

FILED  
November 2, 2020  
INDIANA UTILITY  
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF GERMAN TOWNSHIP )  
WATER DISTRICT'S APPLICATION FOR A NEW ) CAUSE NO. 45340-U  
SCHEDULE OF RATES AND CHARGES )

OUCC's REPORT

In accordance with 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor ("OUCC"), by counsel, hereby submits its Report consisting of the testimonies of Richard Corey and Carl Seals including attachments, which are designated as Public's Exhibit Nos. 1 and 2 respectively.

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Daniel M. Le Vay, Atty. No. 22184-49  
Deputy Consumer Counselor

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *OUCC's REPORT* has been provided to the following individuals by electronic service on November 2, 2020.

Scott A. Miller, CPA  
Baker Tilly Municipal Advisors, LLC  
8365 Keystone Crossing, Suite 300  
Indianapolis, Indiana 46240  
Email: [scott.miller@bakertilly.com](mailto:scott.miller@bakertilly.com)



---

Daniel M. Le Vay  
Deputy Consumer Counselor

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

115 West Washington Street  
Suite 1500 South  
Indianapolis, IN 46204  
**[infomgt@oucc.in.gov](mailto:infomgt@oucc.in.gov)**  
317/232-2494 – Phone  
317/232-5923 – Facsimile

**TESTIMONY OF OUCC WITNESS RICHARD J. COREY**  
**CAUSE NO. 45340-U**  
**GERMAN TOWNSHIP WATER DISTRICT**

**I. INTRODUCTION**

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

2 A: My name is Richard J. Corey, and my business address is 115 West Washington  
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed the Indiana Office of Utility Consumer Counselor ("OUCC") as a  
6 Utility Analyst in the Water/Wastewater Division. My qualifications and  
7 experience are described in Appendix A.

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

9 A: German Township Water District ("German Township" or "Applicant") requests  
10 an across the board rate increase of 2.76%. As a result of its review and analysis,  
11 the OUCC proposes a rate increase of 2.44%. The purpose of my testimony is to  
12 present the OUCC's position as reflected in the OUCC schedules attached to my  
13 testimony. I discuss and explain my adjustments to purchased water, miscellaneous  
14 expense and IURC fee expense.

15 **Q: What did you do to prepare your testimony?**

16 A: I reviewed Applicant's application, including its schedules, workpapers and  
17 supplemental filings. I participated in the OUCC's field audit conducted on March  
18 12, 2020. I reviewed German Township's Indiana Utility Regulatory Commission  
19 ("Commission" or "IURC") Annual Reports for 2016, 2017, and 2018. I reviewed  
20 the final order from German Township's last rate case (Cause No. 42282). I

1 reviewed ratepayer comments submitted to the OUCC. I prepared discovery  
2 questions and reviewed German Township's responses.

3 **Q: Do you sponsor any schedules or attachments?**

4 A: Yes. I sponsor the following schedules and attachments:

5 Schedule 1 – Comparison of Revenue Requirements (Page 1)  
6 Comparison of Income Statement Adjustments (Page 2)

7 Schedule 2 – Comparative Balance Sheet as of December 31, 2018, 2017 and  
8 2016.

9 Schedule 3 – Comparative Income Statement for the Twelve Months Ended  
10 December 31, 2018, 2017 and 2016.

11 Schedule 4 – *Pro Forma* Net Operating Income Statement

12 Schedule 5 – OUCC Expense Adjustments

13 Schedule 6 – Extensions and Replacements

14 Schedule 7 – Proposed Rates and Charges

15 Attachment RJC – 1 – Response to OUCC Data Request No. 3-4

16 Attachment RJC – 2 – Response to OUCC Informal Data Request No. 2

17 Attachment RJC – 3 – Response to OUCC Data Request No. 3-3

18 Attachment RJC – 4 – Response to OUCC Data Request No. 2-2

## II. PROPOSED RATE INCREASE

19 **Q: What level of rate increase is Applicant requesting?**

20 A: In its original filing on February 4, 2020, Applicant proposed to increase its current  
21 rates by 2.76% to generate an additional \$48,889 of annual revenues. On  
22 September 25, 2020, Applicant submitted a Supplemental Application that  
23 indicated it still proposed an overall increase in its current rate of 2.76% to generate

1 overall annual revenues of \$48,857. Applicant proposes to implement the rate  
2 increase across-the-board.

3 **Q: How does the Supplemental Application submitted on September 25, 2020**  
4 **differ from the original application submitted on February 4, 2020.**

5 A: The Supplemental Application proposes to decrease its proposed extensions and  
6 replacements from \$283,000 in its original application to \$238,800, a reduction of  
7 \$44,200. Additionally, in its Supplemental Application, German Township  
8 proposes to increase its periodic maintenance operating expense revenue  
9 requirement from \$7,765 to \$51,933, an increase of \$44,168.

10 **Q: What rate increase does the OUCC recommend?**

11 A: The OUCC recommends an overall across-the-board rate increase of 2.44% to  
12 produce an increase in water revenues of \$43,207 per year. Table 1 compares  
13 German Township's and the OUCC's proposed revenue requirements.

**Table RJC-1: Comparison of Overall Revenue Requirement**

	Per Petitioner Supplemental	Per OUCC	More (Less)
Operating Expenses	\$ 1,580,930	\$ 1,582,191	\$ 1,261
Taxes other than Income	39,216	32,313	(6,903)
Extensions and Replacements	238,800	238,800	-
Working Capital	-	-	-
Debt Service	-	-	-
Debt Service Reserve	-	-	-
Total Revenue Requirements	1,858,946	1,853,304	(5,642)
Less: Interest Income	(8,657)	(8,657)	-
Net Revenue Requirements	\$ 1,850,289	\$ 1,844,647	\$ (5,642)
Less: Revenue at Current Rates Subject to Increase	(1,770,977)	(1,770,977)	-
Other Revenues at Current Rates	(30,519)	(30,519)	-
Net Revenue Increase Required	48,794	\$ 43,151	(5,643)
Add: Additional IURC Fee	63	56	(7)
Recommended Increase	\$ 48,857	43,207	\$ (5,650)

1 **Q: What are the differences between the overall revenue requirement proposed**  
2 **by German Township and that recommended by the OUCC?**

3 A: OUCC Schedule 1, page 2 of 2, lists all differences between the OUCC's and  
4 German Township' operating revenue and expense adjustments. The OUCC  
5 recommends higher increases to Applicant's purchased water, miscellaneous  
6 expense and IURC fee than what Applicant proposed.

### **III. OPERATING REVENUES**

7 **Q: What level of present rate operating revenues does German Township**  
8 **propose?**

9 A: In its Supplemental Application, German Township proposes present rate *pro*  
10 *forma* operating revenues of \$1,801,496. This is an increase of \$193,260 to German  
11 Township's test year operating revenues of \$1,608,236.

12 **Q: What operating revenue adjustments did German Township propose?**

13 A: German Township proposed the following operating revenue adjustments:

- 14 • Two normalization adjustments that account for the change in the number of  
15 the utility's residential and commercial customers during the test year;
- 16 • An adjustment for the loss of a major customer (Westech Building Products);  
17 and;
- 18 • Adjustments that reflect additional water tracker revenues from water trackers  
19 following the City of Evansville's Phase I and II rate increases (Cause No.  
20 45073).

