition, Cause Number 44915.
- 2017 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-10.
- 2016 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-9.
- 2015 – Indiana American Water Company, City of West Lafayette, Indiana Fire Protection Surcharge, Filing No. 3399.
- 2015 – Indiana American Water Company, Financing Case, Cause Number 44682.
- 2015 – Indiana American Water Company, American Suburban Acquisition, Cause Number 44592.
- 2015 – Indiana American Water Company, Russiaville, Indiana Acquisition, Cause Number 44584.
- 2014 – Indiana American Water Company, Rate Case, Cause Number 44450.
- 2011 – Indiana American Water Company, Rate Case, Cause Number 44022.
- 2011 – Indiana American Water Company, Approval of Post In-Service AFUDC and Deferred Depreciation, Cause No. 43991.
- 2010 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-6.
- 2010 – Indiana American Water Company, City of Muncie, Indiana Fire Protection Surcharge, Cause No. 43843.
- 2009 – Indiana American Water Company, Financing Case, Cause Number 43767.
- 2009 – Indiana American Water Company, Rate Case, Cause Number 43680.

GARY M. VERDOUW

REGULATORY TESTIMONY PROVIDED**Indiana (Continued):**

- 2009 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-5.
- 2009 – Indiana American Water Company, Approval of Post In-Service AFUDC and Deferred Depreciation, Cause No. 43639.
- 2008 – Indiana American Water Company, City of Winchester, Indiana Fire Protection Surcharge, Cause No. 43605.
- 2008 – Indiana American Water Company, City of Gary, Indiana Fire Protection Surcharge, Cause No. 43583.
- 2008 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-4.
- 2007 – Indiana American Water Company, City of Merrillville, Indiana Fire Protection Surcharge, Cause No. 43398.
- 2006 – Indiana American Water Company, Rate Case, Cause Number 43187.
- 2006 – Indiana American Water Company, Distribution System Infrastructure Charge (“DSIC”), Cause Number 42351-DSIC-3.

Illinois:

- 2006 – Illinois American Water Company, Purchased Water and Sewer Reconciliation.
- 2005 – Illinois American Water Company, Initial Qualified Infrastructure Plant (“QIP”) filing.
- 2005 – Illinois American Water Company, Purchased Water and Sewer Reconciliation.

Iowa:

- 2013 – Iowa American Water Company, Rate Case, Docket Number RPU-13-0002.

Kentucky:

- 2012 – Kentucky American Water Company, Rate Case, Docket Number 2012-00520.

Michigan:

- 2016 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).
- 2014 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).
- 2012 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).

Missouri:

- 2015 – Missouri American Water Company, Rate Case, Case Number WE-2015-0301.
- 2015 – Missouri American Water Company, Rate Case, Case Number WE-2015-0302.

Ohio:

- 2011 – Ohio American Water Company, Rate Case, Docket Number 11-4161-WS-AIR.
- 2011 – Ohio American Water Company, System Infrastructure Improvement Charge (“SIIC”), Docket Number 11-151-WW-SIC.
- 2009 – Ohio American Water Company, Rate Case, Docket Number 09-0391-WS-AIR.
- 2009 – Ohio American Water Company, System Infrastructure Improvement Charge (“SIIC”), Docket Number 09-92-WW-SIC.
- 2007 – Ohio American Water Company, Rate Case, Docket Number 07-1112-WS-AIR.
- 2006 – Ohio American Water Company, Rate Case, Docket Number 06-433-WS-AIR.

Tennessee:

- 2013 – Tennessee American Water Company, Alternative Regulatory Mechanism Filing, Docket Number 13-00130.
- 2012 – Tennessee American Water Company, Rate Case, Docket Number 12-00049.

Eastern Heights Utilities, Inc.
316 North Washington Street, P. O. Box 8
Bloomfield, Indiana 47424

Comparison of EHU's Proposed Water Rate at 4,000 Gallons of Usage Per Month
To Water Rates at 4,000 Gallons of Usage Per Month For All Other Indiana Not for Profit Water Utilities

