

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY WATER)
UTILITY, INC., FOR AUTHORITY TO ISSUE) CAUSE NO. 45640
LONG TERM DEBT AND CHANGES TO ITS)
RATES, CHARGES, AND TARIFF)

PUBLIC'S EXHIBIT NO. 3

TESTIMONY OF MARGARET A. STULL

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JANUARY 26, 2022

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public Exhibit No. 3 – Testimony of Margaret A. Stull on behalf of the OUCC* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 26, 2022.

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TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 45640
JACKSON COUNTY WATER UTILITY, INC.

I. INTRODUCTION

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

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 Suite 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 a Chief Technical Advisor in the Water/Wastewater Division. My qualifications are
7 set forth in Appendix “A.”

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

9 A: In its petition, Jackson County Water Utility, Inc. (hereafter “Jackson County
10 Water” or “Petitioner”) seeks both financing authority and a rate increase.
11 Petitioner proposed separating the proceeding into two phases, the first of which
12 would only authorize its financing and establish the debt service expenses to be
13 implemented in the second phase. The second phase would authorize a rate increase
14 based on the evidence it will present in that phase including debt service expenses
15 related to the financing authority authorized in this phase. I explain why the rate
16 effect Petitioner asserted for its proposed debt authorization should be disregarded.
17 I compare the revenue requirement authorized in Cause No. 44986 with the revenue
18 requirement presented in this Cause (Exhibit C of Exhibit ELR-1). I explain the
19 driver of the 8.91% increase as presented in Petitioner’s Exhibit C is not its debt

1 expense but instead appears to be caused by Petitioner's proposed increase to its
2 extensions and replacements revenue requirement. Finally, I recommend the
3 Commission make no finding with respect to the debt authorization's effect on
4 rates.

5 **Q: Please describe the review you performed.**

6 A: I reviewed Jackson County Water's petition and testimony of Earl L. Ridlen, along
7 with the schedules and workpapers filed by Mr. Ridlen in this phase of this Cause.
8 I reviewed the final order in Jackson County Water's last rate case (Cause No.
9 44986). I prepared discovery questions and reviewed Petitioner's responses.

II. RATE INCREASE CALCUALTION

10 **Q: What does Petitioner assert is the ratemaking impact of its proposed**
11 **borrowing?**

12 A: On page 7 of his testimony, Mr. Ridlen explained that if Petitioner borrowed the
13 maximum amount of dollars requested in its petition, at the interest rate anticipated,
14 it would need "approximately \$340,800 of new revenues for this debt service as
15 shown in Exhibit C of Exhibit ELR-1." Mr. Ridlen added that the average
16 residential customer's bill would increase by approximately \$4.11 per month,
17 which is an 8.91% increase.

18 **Q: Do you agree with Petitioner's assertion that its proposed borrowing would**
19 **require a \$340,800 increase in operating revenues?**

20 A: No. While the additional borrowing will most likely increase Petitioner's debt
21 service revenue requirement, there are other revenue requirement components to be
22 considered when setting rates. Moreover, as Petitioner is not seeking to implement
23 any rate increase in this phase of the rate case, it is unnecessary to establish the

1 precise increase in operating revenues required. It is premature to establish in this
2 phase an overall amount of revenue increase that will result from Petitioner's
3 proposal.

4 **Q: Does the increase reflected in Exhibit C of Exhibit ELR-1 reflect Petitioner's**
5 **estimated increase in debt service?**

6 A: No. Petitioner's proposed borrowing results in approximately \$174,612¹ of
7 additional debt service (\$209,580 including \$34,968² of debt service reserve).
8 Accordingly, the \$340,800 reflected in Exhibit C of Exhibit ELR-1 represents an
9 increase that includes more than just additional debt service.

10 **Q: Has Petitioner provided support for the revenue requirements presented in**
11 **Exhibit C of Exhibit ELR-1?**

12 A: No. As shown in Table MAS-1, Petitioner reflects increases and decreases to
13 several revenue requirement components. Its asserted 8.91% rate impact is based
14 on more than just its proposed debt issuance, the only issue being addressed in this
15 phase of its case. No support for any of its asserted \$4,165,834 of revenue
16 requirements, other than debt service, was provided in this phase of its case.

17 **Q: Has the OUCC verified the revenue requirements presented in Exhibit C of**
18 **Exhibit ELR-1?**

19 A: No. As rates are not being set in this phase of the case and no support was provided
20 by Petitioner, the OUCC has not formed an opinion as to what the total revenue
21 requirement components presented in Exhibit C of Exhibit ELR-1 should be for

¹ Represents a five-year average of debt service payments for the years 2024 – 2028 as reflected in Exhibit D of Exhibit ELR-1.

² Represents the annual debt service reserve funding based on the maximum principal and interest payment of \$174,840 in 2036 as reflected in Exhibit D of Exhibit ELR-1.