21 **Q: Do you accept German Township's proposed revenue adjustments?**

22 A: Yes.

**IV. OPERATING EXPENSES**

1 **Q: What level of operating expenses does German Township propose?**

2 A: In its Supplemental application German Township proposes *pro forma* operating  
3 expenses of \$1,580,930. This is an increase of \$328,689 to test year operating  
4 expenses of \$1,252,241.

5 **Q: What operating expense adjustments did Applicant propose?**

6 A: Applicant proposed several operating expense adjustments, including adjustments  
7 to salaries and wages, employee benefits, pension expense, purchased water,  
8 periodic maintenance, disallowed costs, rate case expense, miscellaneous expense,  
9 and IURC fee.

10 **Q: Does the OUCC accept any of Applicant's proposed operating expense**  
11 **adjustments?**

12 A: Yes. The OUCC does not agree with Applicant's proposed adjustments to  
13 purchased water expense, miscellaneous expense and IURC fee expense. But  
14 subject to certain conditions, which I explain below, the OUCC accepts Applicant's  
15 adjustments to salaries and wages, employee benefits, taxes other than income and  
16 pension expense. The OUCC also accepts Applicant's adjustments to periodic  
17 maintenance expense, disallowed expense and rate case expense.

A. **Salary and Wage Expense, Benefits Expense and Pensions Expense**

18 **Q: Please explain why you propose conditions on Applicant's adjustment to**  
19 **salaries and wage expenses, employee benefits expense, pension expense and**  
20 **payroll tax.**

21 A: Applicant's adjustments to salaries and wages, employee benefits, pension expense  
22 and payroll tax are based on the assumption that German Township will hire two  
23 additional field and administrative staff members, who have not yet been employed

1 and who were not employed during the test year. During my field visit to  
2 Applicant's office, I determined that as of the end of 2019, which is the twelve  
3 months following the test year, Applicant had still not hired these new individuals.

4 Accepted rate setting methodology provides that expense adjustments to  
5 test year information must be fixed in time, known to occur, and measurable in  
6 amount, and occurring within twelve months of the end of the test year (the  
7 "adjustment period"). In the present cause, these costs have not been incurred  
8 within twelve months of the end of the test year, or by December 31, 2019.  
9 Additionally, the fact the Applicant has been able to operate its utility without these  
10 additional employees during the twelve months subsequent to the end of the test  
11 year may suggest that they are not really needed.

12 **Q: Why then do you propose allowing Applicant's proposed increases for salaries**  
13 **and wages, employee benefits, pension expense and payroll tax?**

14 A: In response to OUCC Data Request No. 3-4<sup>1</sup>, Applicant provided summaries of the  
15 job responsibilities of the two proposed positions. The job descriptions indicate the  
16 additional field operator's duties will include completing line extensions and the  
17 installation of meter sets and valves. Also, Applicant's proposed member's  
18 services specialist's job description indicates this person will assume a variety of  
19 essential duties that are currently being shared by the utility's three current  
20 administrative staff. In my opinion these duties justify the addition of another

---

<sup>1</sup> See Attachment RJC 1.



1 administrative staff position, and the OUCC will not oppose allowing this  
2 additional cost in rates provided German Township fills these positions quickly.

3 **Q: Does the OUCC recommend any post-order compliance requirement be**  
4 **included in the Commission's order to ensure Applicant hires these two**  
5 **proposed employees?**

6 A: Yes. I propose that within thirty (90) days of the issuance of the order in this cause,  
7 Applicant should file a report which certifies that these two additional employees  
8 have been hired. If the employees have not been hired, I propose that Applicant's  
9 rates be adjusted to reflect the reduction of its operating costs by the expense of  
10 hiring these two individuals otherwise allowed in rates.

**B. Purchased Water Expense**

11 **Q: Please explain Applicant's adjustment to purchased water expense.**

12 A: In its filing, Applicant proposed calculating its proposed *pro forma* purchased water  
13 expense by taking the historical volumes purchased from Evansville Municipal  
14 Water for the period October 1, 2018 through September 30 2019, and multiplying  
15 those volumes by the Phase II water rates approved by the Commission for  
16 Evansville Municipal Water in Cause No. 45073. This resulted in *pro forma*  
17 purchased water expense of \$789,540. Deducting test year expense of \$628,103  
18 resulted in a \$161,437 increase in purchased water expense. See Applicant's  
19 Schedule 6(c).

20 **Q: Do you accept Applicant's proposed purchased water expense?**

21 A: No.

1 **Q: Please explain how your adjustment differs from Applicant's**

2 A: In response to OUCC Informal Data Request No. 2, Applicant provided the volume  
3 of water purchased from Evansville Municipal Water for the months January 2019  
4 through December 2019. I used these amounts as they reflect the most recent  
5 volume usage information available.<sup>2</sup> Multiplying those volumes by the Phase II  
6 Evansville water rates resulted in *pro forma* purchased water expense of \$790,667.  
7 Reducing this amount by test year expense of \$628,103 resulted in a \$162,564  
8 increase to purchased water expense, which is \$1,126 more than Applicant's  
9 purchased water expense adjustments. (OUCC Schedule 5, Adjustment No. 1.)

C. **Miscellaneous Expense**

10 **Q: What miscellaneous expense adjustment does Applicant propose?**

11 A: Applicant's miscellaneous expense adjustment represents the increase to postage  
12 expense resulting from the revenue normalization adjustments made to reflect the  
13 increase in residential customers during the test year. In its adjustment, Applicant  
14 multiplied the number of additional bills (346) by a postage rate of \$.50 per bill,  
15 resulting in an increase in miscellaneous expense of \$173.

16 **Q: How does your adjustment to miscellaneous expense differ from Applicant's?**

17 A: Applicant based its adjustment on 346 additional residential bills, whereas I based  
18 mine on additional residential bills less the reduction of 5 commercial bills. I then  
19 multiplied this amount by the current postage rate of \$.55 per mailing to derive an  
20 adjustment of \$188, an increase of \$15. See OUCC Schedule 5, Adjustment No. 3.

---

<sup>2</sup> See Attachment RJC 2.

**D. IURC Fee**

1 **Q: Please explain how Applicant calculated its adjustment to IURC fee?**

2 A: It its filing, Applicant multiplied operating revenues of \$1,712,877 by the current  
3 IURC fee rate of .1296408%, resulting in *pro forma* IURC fee of \$2,221. Reducing  
4 this amount by test year IURC fee of \$1,660 resulted in an adjustment of \$561.

5 **Q: How does the OUCC's *pro forma* IURC fee differ from Applicants?**

6 A: In response to OUCC Data Request No. 3-3, Applicant indicated the correct amount  
7 of total operating revenues should be total *pro forma* proposed operating revenues  
8 of \$1,801,496, which is found on Applicants Schedule 4 of its filing.<sup>3</sup> I used this  
9 amount to calculate my IURC fee expense adjustment, resulting in an adjustment  
10 of \$675 for the IURC Fee. (See OUCC Schedule 5, Adjustment No. 4.)