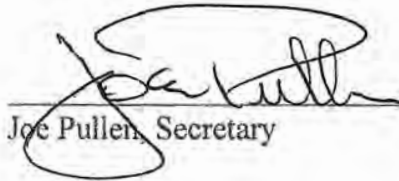
Line Number	Utility Name	Utility Ownership	Last Rate Case Cause No.	Order Date	Average Monthly Bill for 4,000 Gallons
1	Country Acres	Not for Profit	36972	12/8/1982	6.00
2	Libertytree Campground	Not for Profit	41662	12/22/2004	8.58
3	Eastern Bartholomew	Not for Profit	44903	11/21/2017	22.06
4	Tri-Township	Not for Profit	45563-U	5/18/2022	24.36
5	Silver Creek	Not for Profit	45363-U	9/2/2020	26.95
6	Marysville-Otisco-Nabb	Not for Profit	42476-U	1/14/2004	28.12
7	Mapleturn	Not for Profit	37039	9/28/2003	30.00
8	German Township	Not for Profit	45340-U	12/28/2020	30.27
9	Southern Monroe	Not for Profit	43952	5/11/2011	31.40
10	Van Buren Water	Not for Profit	44566	8/26/2015	31.60
11	Clinton Township	Not for Profit	43696	10/14/2009	34.12
12	Everton	Not for Profit	44744	8/2/2016	34.25
13	Pence	Not for Profit	44051	2/1/2012	35.00
14	Eastern Heights Utilities (at Proposed Rates)	Not for Profit	45435	4/7/2021	36.05
15	Cataract Lake Water Corporation	Not for Profit	44897-U	5/31/2017	36.86
16	East Lawrence Water	Not for Profit	43630	9/16/2009	38.04
17	Edwardsville Water	Not for Profit	44642	12/27/2015	38.26
18	North Dearborn	Not for Profit	45618	3/16/2022	38.56
19	Floyds Knobs	Not for Profit	45112-U	3/20/2019	39.58
20	Washington Township Water Authority	Not for Profit	44469	6/25/2014	39.86
21	Wells Homeowners Association	Not for Profit	45450-U	3/17/2021	40.00
22	B&B Water Project	Not for Profit	45810-U	10/18/2023	44.90
23	Shady Side Drive	Not for Profit	45014-U	4/11/2018	45.10
24	Southwestern Bartholomew	Not for Profit	44745	8/24/2016	46.44
25	Gibson Water Authority	Not for Profit	45535	11/17/2021	50.20
26	Jackson County	Not for Profit	45640	4/5/2023	50.40
27	Morgan County Rural	Not for Profit	45198	10/29/2019	52.35
28	Brown County	Not for Profit	45720	12/28/2022	54.84
29	St. Anthony	Not for Profit	39193	10/19/1991	55.72
30	Sulligan-Vigo	Not for Profit	42599	6/23/2004	59.93

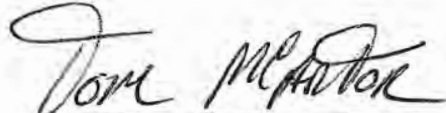
RESOLUTION OF BOARD OF DIRECTORS OF
EASTERN HEIGHTS UTILITIES, INC.

At a special meeting of the Board of Directors of Eastern Heights Utilities, Inc. held on October 10, 2024 at 12:00p.m. noon, pursuant to notice given to all directors at least two (2) days prior to said meeting, and there being a majority of said directors present, the following was approved by unanimous vote:

1. A pay increase equal to six percent (6%) for each employee of the corporation.
2. Said pay increase for each employee shall be effective for the second pay period for the month of November, 2024.

Dated this 10th day of October, 2024.



Joe Pullen, Secretary

Tom McArtor, President

This instrument was prepared by:
Robert Delano Jones., Attorney at Law
Jones, McGlasson & Siefers, P.C.
205 S. Walnut St., Ste 3; PO Box 279
Bloomington, IN 47402-0279
Ph. (812) 332-4431

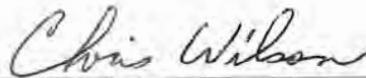
AFFIDAVIT

The undersigned, Chris Wilson, being first duly sworn upon his oath, states the following:

1. He is the manager of Eastern Heights Utilities, Inc, and is personally familiar with the information contained in this affidavit.
2. He is familiar with the One Million Dollar (\$1,000,000.00) line of credit obtained by Eastern Heights Utilities, Inc. in April, 2023 and the renewal in April, 2024.
3. The undersigned, personally, and to best of his knowledge and belief, the individual members of the Board of Directors of Eastern Heights Utilities, Inc, were not aware that IURC advance approval of said loan was necessary.
4. At the time the initial loan was obtained in April 2023 and when the loan was renewed in April 2024 there existed a gap when Eastern Heights Utilities, Inc. was not relying on experienced regulatory counsel and outside legal counsel was being transitioned.
5. I personally, and on behalf of the complete Board of Directors of Eastern Heights Utilities, Inc., do hereby apologize for our failure to obtain IURC advance approval. We are confident that such error or omission will not occur in the future.

I affirm under the penalties for perjury that the foregoing representations are true.

Dated this 9th day of October, 2024.



Chris Wilson
Manager of Eastern Heights Utilities, Inc.

STATE OF INDIANA)
) SS:
COUNTY OF _____)

Before me, a Notary Public, personally appeared **Chris Wilson, Manager of Eastern Heights Utilities, Inc.**, who acknowledged the execution of the foregoing Affidavit as his voluntary act, and who, having been duly sworn, stated that any representations therein are true.

Witness my hand and Notarial Seal on this 9 day of October, 2024.

Jessica Tibbitt
Signature of Notary Public
Jessica Tibbitt
Notary's Printed Name (if not on seal)
NPO746370
Commission Number (if not on seal)
01/25/2031
Commission Expires (if not on seal)
Greene
Notary's County of Residence

This instrument was prepared by:
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