

CITY OF NEW HAVEN, INDIANA

RE: IURC CAUSE NO. 45125

Fort Wayne Municipal Water Utility

Pre-filed Settlement Testimony of Gregory T. Guerrettaz

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

2 A - My name is Gregory T. Guerrettaz. My office is located at 2680 E. Main St., Suite 223,
3 Plainfield, Indiana 46168.

4 **Q - By who are you employed and what is your position?**

5 A - I am the President of Financial Solutions Group, Inc. (FSG Corp.), which is registered
6 with the Security and Exchange Commission (SEC) and the Municipal Security
7 Rulemaking Board (MSRB). I am a CPA.

8 **Q - Are you the same Gregory T. Guerrettaz who filed Direct Testimony in this Cause**
9 **on behalf of the City of New Haven ("New Haven").**

10 A - Yes, and I present this Settlement Testimony on behalf of New Haven.

11

12 **Q. What did you do in preparation for this testimony?**

1 A. In preparation for my testimony, I reviewed Petitioner's and OUCC's prefiled testimony
2 and exhibits, discovery responses, and the Joint Stipulation and Settlement Agreement
3 ("Settlement Agreement") and Schedules.

4 **Q. What is the purpose of this testimony?**

5 A. My testimony describes important aspects of the Settlement Agreement filed in this
6 Cause and offers support for approval of the Settlement Agreement.

7 **Q. By what process was the Settlement Agreement reached?**

8 A. The Settlement Agreement was reached through extensive negotiation and major
9 compromises to reach a result acceptable to all Parties. The Settlement Agreement
10 offers a high degree of certainty of benefits to all participants and brings to a close what
11 otherwise would have continued to be lengthy and costly litigation. On the whole, based
12 on the specific facts of these two individual, unique cases and the benefits made available
13 by the Settlement, I believe that the results of the compromises reflected in the Settlement
14 Agreement are reasonable and should be approved.

15 **Q. What are some of the major reasons New Haven has entered into the Settlement**
16 **Agreement?**

17 A. For New Haven the Settlement Agreement represents compromises of many disputed rate
18 issues in these two unique IURC Causes that, compared to Fort Wayne's proposed rate
19 increases to New Haven, result in a material savings to New Haven and its citizens. On
20 many issues it represents an agreement to strike acceptable financial result compromise,

1 end the litigation, and move on with the business of operating the respective municipal
2 water utilities. Had New Haven prevailed on all its rate case issues, the resulting average
3 annual savings to New Haven compared to Fort Wayne proposed rates would have been
4 approximately \$250,000. The Settlement Agreement will over the five years of rate
5 Phases I – V provide New Haven with total average annual savings from Fort Wayne
6 proposed rates of \$125,000. And because those savings will result from an omnibus
7 Settlement Agreement, there is a high degree of certainty those savings will be received.
8 While the savings from continued litigation might have been higher, the outcome of
9 litigation is always uncertain, requires the investment of additional material resources and
10 despite end results, always incurs the possibility of subsequent appeal. Material benefits
11 and a high degree of certainty obtained through compromise while maintaining cost of
12 service study and other issues for, if necessary, vetting a later rate case are here key
13 settlement drivers.

14 The cost of water purchased from Fort Wayne is one of New Haven's largest
15 operating expenses. To the extent that expense is kept as low as reasonably possible, it
16 results in savings to New Haven's approximate 5,200 customers. The \$125,000 of
17 anticipated Settlement Agreement annual savings will be of major benefit to New
18 Haven's water utility and the residents of New Haven. Without New Haven's
19 participation in these two Causes, those savings would not have been obtained.

20 **Q. What are some of the important parts of this Settlement Agreement to New Haven?**

1 A. The Settlement Agreement puts to the side the current Cost of Service Study
2 methodology issues, and provides the opportunity for review, study, suggested revisions
3 and collaboration on Fort Wayne's COSS it will present in its next base rate case. This
4 will give New Haven and Fort Wayne a collaborative opportunity for consideration of
5 possibly reflecting New Haven's contiguous proximity to Fort Wayne and other COSS
6 issues. This framework hopefully will maximize the opportunity for COSS resolution, but
7 absent that give the Commission an opportunity to fairly judge the Parties' positions on
8 cost-of-service and rate design in Fort Wayne's next base rate case.