**E. Taxes Other than Income**

11 **Q: Do you accept Applicant's proposed adjustment to taxes other than income?**

12 A: Yes.

13 **Q: Why do your Schedules 3 and 4 show a test year balance for taxes other than**  
14 **income of \$28,316 instead of \$35,219 as reflected in Applicant's filing?**

15 A: In response to OUCC Data Request No. 2-2,<sup>4</sup> Applicant indicated it was prevented  
16 from inputting the correct amount due to a password protected cell in the IURC's  
17 Small Utility Rate Application. The OUCC's Schedules reflect the correct amount  
18 of taxes other than income.

---

<sup>3</sup> See Attachment RJC No. 3.

<sup>4</sup> See Attachment RJC No. 4

**V. EXTENSIONS AND REPLACEMENTS**

1 **Q: Has German Township requested a provision for extensions and replacements**  
2 **in its proposed revenue requirement?**

3 A: Yes. In its original filing German Township proposed a *pro forma* revenue  
4 requirement of \$283,000 for extensions and replacements (“E&R”). The provision  
5 was based on Applicant’s projected average annual capital additions for the years  
6 2021 through 2025. As discussed above, Applicant submitted a Supplemental  
7 Application that proposed to decrease its annual E&R revenue requirement from  
8 \$283,000 in its original application to \$238,800 in its Supplemental Application, or  
9 a reduction of \$44,200. The difference between the original and supplemental E&R  
10 revenue requirement is that Applicant proposed total additional projects in its  
11 Supplemental Filing of \$939,000, which are then offset by cash on hand of  
12 \$1,160,000. The following table summarized the difference between Applicants  
13 original and supplemental proposed E&R requirement.

**Table RJC-2: Comparison of Original & Supplemental E&R Requirement**

	Original	Supplemental	Difference
Total Projects	\$ 1,415,000	\$ 2,354,000	\$ 939,000
Less: Cash on Hand	0	(1,160,000)	(1,160,000)
Total E&R	1,415,000	1,194,000	(221,000)
Amortize over 5 years	5	5	5
Annual E&R	\$ 283,000	\$ 238,800	\$ (44,200)

14 **Q: How did Applicant calculate its proposed extensions and replacements**  
15 **revenue requirement?**

16 A: German Township’s proposed extensions and replacements revenue requirement is  
17 based on a proposed capital improvement budget, which it indicated will be spent

1 over the next five years. OUCC Water/Wastewater Division Assistant Director  
2 Carl Seals discusses Applicants proposed E&R revenue requirement in detail in his  
3 prefilled testimony.

**VI. DEBT SERVICE AND DEBT SERVICE RESERVE**

4 **Q: Has German Township included debt service in its proposed revenue**  
5 **requirement?**

6 A: No. German Township does not have any existing debt on its books.

7

**VII. OUCC RECOMMENDATIONS**

8 **Q: Please summarize your recommendations to the Commission.**

9 I recommend the Commission authorize a 2.44% increase in operating revenues,  
10 on an across-the-board basis, to provide German Township the opportunity to  
11 collect \$1,844,647 in net revenues.

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

13 A: Yes.

**APPENDIX A**

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

2 A: I graduated from Indiana University with a Bachelor of Science degree majoring in  
3 accounting. Upon graduation, I took a position as an accountant for Tousley-Bixler  
4 Construction Company for whom I worked until 1984. At that time, I began  
5 attending Indiana University School of Law. After graduating from law school in  
6 1988, I was employed by the public accounting firm of Boyd, Stamper & Leeds  
7 and participated in the preparation of compilations, audits, and corporate and  
8 individual tax returns. From 1990 to 1993, I worked for the CPA firm of Myers &  
9 Stauffer, which specializes in Medicaid accounting, consulting and rate setting.  
10 After a short tenure with the OUCC as a Principal accountant in 1993, I became  
11 Controller, Corporate Secretary, and a member of the Board of Directors of General  
12 Acceptance Corporation. I returned to the OUCC in 1998 as an Assistant Utility  
13 Consumer Counselor and represented the interests of the public before the Indiana  
14 Utility Regulatory Commission ("Commission") in a variety of Gas, Water and  
15 Telecommunications cases. I assumed my current position as a Utility Analyst with  
16 the OUCC in April of 2005. Since joining the OUCC, I have attended the NARUC  
17 Annual Regulatory Studies Program, the NARUC Utility Rate School, and other  
18 continuing education programs. I became licensed as a Certified Public  
19 Accountant in 1983. Having left the practice of public accounting in 1993, my

1 license is currently inactive. I am also an inactive member of the Indiana Bar in  
2 good standing.

3 **Q: Have you previously testified before the Indiana Utility Regulatory**  
4 **Commission?**

5 A: Yes. I have testified in many cases before the Commission including a number of  
6 applications by municipal, not-for-profit and investor owned water utilities for  
7 financing authority and changes to rates and charges.

**German Township Water District**  
**CAUSE NUMBER 45340 - U**

**Comparison of Petitioner's Supplemental and OUCC's  
Revenue Requirements**

	<u>Per Applicant's Original Filing</u>	<u>Per Applicant's Supplemental Filing</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (Less)</u>
Operating Expenses	\$ 1,536,761	\$ 1,580,930	\$ 1,582,191	4	\$ 1,261
Taxes other than Income	39,216	39,216	32,313	4	(6,903)
Extensions and Replacements	283,000	238,800	238,800	6	-
Working Capital	-	-	-		-
Debt Service	-	-	-		-
Debt Service Reserve	-	-	-		-
Total Revenue Requirements	<u>1,858,977</u>	<u>1,858,946</u>	<u>1,853,304</u>		<u>(5,642)</u>
Less: Interest Income	(8,657)	(8,657)	(8,657)	3	-
Other Income	-	-	-	3	-
Add: Other Expenses					-
Net Revenue Requirements	<u>1,850,320</u>	<u>1,850,289</u>	<u>1,844,647</u>		<u>(5,642)</u>
Less: Revenues at current rates subject to increase	(1,770,977)	(1,770,977)	(1,770,977)	4	(0)
Other revenues at current rates	<u>(30,519)</u>	<u>(30,519)</u>	<u>(30,519)</u>	4	<u>-</u>
Net Revenue Increase Required	<u>48,824</u>	<u>48,794</u>	<u>43,151</u>		<u>(5,642)</u>
Add: Additional IURC Fee	63	63	56		(7)
Recommended Increase	<u>\$ 48,887</u>	<u>\$ 48,857</u>	<u>\$ 43,207</u>		<u>\$ (5,649)</u>
Recommended Percentage Increase	<u>2.76%</u>	<u>2.76%</u>	<u>2.44%</u>		<u>-0.32%</u>

<u>Current Rate for 5,000 Gallons</u>	<u>Applicant</u>	<u>Proposed Applicant</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Current Rate = \$33.90	\$ 34.83	\$ 34.83	\$ 34.73	\$ (0.10)