1 ratemaking purposes. The OUCC has only formed an opinion about prospective
2 debt service expense limited to the authorized borrowing.

3 **Q: What changes appear to be driving Petitioner's proposed rate increase?**

4 **A:** Table MAS-1 shows how the revenue requirement authorized in Petitioner's last
5 rate case, Cause No. 44986, compares to the revenue requirement presented in
6 Exhibit C of Exhibit ELR-1. Petitioner's debt related revenue requirements actually
7 decrease from that authorized in its last rate case. The increase indicated by Mr.
8 Ridlen in his testimony and in Exhibit C is due almost entirely to an increase to
9 extensions and replacements.

Table MAS-1: Revenue Requirement Comparison

		Per	Per	Sch	45640
		44986	45640	Ref	More (Less)
Operating Expenses		\$ 2,005,734	\$ 2,090,254	4	\$ 84,520
Taxes other than Income		47,310	-	4	(47,310)
Extensions and Replacements		458,000	900,474	7	442,474
Working Capital		-	-	8	-
Debt Service		1,160,255	1,186,820	9	26,565
Debt Service Reserve		74,119	-	10	(74,119)
Total Revenue Requirements		3,745,418	4,177,548		432,130
Less: Interest Income		(10,998)	(11,714)	3	(716)
Net Revenue Requirements		3,734,420	4,165,834		431,414
Less: Revenues at current rates subject to increase		(3,253,758)	(3,737,153)	4	(483,395)
Other revenues at current rates		(256,573)	(87,880)	4	168,693
Net Revenue Increase Required		224,089	340,801		116,712
Add: Additional IURC Fee		270	-		(270)
Recommended Increase		<u>\$ 224,359</u>	<u>\$ 340,801</u>		<u>\$ 116,442</u>
Recommended Percentage Increase			<u>8.91%</u>		

1 **Q: Why does the overall debt related revenue requirement decrease compared**
2 **with Cause No. 44986?**

3 A: The total debt related revenue requirement decreased by \$47,554 (\$26,565 –
4 \$74,119). Debt service increased by \$26,565 rather than the \$174,612 asserted by
5 Mr. Ridlen. Debt service reserve decreased by \$74,119 as Petitioner did not include
6 any debt service reserve in Exhibit C.

7 **Q: Why didn't debt service increase by \$174,612?**

8 A: The OUCC requested debt amortization schedules for each current outstanding debt
9 issuance in OUCC Data Request No. 1-3(c), but Petitioner did not provide the
10 requested information (OUCC Attachment MAS-1). Therefore, while it appears a
11 prior debt issuance may have been either refinanced or paid off, there is no way for
12 the OUCC to determine specifically why the debt service revenue requirement did
13 not increase by the amount of the proposed debt issuance.

14 **Q: Why didn't Petitioner include any debt service reserve revenue requirement**
15 **in Exhibit C?**

16 A: The OUCC asked Petitioner about a debt service reserve in OUCC Data Request
17 No. 1-3(b), but Petitioner did not provide any information in its response (OUCC
18 Attachment MAS-1). Without this information, the OUCC cannot determine
19 whether Petitioner not listing debt service reserve was an oversight or Petitioner
20 believes there is no need for additional debt service reserve funds. While the State
21 Revolving Fund generally requires a debt service reserve be funded over a five-
22 year period, it is possible Petitioner's current debt service reserve funds will be
23 enough to provide the necessary reserve for the proposed debt issuance.

1 **Q: Is Petitioner asking for approval in this phase of more than the financing**
2 **authority?**

3 A: I do not believe so. However, the inclusion of Exhibit C of Exhibit ELR-1 in
4 Petitioner's case encouraged me to exercise the precaution of noting that the rate
5 making conclusions presented in Mr. Ridlen's testimony and, in particular, Exhibit
6 C have not been adequately supported and explained through Petitioner's case-in-
7 chief or responses to the OUCC's discovery. Moreover, such conclusions are not
8 necessary for this phase of the proceeding. The ultimate effect the authorized debt
9 issuance will have on Petitioner's rates should be determined and addressed in the
10 next phase of this proceeding.

11 **Q: What are your recommendations?**

12 A: I recommend the Commission authorize the financing authority Petitioner
13 requested subject to the changes and conditions recommended by OUCC witnesses
14 Shawn Dellinger and James Parks. However, I recommend the Commission make
15 no finding with respect to Petitioner's revenue requirement for total debt service
16 expenses.

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

18 A: Yes.

APPENDIX A - QUALIFICATIONS

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

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
3 a Bachelor of Science degree in Accounting. From 1982 to 1985, I held the position
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to
5 2001, I worked for Enron in various positions of increasing responsibility and
6 authority. I began in gas pipeline accounting, was promoted to a position in
7 financial reporting and planning, for both the gas pipeline group and the
8 international group, and finally was promoted to a position providing accounting
9 support for infrastructure projects in Central and South America. In 2002, I moved
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August
11 2003, I accepted my current position with the OUCC. In 2011, I was promoted to
12 Senior Utility Analyst. In 2018, I was promoted to Chief Technical Advisor.

