

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF CWA AUTHORITY, INC. FOR (1))
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WASTEWATER UTILITY)
SERVICE IN THREE PHASES AND APPROVAL)
OF NEW SCHEDULES OF RATES AND)
CHARGES APPLICABLE THERETO; (2)) CAUSE NO. 45151
APPROVAL OF A LOW-INCOME CUSTOMER)
ASSISTANCE PROGRAM; AND (3) APPROVAL)
OF CERTAIN CHANGES TO ITS GENERAL)
TERMS AND CONDITIONS FOR WASTEWATER)
SERVICE)

SETTLEMENT TESTIMONY

OF


JEROME D. MIERZWA – PUBLIC’S EXHIBIT NO. 9

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 17, 2019

Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Settlement Testimony of Jerome D. Mierzwa* has been served upon the following counsel of record in the captioned proceeding by electronic service on April 17, 2019.

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BEFORE THE
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF CWA AUTHORITY, INC.)
FOR (1) AUTHORITY TO INCREASE)
ITS RATES AND CHARGES FOR)
WASTEWATER UTILITY SERVICE IN)
THREE PHASES AND APPROVAL OF)
NEW SCHEDULE OF RATES AND)
CHARGES APPLICABLE THERETO; (2)) CAUSE NO. 45151
APPROVAL OF A LOW-INCOME)
CUSTOMER ASSISTANCE PROGRAM;)
AND (3) APPROVAL OF CERTAIN)
CHANGES TO ITS GENERAL TERMS)
AND CONDITIONS FOR)
WASTEWATER SERVICE)

VERIFIED TESTIMONY IN SUPPORT OF SETTLEMENT

of

JEROME D. MIERZWA

On Behalf of

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 17, 2019

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

**VERIFIED TESTIMONY IN SUPPORT OF SETTLEMENT OF
JEROME D. MIERZWA
CAUSE NO. 45151
CWA AUTHORITY, INC.**

I. INTRODUCTION

1
2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

3 A. My name is Jerome D. Mierzwa. I am a principal and Vice President of Exeter
4 Associates, Inc. ("Exeter"). My business address is 10480 Little Patuxent Parkway,
5 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-
6 related consulting services.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
8 **PROCEEDING?**

9 A. Yes. My direct testimony was submitted on January 25, 2019, as Public's Exhibit No.
10 6, and my cross-answering testimony was submitted on February 21, 2019.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of this testimony is to provide the Commission with the background for,
13 and explain certain terms of, the Stipulation and Settlement Agreement ("Agreement")
14 reached by the CWA Authority, Inc. ("CWA" or Petitioner"), the Indiana Office of
15 Utility Consumer Counselor ("OUCC"), the CWA Authority Industrial Group
16 ("Industrial Group"), Citizens Action Coalition of Indiana, and the Indiana Community
17 Association, Inc. (collectively "Parties") which was filed on April 12, 2019. The
18 Agreement resolves all issues raised in this proceeding with the exception of the
19 OUCC's recommendation that CWA retain ownership of the grinder pumps it has
20 "installed and use its maintenance staff to provide emergency response and repair for
21 the grinder pumps and ongoing pump replacements when they reach the end of their

1 service lives” and associated recommendations regarding additions to Petitioner’s
2 revenue requirements relating to such responsibilities (Public’s Exh. 4 at 48). More
3 specifically, my testimony addresses the cost allocation and rate design aspects of the
4 Agreement. OUCC witness Margaret Stull addresses the revenue requirement aspects
5 of the Agreement. My testimony concludes by recommending the Commission
6 approve the Agreement.