**German Township Water District**  
**CAUSE NUMBER 45340 - U**

**Reconciliation of Net Operating Income Statement Adjustments**  
*Pro-forma Present Rates*

	<u>Per Applicant's Original Filing</u>	<u>Per Applicant's Supplemental Filing</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues				
Residential Metered Water Sales	\$ 8,629	\$ 8,629	\$ 8,629	\$ 0
Commercial Metered Water Sales	(399)	(399)	(399)	0
Large Customer Loss	185,030	185,030	185,030	-
Other Operating Revenue	-	-	-	-
Total Operating Revenues	<u>193,260</u>	<u>193,260</u>	<u>193,260</u>	<u>0</u>
O&M Expense				
Salaries and Wages	73,557	73,557	73,557	-
Employee Benefits	27,621	27,621	27,621	0
Employee Benefits - Pension	6,309	6,309	6,309	(0)
Purchased Water	161,437	161,437	162,564	1,126
Purchased Water (Normalization)	4,703	4,703	4,710	7
Periodic Maintenance Expense	7,765	51,933	51,933	-
Disallowed Amounts	(3,606)	(3,606)	(3,606)	-
Rate Case Expense	6,000	6,000	6,000	-
Miscellaneous Expense	173	173	188	15
IURC Fee	561	561	675	115
Depreciation Expense	-	-	-	-
Amortization Expense	-	-	-	-
Taxes Other than Income (Payroll)	3,997	3,997	3,997	0
Total Operating Expenses	<u>288,516</u>	<u>332,684</u>	<u>333,947</u>	<u>1,263</u>
Net Operating Income	<u>\$ (95,257)</u>	<u>\$ (139,425)</u>	<u>\$ (140,687)</u>	<u>\$ (1,262)</u>

**German Township Water District**  
**CAUSE NUMBER 45340 - U**

**COMPARATIVE BALANCE SHEET**  
**As of December 31,**

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Utility Plant:			
Utility Plant in Service	\$ 14,872,209	\$ 14,653,976	\$ 14,503,634
Less: Accumulated Depreciation	<u>(5,525,239)</u>	<u>(5,325,297)</u>	<u>(5,109,485)</u>
Net Utility Plant in Service	<u>9,346,970</u>	<u>9,328,679</u>	<u>9,394,149</u>
Current Assets:			
Cash and Cash Equivalents	2,312,230	2,124,351	1,795,600
Accounts Receivable	128,850	120,992	127,050
Materials and Supplies	32,275	32,024	30,076
Prepays	20,305	13,214	13,168
Other Current Assets	927	927	927
Total Current Assets	<u>2,494,587</u>	<u>2,291,508</u>	<u>1,966,821</u>
Total Assets	<u><u>\$ 11,841,557</u></u>	<u><u>\$ 11,620,187</u></u>	<u><u>\$ 11,360,970</u></u>
<b><u>LIABILITIES</u></b>			
Equity			
Retained Earnings	\$ 6,855,311	\$ 6,716,200	\$ 6,592,858
Paid in Capital	444,833	435,115	427,595
Total Equity	<u>7,300,144</u>	<u>7,151,315</u>	<u>7,020,453</u>
Contributions in Aid of Construction	4,415,765	4,359,267	4,253,654
Current Liabilities			
Accounts Payable	66,589	73,352	48,958
Accrued Taxes	14,445	7,542	7,976
Miscellaneous Current and Accrued Liabilities	44,614	28,711	29,929
Other Current Liabilities	<u>125,648</u>	<u>109,605</u>	<u>86,863</u>
Total Liabilities	<u><u>\$ 11,841,557</u></u>	<u><u>\$ 11,620,187</u></u>	<u><u>\$ 11,360,970</u></u>

**German Township Water District  
CAUSE NUMBER 45340 - U**

**COMPARATIVE INCOME STATEMENT  
Twelve Months Ended December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>			
Residential Metered Water Sales	\$ 1,408,364	\$ 1,311,667	\$ 1,183,949
Commercial Metered Water Sales	61,703	53,078	47,810
Other Metered Water Sale	34,890	39,986	35,078
Public Fire Protection	4,735	4,069	3,513
Sales for Resale	38,634	35,810	32,783
Late Fees	29,391	21,683	19,576
Other Operating Revenue	30,519	31,506	28,993
<b>Total Operating Revenues</b>	<u>1,608,236</u>	<u>1,497,799</u>	<u>1,351,702</u>
<b>Operating Expenses</b>			
Salaries and Wages	339,261	297,076	303,926
Employee Benefits	75,676	71,241	73,192
Purchased Water	628,103	577,049	453,023
Purchased Power	30,759	32,087	32,405
Materials and Supplies	28,932	41,632	53,239
Contractual Services - Accounting	9,025	13,570	10,350
Contractual Services - Legal	1,700	2,040	2,684
Contractual Service - Other/Testing	89,027	53,384	53,162
Transportation Expense	19,534	14,619	15,301
Insurance - General Liability	19,269	26,370	26,390
Insurance - Worker's Compensation	4,491	5,187	5,110
Insurance - Other	200	200	200
Rate Case Expense Amortization	-	-	-
Regulatory Commission Expense	6,264	6,160	5,592
Miscellaneous Expense	-	-	-
<b>Total O&amp;M Expense</b>	<u>1,252,241</u>	<u>1,140,615</u>	<u>1,034,574</u>
Depreciation Expense	217,542	215,812	212,517
Amortization Expense	-	-	-
Taxes Other than Income	28,316	24,842	25,828
<b>Total Operating Expenses</b>	<u>1,498,099</u>	<u>1,381,269</u>	<u>1,272,919</u>
<b>Net Operating Income</b>	110,137	116,530	78,783
<b>Other Income (Expense)</b>			
Interest Income	8,657	-	-
Gain (Loss) on Sale of Assets	20,317	-	-
Interest Expense	-	6,812	5,643
<b>Total Other Income (Expense)</b>	<u>28,974</u>	<u>6,812</u>	<u>5,643</u>
<b>Net Income</b>	<u>\$ 139,111</u>	<u>\$ 123,342</u>	<u>\$ 84,426</u>

German Township Water District  
CAUSE NUMBER 45340 - U

*Pro-forma Net Operating Income Statement*

	<b>Year Ended 12/31/2018</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b>Pro forma Present Rates</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b>Pro forma Proposed Rates</b>
Operating Revenues							
Water Sales	\$ 1,504,957	\$ 8,629 (399) 185,030	App App App	\$ 1,698,217	\$ 41,432		\$ 1,739,649 - -
Sales for Resale	38,634			38,634	943		39,577
Public Fire Protection	4,735			4,735	116		4,851
Late Fees	29,391			29,391	717		30,108
Other Operating Revenue	30,519			30,519			30,519
Total Operating Revenues	<u>1,608,236</u>	<u>193,260</u>		<u>1,801,496</u>	<u>43,207</u>	1	<u>1,844,704</u>
O&M Expense	-						
Salaries and Wages	339,261	73,557	App	412,818			412,818
Employee Benefits	75,676	27,621	App	103,297			103,297
Pension Benefit		6,309	App	6,309			6,309
Purchased Water	628,103	162,564 4,710	5-1 5-2	795,376			795,376
Purchased Power	30,759			30,759			30,759
Materials and Supplies	28,932	-		28,932			28,932
Contractual Services - Accounting	9,025	-		9,025			9,025
Contractual Services - Legal	1,700			1,700			1,700
Contractual Service - Other/Testin	89,027			89,027			89,027
Periodic Maintenance		51,933	App	51,933			51,933
Disallowed Amounts		(3,606)	App	(3,606)			(3,606)
Transportation Expense	19,534			19,534			19,534
Insurance - General Liability	19,269			19,269			19,269
Insurance - Worker's Compensatio	4,491			4,491			4,491
Insurance - Other	200	6,000	App	6,200			6,200
Rate Case Expense	-	188	5-3	188			188
Regulatory Commission Expense	6,264	675	5-4	6,939	56	1	6,995
IURC Fee							
Depreciation Expense	217,542			217,542			217,542
Amortization Expense	-			-			-
Taxes Other than Income	28,316	3,997	App	32,313			32,313
Total Operating Expenses	<u>1,498,099</u>	<u>333,947</u>		<u>1,832,046</u>	<u>56</u>		<u>1,832,102</u>
Net Operating Income	<u>\$ 110,137</u>	<u>\$ (140,687)</u>		<u>\$ (30,550)</u>	<u>\$ 43,151</u>		<u>\$ 12,602</u>

**German Township Water District  
CAUSE NUMBER 45340 - U**

**OUCC Expense Adjustments**

(1)

**Purchased Water**

To reflect changes in test year purchased water costs.