13 Since joining the OUCC I have attended the National Association of
14 Regulatory Utility Commissioners ("NARUC") Eastern Utility Rate School in
15 Clearwater Beach, Florida, and the Institute of Public Utilities' Advanced
16 Regulatory Studies Program in East Lansing, Michigan. I have also attended several
17 American Water Works Association and Indiana Rural Water Association
18 conferences as well as the National Association of Utility Consumer Advocates
19 ("NASUCA") Water Committee Forums. I have participated in the NASUCA
20 Water Committee and the NASUCA Tax and Accounting Committee, including
21 serving as chair for the Tax and Accounting Committee from 2016 – 2021.

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

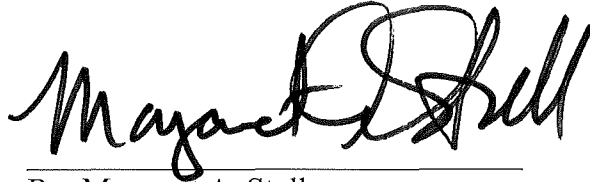
3 A: Yes. I have testified before the Commission as an accounting witness in various
4 causes involving water, wastewater, electric, and gas utilities.

5 **Q: Have you held any professional licenses?**

6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
7 Texas until I moved to Indiana in 2002.

AFFIRMATION

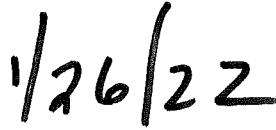
I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Margaret A. Stull". The signature is written in a cursive, flowing style with a large initial 'M' and 'S'.

By: Margaret A. Stull

Cause No. 45640

Office of Utility Consumer Counselor (OUCC)

A handwritten date in black ink, "1/26/22", written in a simple, bold, sans-serif style.

Date:

Jackson County Water Utility, Inc.
Cause No. 45640
Jackson Co. Water Response to OUCC DR 1-1

OUCC DR 1-3: Reference Exhibit C of Mr. Ridlen's testimony:

- a. Please show how the \$1,186,820 of debt service was calculated showing all inputs.
- b. Does the \$1,186,820 of debt service include debt service reserve payments? Please explain and state the amount of debt service reserve included for each outstanding debt issuance.
- c. Please provide amortization tables for each outstanding debt issuance included in the calculation of debt service.

Response:

a.-c. See OUCC DR 1-3 Attachment 1 for the debt amortization summary schedule.

JACKSON COUNTY WATER UTILITY, INC.
Brownstown, Indiana

Debt Amortization Summary Schedule

	Principal	Interest	Total	Remaining Balance
2021	\$ 694,337	\$ 457,275	\$ 1,151,613	\$ 15,301,571
2022	709,597	480,105	1,189,702	18,891,974
2023	711,106	502,677	1,213,783	18,180,868
2024	706,874	482,849	1,189,723	17,473,994
2025	725,916	463,364	1,189,280	16,748,078
2026	748,242	443,248	1,191,491	15,999,836
2027	767,868	422,470	1,190,337	15,231,968
2028	789,806	401,039	1,190,845	14,442,162
2029	811,072	378,930	1,190,003	13,631,089
2030	715,682	358,133	1,073,816	12,915,407
2031	735,651	338,663	1,074,315	12,179,756
2032	754,997	318,565	1,073,562	11,424,759
2033	775,736	297,840	1,073,577	10,649,023
2034	796,889	276,450	1,073,340	9,852,134
2035	818,474	254,376	1,072,851	9,033,659
2036	525,512	231,587	757,100	8,508,211
2037	543,024	214,371	757,395	7,965,187
2038	560,033	196,514	756,547	7,405,153
2039	578,562	177,993	756,556	6,826,591
2040	598,636	158,763	757,399	6,227,956
2041	617,280	138,809	756,089	5,610,676
2042	609,676	118,038	727,714	5,001,000
2043	352,000	104,405	456,405	4,649,000
2044	360,000	96,612	456,612	4,289,000
2045	369,000	88,632	457,632	3,920,000
2046	376,000	80,475	456,475	3,544,000
2047	384,000	72,154	456,154	3,160,000
2048	393,000	63,646	456,646	2,767,000
2049	402,000	54,940	456,940	2,365,000
2050	411,000	46,036	457,036	1,954,000
2051	419,000	36,945	455,945	1,535,000
2052	429,000	27,657	456,657	1,106,000
2053	438,000	18,159	456,159	668,000
2054	162,000	11,740	173,740	506,000
2055	165,000	8,470	173,470	341,000
2056	169,000	5,130	174,130	172,000
2057	172,000	1,720	173,720	0
Total	<u>\$ 20,295,973</u>	<u>\$ 7,828,778</u>	<u>\$ 25,603,895</u>	
Average of first 5 years			<u><u>\$ 1,186,820</u></u>	