7 **II. BACKGROUND**

8 **Q. PLEASE BRIEFLY DESCRIBE THE HISTORY LEADING UP TO THE**
9 **EXECUTION OF THE AGREEMENT.**

10 A. The Agreement is the product of negotiations that occurred prior to the hearings in this
11 Cause, which were initially scheduled to begin on March 18, 2019. More specifically,
12 on March 15, 2019, the parties filed a Joint Motion to Continue Evidentiary Hearing
13 and Withdrawal of Objection and Motion to Strike (“Motion”). In the Motion, the
14 Parties advised that a settlement on less than all issues was expected to be reached in
15 this Cause. The Parties requested that the Commission continue the evidentiary hearing
16 expected to begin on March 18, 2019 to March 20, 2019. The Parties explained that
17 the continuance would allow them to complete negotiations and file a subsequent
18 motion to set a date for a hearing on the issues that the Parties have settled and to
19 suggest a procedural schedule to address any issues that have not been settled. This
20 Motion was granted by the Presiding Officers. The Motion also required the Parties to
21 file on March 19, 2019 a proposed procedural schedule and outline the unsettled issues.

22 On March 19, 2019 a proposed procedural schedule and outline of the unsettled
23 issues in this Cause was submitted by the Parties, as well as an agreement regarding
24 the proposed procedural schedule and unsettled issues. The Parties indicated that they
25 would file a Stipulation and Settlement Agreement setting forth their agreement as to

1 all settled issues in this proceeding, as well as supporting testimony and exhibits, on or
2 before April 12, 2019.

3 **Q. DOES THE AGREEMENT RESOLVE THE COST ALLOCATION AND**
4 **RATE DESIGN ISSUES RAISED BY THE PARTIES TO THIS**
5 **PROCEEDING IN THEIR RESPECTIVE TESTIMONIES AND EXHIBITS?**

6 A. Yes, the Agreement resolves all of the issues related to cost allocation and rate design
7 in this Cause raised by the Parties.

8 **Q. PLEASE IDENTIFY THE CUSTOMER CLASSES AND SERVICES**
9 **PROVIDED BY CWA.**

10 A. The Non-Industrial class consists of customers that generally discharge domestic
11 strength wastewater and are billed based on their metered water consumption. Typical
12 customers in this class are residential, commercial, or multi-family type customers.
13 This class also includes the unmetered residential and commercial customers.
14 Residential and multi-family customers are currently billed based on their actual usage
15 during the winter months (i.e., December through April) and winter period average
16 usage during the summer months (i.e., May through November).

17 The Self-Reporter and Industrial class generally consists of industrial and other
18 customers who measure their wastewater discharge to the CWA system and self-report
19 the volumes to CWA on a monthly basis. The volume charge for these customers
20 includes a surveillance charge related to CWA's cost for monitoring these self-
21 reporting customers. Self-Reporter customers also report excess loadings or
22 concentrations of Biochemical Oxygen Demand ("BOD"), Total Suspended Solids
23 ("TSS"), and Ammonia-Nitrogen ("NH₃-N") above CWA's established limits of 250
24 milligrams per liter (mg/l) BOD; 300 mg/l TSS; and 20 mg/l of NH₃-N.

1 Wastewater Haulers consist of Septic and Non-grease Haulers who bring
2 trucked waste directly to the Belmont Advanced Wastewater Treatment Plant where it
3 is discharged for treatment and disposal. The concentration of discharge BOD, TSS,
4 and NH₃-N is typically much higher than normal strength wastewater.

5 Fats, Oil, and Grease (“FOG”) customers are generally Non-Industrial,
6 commercial-type customers that are licensed to cook and prepare food. CWA monitors
7 these customers for the proper disposal of grease from their operations.

8 Satellite customers are communities adjacent to the CWA system that own and
9 operate their own wastewater collection systems. These customers discharge their
10 wastewater to CWA for conveyance and treatment. CWA provides service to some of
11 these customers via Special Contracts for service and to others via Sewer Rate No. 6.

12 **III. SETTLEMENT OF COST ALLOCATION AND RATE DESIGN ISSUES**

13 **Q. WHAT WAS THE IMPETUS BEHIND THE PARTIES’ AGREEMENT WITH**
14 **RESPECT TO RESOLUTION OF THE COST ALLOCATION AND RATE**
15 **DESIGN ISSUES?**

16 A. The Parties’ Agreement relating to resolution of the cost allocation and rate design
17 issues was structured to reach a mutually acceptable resolution of these issues and avoid
18 the risk, expense, and administrative burden of further litigation. The Agreement is the
19 result of arms-length bargaining between and among the Parties. While each Party
20 presenting cost allocation and rate design testimony and exhibits strongly believed in
21 its respective position, they were able to put aside those differences and agree upon a
22 resolution of these issues that avoids litigation, generally moves the revenues from each
23 class toward the allocated cost-of-service as determined in CWA’s case-in-chief, and
24 falls within the range of potential outcomes proposed by the Parties, if the case had
25 been litigated.