		<u>Rate</u>		<u>Gallons (1,000)</u>	
First	First 20,000 Gallons	\$ 5.87		240	\$ 1,409
Next	Next 280,000 Gallons	\$ 4.59		3,360	15,422
Next	Next 700,000 Gallons	\$ 4.14		8,400	34,776
Next	Next 2,000,000 Gallons	\$ 3.65		24,000	87,600
Over	Over 3,000,000 Gallons	\$ 2.76		234,576	647,430
Fire protection		\$ 335.80	12 mos		\$ 4,030
					\$ 790,667
	Less: Test Year Purchased Water				<u>(628,103)</u>
					<u>\$ 162,564</u>

(2)

**Purchased Water Normalization**

To reflect the change in purchase water cost due to the revenue normalization adjustment.

Test Year Purchased Water	\$ 628,103
Plus Adjustment	162,564
	<u>790,667</u>
Divide Number of Test year Bills	57,247
Cost per Bill	13.81
Time: Number of additional bills	341
	<u>\$ 4,710</u>
	<u>\$ 4,710</u>

(3)

**Miscellaneous Expense (Postage)**

To reflect the change in postage cost due to the revenue normalization adjustment.

Number of additional bills	341
Current Postage Rate	\$ 0.55
	<u>\$ 188</u>
	<u>\$ 188</u>

(4)

**IURC Fee**

To adjust test year IURC fee for *pro-forma* present rate operating revenues.

Operating Revenue	\$ 1,801,496
Current IURC Fee	0.0012964
	<u>2,335</u>
Less: Test Year IURC Fee	(1,660)
	<u>\$ 675</u>
	<u>\$ 675</u>



**German Township Water District  
CAUSE NUMBER 45340 - U**

**Current and Proposed Rates and Charges**

		<u>Current</u>	<u>Applicant Proposed</u>	<u>OUC Proposed</u>	<u>OUC More (Less)</u>
<b><u>Metered Rates</u></b>					
	Gallons				
First	3,000	\$ 6.94	\$ 7.13	\$ 7.11	\$ (0.02)
Next	7,000	6.54	6.72	6.70	(0.02)
Next	15,000	5.84	6.00	5.98	(0.02)
Next	75,000	5.14	5.28	5.27	(0.01)
Next	100,000	4.54	4.67	4.65	(0.02)
Over	200,000	\$ 4.04	\$ 4.15	\$ 4.14	\$ (0.01)
<b><u>Minimum Rate Per Month</u></b>					
Meter Size					
5/8	2,000	\$ 13.88	\$ 14.26	\$ 14.22	\$ (0.04)
3/4	3,000	20.82	21.39	21.33	(0.06)
1	5,000	33.90	34.84	34.73	(0.11)
1 1/2	12,000	78.28	80.44	80.19	(0.25)
2	20,000	125.00	128.45	128.05	(0.40)
3	30,000	179.90	184.87	184.29	(0.58)
4	50,000	282.70	290.50	289.60	(0.90)
6	100,000	\$ 539.70	\$ 554.60	\$ 552.87	\$ (1.73)

German Township Water District, Inc.  
Job Description: **Field Operator**  
Reports To: Field Operations Manager  
Director of Operations

Job Description Summary: Responsible for installation, maintenance, location and repair of water distribution system. Responsible for completing line extensions, meter sets and general field work, including operating equipment and vehicles.

Job Responsibility Detail:

- Complete line extensions and meter sets as scheduled-10%
- Maintenance and repair of full system-10%
- Valve maintenance and replacement of meters, setters, lids, pipe etc.-10%
- Operation, hauling and maintenance of excavators, boring machine, dump truck, bull dozer, generator and other required vehicles and equipment-10%
- Acquire and maintain Water Works Operator Certificates - DSL Water Distribution and WT2 Water Treatment within 1 year of hire date
- Acquire and maintain Class A CDL license
- Maintain understanding of meter software and hardware-5%
- Complete daily work orders-10%
- Maintain property building and grounds-10%
- Follow and maintain company preventative maintenance program-10%
- Comply with company safety program-15%
- Maintain required productivity and quality standards of work
- Identify and suggest improvements for efficiency and effectiveness of Field Operator processes
- Follow all company policies and procedures
- Other job responsibilities as directed by the Field Operations Manager and Director of Operations-10%

Qualification Requirements:

1. High school graduate
2. Valid drivers license; Class A CDL license preferred
3. 1 year field operator, laborer or utility industry experience
4. Proficient with Microsoft Office applications (Word, Excel, Outlook etc.)  
a plus
5. Physical ability to lift minimum of 75 lbs.
6. Physical ability to lift personal body weight
7. Ability to work in extreme weather and temperatures

Work Schedule:

1. Typically, M-F, 7:00am-3:30pm
2. 24-7 rotating on call schedule
3. Occasional nights/weekends, OT if business need



German Township Water District  
Job Description: **Member Services Specialist**  
Reports to: Director of Operations

Job Description Summary:

Responsible for maintaining positive member relationships through positive customer service approach to all member inquiries and contact. Responsible for business office duties, including inbound/outbound calls, filing, billing, correspondence and payment processing.

Job Responsibility Detail:

- Handle inbound and outbound calls
- Maintain member records, generate service billing and delinquents, prepare and send member correspondence, process member payments and adjustments
- Processing incoming and outgoing mail, generate member Ebills, enter and follow up work orders for field work
- Process and evaluate meter reading reports for rechecks and issues
- Complete and process new member, transfers, landlord and renters paperwork
- Complete and submit water test results provided by Field
- Maintain required productivity and quality standards of work
- Identify and suggest improvements for efficiency and effectiveness of Member Services Specialist processes
- Follow all company policies and procedures
- Maintain understanding of company software and hardware
- Other job responsibilities as directed by the Director of Operations

Qualification Requirements:

1. High school graduate
2. 1 year customer service or call center experience
3. Utility industry experience a plus
4. Proficient with Microsoft Office applications (Word, Excel, Outlook etc.)