9 The Settlement Agreement resolves Fort Wayne's Cause No. 45124 proposal to
10 apply and charge a system development charge to New Haven. As my testimony in that
11 Cause reflects, New Haven is staunchly opposed to being subject to or charged a Fort
12 Wayne SDC. As Section 13b of the Settlement reflects the Fort Wayne SDC will not be
13 applicable to nor will it be charged to New Haven. Fort Wayne retains its rights to seek
14 approval of an SDC applicable to New Haven in its next post Phase V water base rate
15 case and New Haven retains its rights to oppose it. However, if New Haven has by then
16 approved its own SDC, Fort Wayne will not try to also charge a Fort Wayne SDC to New
17 Haven. This provides New Haven the ability to effectively end the possibility of being
18 subject to a Fort Wayne SDC. While all of the individual New Haven benefits from this
19 Settlement are very important, this concession was one of the critical necessary elements
20 to resolution.

1 Similarly New Haven strongly opposed being billed a fire protection charge from
2 Fort Wayne. The compromise presented in the Settlement Agreement is New Haven will
3 be moved to the Private Fire Protection class and pay a substantially lower cost, with
4 savings of approximately \$10,000 annually. That savings is embedded in the overall
5 savings to New Haven of \$125,000. This too was one of the critical elements of
6 resolution.

7 Settlement Agreement Sections 8b, c and d concern certain revisions to New
8 Haven's water take from Fort Wayne. New Haven finds those revisions acceptable and
9 believes it will be able to continue the safe and adequate provision of water service to its
10 constituents.

11 Section 9 provides Fort Wayne and New Haven the opportunity to discuss future
12 Service Agreement terms. It also provides New Haven the opportunity to present two
13 year notice to Fort Wayne should New Haven develop its own source of water supply.

14 Section 11 provides terms that will serve to lower the cost of Fort Wayne's
15 proposed financing. Fort Wayne will seek to market and issue the Revenue Bonds in
16 separate series, will seek low interest debt from SRF where cost advantageous (including
17 applying for 0% financing for replacing lead lines), and will wrap the amortization
18 schedules around its existing debt in the manner proposed by Mr. Walsh in his Direct and
19 Rebuttal Testimonies in Cause 45125. Thus, as existing indebtedness is paid off, the
20 principal and interest payments on the new revenue bonds will increase by the amount of

1 the paid off debt's principal and interest payments. This wrap device can result in
2 materially lower debt service revenue requirement.

3 Section 11 also provides that if Fort Wayne receives grant funds for capital
4 improvements that are contained in its Capital Improvement Plan in this Cause, Fort
5 Wayne shall reduce its debt issuance(s) by the amount of grant funds used in the Capital
6 Improvement Plan projects.

7 Lastly, the proposed debt service true up is beneficial in that it will capture any
8 lower than expected interest rates or reduced amount of debt issued and pass the resulting
9 decrease in revenue requirements back to Fort Wayne's customers.

10 **Q. Does New Haven support approval of the Settlement Agreement in its entirety?**

11 A. Yes. To reach this compromise Settlement Agreement, New Haven made substantial
12 concessions and forbearance of issues that otherwise would have been litigated. I believe
13 all Parties materially benefit from the Settlement Agreement and the certainty that it
14 provides compared to what otherwise would be protracted, costly litigation with an
15 uncertain outcome. Every aspect I have described is critical to the Settlement
16 Agreement's overall balance and quid pro quo of considerations. I support approval of
17 the Settlement Agreement in its entirety.

18 **Q. Does that conclude your testimony?**

19 A. Yes, it does.

VERIFICATION

I affirm under the penalties of perjury that my foregoing written testimony is to the best of my knowledge, information, and belief true and accurate.



Gregory T. Guerrettaz

1/8/2019
Date

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Settlement Testimony was served upon the following by electronic delivery this 8th day of January 2019, to:

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