1 **Q. WHAT IS THE IMPACT OF THE AGREEMENT ON THE REVENUES TO**
2 **BE RECOVERED BY CWA?**

3 A. The Agreement provides for an increase of \$57.8 million in CWA operating revenues
4 in three steps or phases. More specifically, the Agreement provides for an operating
5 revenue increase of \$31.9 million, or 11.9 percent, effective upon the date of the
6 Commission's Order in this Cause; an additional increase of \$13.9 million, or 4.6
7 percent, shall be implemented upon the filing of the Official Statement for the open-
8 market 2020 bonds and, if applicable, State Revolving Fund pre-closing and closing
9 documents; and an additional increase of \$12.0 million, or 3.8 percent, shall be
10 implemented upon the filing of the Official Statement for the open-market 2021 bonds
11 and, if applicable, State Revolving Fund pre-closing and closing documents. The
12 revenues recovered from each customer class under existing rates, the increase in
13 revenues under each phase of the Agreement, and the revenues to be recovered from
14 each class under each phase of the proposed Agreement are identified in Table 1. In
15 addition, the Agreement provides for an increase to monthly base charge for the Non-
16 Industrial class from \$18.75 to \$21.75 for Phases 1, 2, and 3.

Table 1.				
CWA AUTHORITY, INC.				
Comparison of Present and Settlement Rates				
PHASE I				
Class	Present Rates	Settlement Rates	Increase	Percent Increase
Non-Industrial	\$220,283,400	\$251,196,262	\$30,912,862	14.03%
Self-Reporter	22,939,500	23,883,109	943,609	4.11%
Strength Surcharge	14,758,600	13,324,098	(1,434,502)	-9.72%
Septic Haulers	152,600	152,600	0	0.00%
Commercial FOG	1,374,600	1,374,600	0	0.00%
Satellite-Special Contract	5,769,900	7,045,100	1,275,200	22.10%
Satellite-Tariff	686,100	858,900	172,800	25.19%
Other Revenue	2,373,100	2,373,100	0	0.00%
TOTAL	\$268,337,800	\$300,207,769	\$31,869,969	11.88%
PHASE II				
Class	Present Rates	Settlement Rates	Increase	Percent Increase
Non-Industrial	\$251,196,262	\$262,665,381	\$11,469,119	4.57%
Self-Reporter	23,883,109	\$24,851,080	967,971	4.05%
Strength Surcharge	13,324,098	\$13,324,098	0	0.00%
Septic Haulers	152,600	\$152,600	0	0.00%
Commercial FOG	1,374,600	\$1,374,600	0	0.00%
Satellite-Special Contract	7,045,100	\$8,497,200	1,452,100	20.61%
Satellite-Tariff	858,900	\$900,800	41,900	4.88%
Other Revenue	2,373,100	\$2,373,100	0	0.00%
TOTAL	\$300,207,769	\$314,138,859	\$13,931,090	4.64%
PHASE III				
Class	Present Rates	Settlement Rates	Increase	Percent Increase
Non-Industrial	\$262,665,381	\$272,065,451	9,400,070	3.58%
Self-Reporter	\$24,851,080	\$25,634,513	783,433	3.15%
Strength Surcharge	\$13,324,098	\$13,324,098	0	0.00%
Septic Haulers	\$152,600	\$152,600	0	0.00%
Commercial FOG	\$1,374,600	\$1,374,600	0	0.00%
Satellite-Special Contract	\$8,497,200	\$10,256,700	1,759,500	20.71%
Satellite-Tariff	\$900,800	\$932,700	31,900	3.54%
Other Revenue	\$2,373,100	\$2,373,100	0	0.00%
TOTAL	\$314,138,859	\$326,113,762	11,974,903	3.81%