**GERMAN TOWNSHIP WATER DISTRICT, INC.**

**Consumption Analysis**

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Totals
First 20,000 gal.	20	20	20	20	20	20	20	20	20	20	20	20	240
Next 280,000 gal.	280	280	280	280	280	280	280	280	280	280	280	280	3,360
Next 700,000 gal.	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Next 2,000,000 gal.	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Over 3,000,000 gal.	<u>18,406</u>	<u>18,996</u>	<u>17,295</u>	<u>16,095</u>	<u>16,162</u>	<u>22,716</u>	<u>14,020</u>	<u>27,653</u>	<u>20,789</u>	<u>21,916</u>	<u>24,172</u>	<u>16,356</u>	<u>234,576</u>
<b>Totals</b>	<u><b>21,406</b></u>	<u><b>21,996</b></u>	<u><b>20,295</b></u>	<u><b>19,095</b></u>	<u><b>19,162</b></u>	<u><b>25,716</b></u>	<u><b>17,020</b></u>	<u><b>30,653</b></u>	<u><b>23,789</b></u>	<u><b>24,916</b></u>	<u><b>27,172</b></u>	<u><b>19,356</b></u>	<u><b>270,576</b></u>

**Response:**

See attached Excel file "Investment Information.xlsx."

**Q-3-3:** Please indicate which revenue accounts totaling \$1,712,877 are being used to calculate German Township Water District's *pro forma* IURC fee in adjustment 14 located on page 23 of its filing.

**Response:**

This number was not updated in the final version of the filing. The correct number should be \$1,801,496.

**Q-3-4:** Pages 35 and 39 of German Township Water District's work papers indicate the Water District intends to hire two new employees. Please summarize the job responsibilities of the two positions. Please indicate if and when these employees have been hired. If not yet filled, please explain when they are anticipated to be filled.

**Response:**

These positions have not been filled. The Petitioner is waiting until rates have been approved in order to hire the employees. See attached word documents "Job Description 1.doc" and "Job Description 2.doc" for the job responsibilities.

**Q-3-5:** What amount of rate case expense has been incurred to date? Please provide copies of all invoices received to date.

**Response:**

The utility has not received an invoice from its rate consultant yet but understands that accumulated time and expense through March 13, 2020 is approximately \$16,800.00.

**Q-3-6:** Please indicate what has been paid to date for rate case expense. Please include payee, payment amount and date paid.

or otherwise; (b) materials that are part of the public record in any legislative, judicial, or administrative proceeding and reasonably available; (c) materials generated by the OUCC and thus presumably in the OUCC's own possession, custody, or control; (d) materials otherwise available to the OUCC where response to the Request would impose unnecessary or unjust burdens or expense on Respondent under the circumstances; and/or (e) materials previously submitted or available to the OUCC in prefiled testimony, pre-hearing data submissions, and other documents already filed with the Commission in the pending proceeding.

Subject to and without waiving the foregoing General Objections, each of which are incorporated by reference into the responses below as if fully restated therein, Respondent provides the following responses to the Data Requests. Respondent's responses are based on the best information presently available. Respondent reserves the right to amend, supplement, correct or clarify answers if other or additional information is obtained, and to interpose additional objections if deemed necessary.

### **RESPONSES**

**Q-2-1:** Please list which individual account balances from the trial balance Applicant provided in its response to OUCC Data Request No. 1- 4 comprise the following income statement expense balances in Applicant's filing:

Materials and Supplies	\$59,691
Contractual Services – Other Testing	89,027
Payroll Taxes	35,219

**RESPONSE:**

Please see the accompanying schedule titled "Breakout of Accounts."

**Q-2-2:** The trial balance provided in response to OUCC Data Request No. 1- 4 indicates that during the test year Applicant received revenues in the amount of \$1,616,894 (Pg. 11) and expense of \$1,477,783 (Pg. 18) for a net income of \$139,111. However, in its filing Applicant reports a net income of \$132,208. Please reconcile these amounts.

**RESPONSE:**

The application filed by Petitioner included \$35,219 for payroll taxes, which represents the payroll taxes accrued from schedule F-17 of the 2018 annual report. The trial balance provided in response to OUCC Data Request No. 1-4 includes \$28,316 for payroll taxes, which represents the payroll taxes paid from schedule F-17 of the 2018 annual report. The difference between these two amounts (\$6,903) is equal to the difference in net income listed. Petitioner was unable to make changes to the application Excel file due to it being password protected by the IURC.

Respectfully submitted,

/s/ Scott A. Miller

Scott A. Miller, CPA

Baker Tilly Municipal Advisors, LLC

8365 Keystone Crossing

Suite 300

Indianapolis, IN 46240

Telephone: 317-465-1506

Facsimile: 317-465-1555

scott.miller@bakertilly.com

Rate Consultant for Petitioner German Township  
Water District, Inc.

**TESTIMONY OF OUCC WITNESS CARL N. SEALS**  
**CAUSE NO. 45340-U**  
**GERMAN TOWNSHIP WATER DISTRICT, INC.**

**I. INTRODUCTION**

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

2   A:   My name is Carl N. Seals, and my business address is 115 West Washington Street, Suite  
3       1500 South, Indianapolis, Indiana 46204.

4   **Q:   By whom are you employed and in what capacity?**

5   A:   I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as  
6       Assistant Director of the Water/Wastewater Division. My qualifications and experience are  
7       set forth in Appendix A.

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

9   A:   I discuss German Township Water District, Inc.’s (“German Township” or “Applicant”)  
10       current operations and its proposed adjustments to operations and maintenance expenses.  
11       I also discuss German Township’s proposed extensions and replacements (“E&R”)  
12       revenue requirement.

13   **Q:   What have you done to prepare your testimony?**

14   A:   I reviewed German Township’s Small Utility Rate Application and its Indiana Utility  
15       Regulatory Commission (“IURC” or “Commission”) Annual Reports for years 2014  
16       through 2018. I wrote data requests and reviewed German Township’s responses. I  
17       reviewed the Commission’s final orders in German Township’s most recent rate and  
18       financing cases (Cause Nos. 42282 and 42283, respectively) and relevant German  
19       Township testimony from those cases. I reviewed reports filed by German Township  
20       located on the Indiana Department of Environmental Management’s (“IDEM”) Virtual File

1 Cabinet. Finally, I reviewed the Preliminary Engineering Report (“PER”) German  
2 Township prepared to support its proposed projects, which it filed on October 6, 2020.

3 **Q: Does your testimony include attachments?**

4 A: Yes. My testimony includes OUCC Attachment CNS-1: Utility Dashboard, which shows  
5 operational statistics based upon German Township’s IURC Annual Reports from 2014  
6 through 2018.

## II. GERMAN TOWNSHIP WATER SYSTEM

7 **Q: Please describe German Township’s characteristics.**

8 A: German Township is a not-for-profit water utility serving approximately 4,844 customers  
9 in an area surrounding German Township in Vanderburgh County.<sup>1</sup> German Township has  
10 no treatment plant or source of supply but purchases its water on a wholesale basis from  
11 the City of Evansville. The utility has been in operation since 1976 and includes three  
12 booster pumps, storage facilities, approximately 210 miles of PVC mains ranging from  
13 three to ten inches in diameter, and approximately 3.5 miles of Yelomine pipe ranging from  
14 three to eight inches in diameter.<sup>2</sup> In 2018, German Township sold 254,064,000 gallons of  
15 water, for an average of 4,371 gallons per customer per month.

16 **Q: What is German Township’s water storage capacity?**

17 A: According to information located on IDEM’s Virtual File Cabinet, German Township has  
18 two elevated storage tanks totalling 900,000 gallons. With average sales in 2018 of

---

<sup>1</sup> 2018 Annual Report, Year End Number Customers, page W-1.

<sup>2</sup> 2018 Annual Report. Preliminary Engineering Report filed October 6, 2020 identifies 300 miles of main ranging from 2 inches to 16 inches in diameter.

1 approximately 696,066 gallons per day,<sup>3</sup> German Township easily meets the Ten States  
2 Standards recommendation that total water storage meet average day demands.<sup>4</sup>

3 **Q: What is German Township's level of water loss?**

4 A: As used in Applicant's IURC annual reports, "water loss" is the difference between water  
5 German Township purchased and the total volume of water it sold to customers or used for  
6 firefighting, flushing mains, flushing sewers, street cleaning, backwashing, or other  
7 authorized consumption. Water loss may reasonably be attributed to leaks or inaccurate  
8 measurement of consumption. Over the last five years, German Township's water loss  
9 values have ranged from 7.8% to 11.1%, indicating a slightly increasing trend.<sup>5</sup>

10 **Q: Did German Township engage an engineering firm to evaluate its periodic  
11 maintenance and extensions and replacement needs?**

12 A: Yes. Following the initial filing of its application for a rate increase and discussion with  
13 the OUCC, German Township engaged Midwestern Engineers Inc. in the preparation of a  
14 September 2020 Preliminary Engineering Report ("PER"), which it subsequently filed with  
15 the Commission on October 6, 2020.

---

<sup>3</sup> 254,064,000 gallons / 365 days = 696,066 gallons per day in 2018. Total 2018 sales from 2018 Annual Report.

<sup>4</sup> 900,000 gallons storage > 696,066 average day consumption recommended. According to the Recommended Standards for Waterworks, A Report of the Water Supply Committee of the Great Lakes – Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers, Part 7 Finished Water Storage, Section 7.0.1(a) Sizing states: "The minimum storage capacity (or equivalent capacity) for systems not providing fire protection shall be equal to the average daily consumption. This requirement may be reduced when the source and treatment facilities have sufficient capacity with standby power to supplement peak demands of the system."

<sup>5</sup> See "Percent Water Lost" chart on Attachment CNS-1.



### **III. OPERATION AND MAINTENANCE EXPENSES**

1 **Q: Is it reasonable for German Township to incur expenses to perform periodic**  
2 **maintenance?**

3 A: Yes. German Township should incur prudent and reasonable expenses to perform periodic  
4 maintenance on its pumps and storage tanks. Periodic maintenance helps utility facilities  
5 to operate properly and extends their service lives.

6 **Q: Has German Township made adjustments to its test year operation and maintenance**  
7 **("O&M") expenses?**

8 A: Yes. German Township proposes the following adjustments to test-year maintenance  
9 expenses to recover its projected periodic maintenance expense for water storage tank  
10 maintenance:

Tank 1 maintenance (500,000 gallon)	\$412,000
Tank 2 maintenance (400,000 gallon)	367,000
Total	\$779,000
15-year amortization	15
Annual expense	\$51,933

11 **Q: Did German Township provide cost support for its proposed tank maintenance**  
12 **expense?**

13 A: Yes. German Township's PER included support for proposed maintenance to both tanks.  
14 The total tank maintenance cost in the PER is \$779,000. When amortized over 15 years,  
15 this yields an expense of \$51,933 per year.

16 **Q: Do you have any recommendations regarding German Township's proposed tank**  
17 **maintenance expense?**

18 A: Yes. I recommend the Commission approve German Township's request to recover *pro*  
19 *forma* annual tank maintenance expense of \$51,933. I also recommend the Commission  
20 order German Township to place these funds in a restricted account so that the funds will

1 be available when needed to the complete tank maintenance, for which these funds are  
2 being collected from customers through German Township's rates.

3 **IV. EXTENSIONS AND REPLACEMENTS**

4 **Q: Has German Township proposed an extensions and replacements revenue**  
5 **requirement?**

6 A: Yes. German Township requests \$283,800 per year for its extensions and replacements  
7 ("E&R") revenue requirement, broken out by the following project categories:

Boonville/New Harmony Rd Main Replacement	\$1,638,000
Bromm Rd Main Replacement	716,000
Subtotal main replacement projects	\$2,354,000
Less cash on hand applied	(1,160,000)
Total	\$1,194,000
Divided by proposed life of rates	5
Average Annual E&R	\$238,800

8 **Q: What support did Applicant provide for the cost of its proposed E&R projects?**

9 A: As done with its proposed Periodic Maintenance expenses, German Township supplied its  
10 PER as supporting documentation. In total, German Township seeks to replace  
11 approximately 4.5 miles of primary mains installed in the 1970s. German Township reports  
12 it is experiencing repeated leaks and failures from these mains.<sup>6</sup> These mains are located  
13 primarily along Boonville New Harmony Road and Bromm Road, and replacement will  
14 occur in phases through 2029.<sup>7</sup> Maintaining the Boonville New Harmony main is critical,

---

<sup>6</sup> PER, page 2.

<sup>7</sup> According to the PER, work will begin first on the Boonville New Harmony Road section, with approximately 3,000-3,500 feet being replaced annually through 2024. Bromm Road main replacement is currently planned to occur in 2025-2029, involving replacement of approximately 2,000-2,500 feet per year.

1 as it supplies the German Township system from its connection to the City of Evansville  
2 water supply.

3 **Q: How does German Township's proposed extensions and replacements revenue**  
4 **requirement compare to a rate of depreciation on which municipal utilities or for-**  
5 **profit public utilities may base an expense?**

6 A: Not-for-profit utilities are not authorized to include depreciation expense in rates. Instead,  
7 rates must be based on a revenue requirement for extensions and replacements. However,  
8 it is useful in some cases to compare the E&R revenue requirement with the rate of  
9 composite depreciation merely as a benchmark. Applying the composite depreciation rate  
10 of 1.7% to depreciable Utility Plant in Service ("UPIS") would result in a pro forma test  
11 year depreciation expense of \$252,828, as noted in Small-Utility Application, Schedule 7.  
12 German Township's requested E&R revenue requirement of \$238,800 is \$14,028 less than  
13 what it could include as a depreciation expense revenue requirement if it were a municipal  
14 water utility.

15 **Q: Please summarize your recommendation for German Township's E&R revenue**  
16 **requirement.**

17 A: Based on my review of German Township's PER, its assets, and its operations, I  
18 recommend that the Commission approve German Township's requested \$238,800 for its  
19 E&R revenue requirement.

## V. ADDITIONAL CONSIDERATIONS

20 **Q: Are there opportunities for German Township to improve its IURC Annual Reports?**

21 A: Yes. For example, Page W-7 of the 2018 Annual Report lists no storage facilities, despite  
22 the utility having two elevated storage tanks. The utility should make sure it lists all assets  
23 as required.

1 **Q: Does the United States Environmental Protection Agency (“EPA”) have any**  
2 **resources that may be beneficial to German Township’s operations?**

3 A: Yes. In conjunction with the United States Department of Agriculture (“USDA”), the EPA  
4 developed the Rural and Small Systems Guidebook to Sustainable Utility Management  
5 (“Guidebook”).<sup>8</sup> Rural and small water systems can use the information in the Guidebook  
6 in several different ways:

- 7 • By system managers, water system operation specialist and staff as a guide for taking  
8 actions leading to short-term and long-term improvements to system management and  
9 performance;
- 10 • By service providers as they work with individual systems or groups of systems through  
11 workshops or other assistance efforts;
- 12 • As a resource for system improvement workshops, like those sponsored by USDA and  
13 EPA;
- 14 • As a resource for guiding conversations about sustainability with utility board  
15 members; or
- 16 • As a resource for communicating and educating utility board members on the  
17 importance of effective management.

18 **Q: How should German Township use the Guidebook?**

19 A: At a minimum, German Township should work through Appendices 1 and 2 of the  
20 Guidebook to see if it might benefit from any of the Guidebook’s practices or programs.

## VI. SUMMARY OF RECOMMENDATIONS

21 **Q: Please summarize your recommendations:**

22 A: I recommend the following:

- 23 1) The Commission approve the \$51,933 periodic maintenance expense adjustment  
24 shown in Schedule 6(f). The Commission should order German Township to place  
25 these funds in a restricted account to be used for future tank maintenance expenses.

---

<sup>8</sup> The Guidebook can be obtained for free from the following website: <https://www.epa.gov/small-and-rural-wastewater-systems/rural-and-small-systems-guidebook-sustainable-utility-management>

1                    2) The Commission approve a revenue requirement for extensions and replacements  
2                    of \$238,800 as shown on Schedule 7.

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

4    A: Yes.

**VII. APPENDIX A: QUALIFICATIONS**

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

2 A: In 1981 I graduated from Purdue University, where I received a Bachelor of Science degree  
3 in Industrial Management with a minor in Engineering. I was recruited by the Union Pacific  
4 Railroad, where I served as mechanical and maintenance supervisor and industrial engineer  
5 in both local and corporate settings in St. Louis, Chicago, Little Rock and Beaumont,  
6 Texas. I then served as Industrial Engineer for a molded-rubber parts manufacturer before  
7 joining the Indiana Utility Regulatory Commission ("IURC") as Engineer, Supervisor and  
8 Analyst for more than ten years. It was during my tenure at the IURC that I received my  
9 Master of Health Administration degree from Indiana University. After the IURC, I worked  
10 at Indiana-American Water Company, initially in their rates department, then managing  
11 their Shelbyville operations for eight years, and later served as Director of Regulatory  
12 Compliance and Contract Management for Veolia Water Indianapolis. I joined Citizens  
13 Energy Group as Rate & Regulatory Analyst following the October 2011 transfer of the  
14 Indianapolis water utility and joined the Office of Utility Consumer Counselor in April of  
15 2016. In March 2020 I was promoted to my current position as Assistant Director of the  
16 Water and Wastewater Division.

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

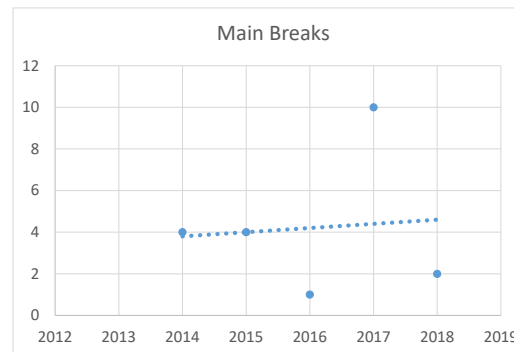
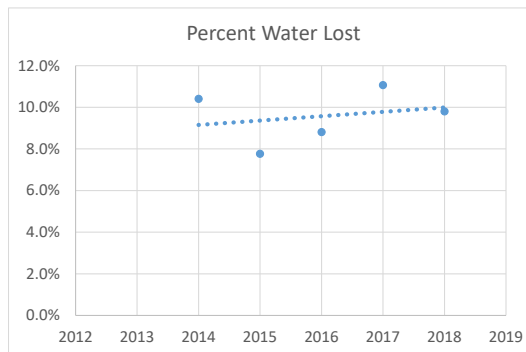
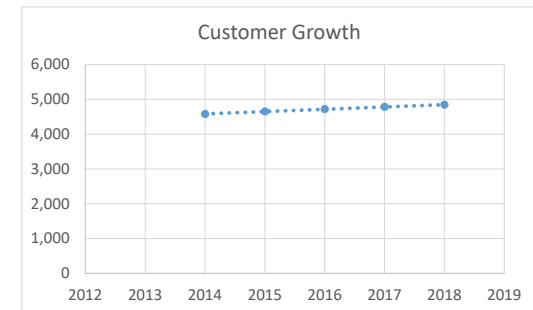
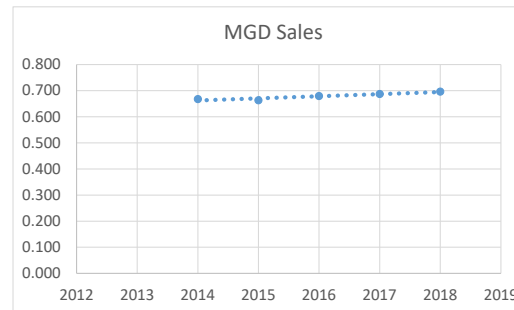
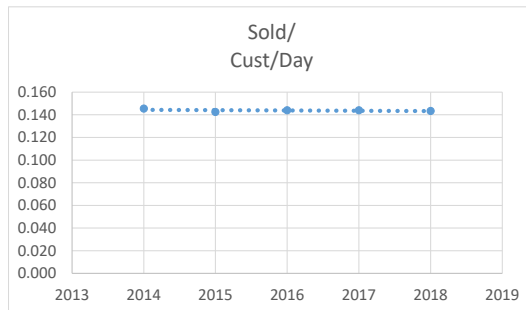
18 A: Yes, I have testified in telecommunications, water and wastewater utility cases before the  
19 Commission.

## Utility Dashboard German Township Water District, Inc. Cause No. 45340-U

A	B	C	D	E	F	G	H	I	J	K
Year	Customers Year-End	Total Purchased	Total Sold	Non-Revenue (C - D)	System Usage	Water Loss (E - F)	Percent Loss (G / C)	Average MGD	Sold/ Cust/Day	Main Breaks
2014	4,579	279,263	243,698	35,565	6,498	29,067	10.4%	0.668	0.146	4
2015	4,651	272,441	241,931	30,510	9,345	21,165	7.8%	0.663	0.143	4
2016	4,717	289,346	247,929	41,417	15,936	25,481	8.8%	0.677	0.144	1
2017	4,784	285,373	251,424	33,949	2,356	31,593	11.1%	0.689	0.144	10
2018	4,844	286,631	254,064	32,567	4,464	28,103	9.8%	0.696	0.144	2

average mgd 2018                      0.696 mgd  
 avg gals/cust/mo 2018                4,371 gals  
 average cust growth                    66.25 /yr  
 average mgd 5 yrs                      0.679 mgd

All reported in thousand gallons  
 System usage includes water used for firefighting, backwashing, main flushing, etc.  
 Source: IURC Annual Reports



Dashed lines shows results of linear regression (trend) over period shown