

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE CITY OF)
BOONVILLE, INDIANA, FOR APPROVAL)
TO ADJUST ITS RATES AND CHARGES) CAUSE NO. 45069
AND ISSUE BONDS)**

SETTLEMENT TESTIMONY

OF

MARGARET A. STULL – PUBLIC’S EXHIBIT NO. 1S

ON BEHALF

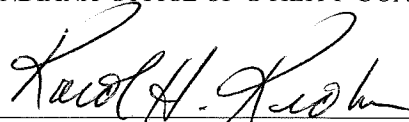
OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

FEBRUARY 20, 2019

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Karol H. Krohn, Atty. No. 5566-82
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Office of Utility Consumer Counselor Settlement Testimony of Margaret A. Stull* has been served upon the following counsel of record in the captioned proceeding by electronic service on February 20, 2019.

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**SETTLEMENT TESTIMONY OF
OUCC WITNESS MARGARET A. STULL
CAUSE NO. 45069
CITY OF BOONVILLE**

I. INTRODUCTION

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

2 A: My name is Margaret A. Stull. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Chief Technical Advisor in the
4 Water/Wastewater Division.

5 **Q: Did you previously file litigation testimony in this proceeding that includes**
6 **information concerning your education, training and work experience?**

7 A: Yes, I did. The testimony I filed before the City of Boonville ("Boonville" or
8 "Petitioner") and the OUCC reached a settlement agreement in this case included
9 my professional credentials and outlined various accounting issues, with supporting
10 accounting schedules, giving effect to all recommendations made by all OUCC
11 witnesses who testified in this base rate case.

12 **Q: Have you reviewed the settlement schedules prepared and presented by Mr.**
13 **John Seever?**

14 A: Yes.

15 **Q: Do those schedules accurately portray the accounting adjustments agreed**
16 **upon in settlement?**

17 A: Yes, they do. Mr. Seever's settlement testimony further explains the information
18 conveyed in the settlement schedules.

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

2 A: I will explain how the public interest will be served if the Commission approves
3 the proposed settlement agreement reached between Boonville and the OUCC (the
4 "Settling Parties"). In Boonville's case-in-chief, it requested an overall rate
5 increase of 67.57% to be implemented in two steps, or "phases". The OUCC's
6 litigation testimony recommended an overall rate increase of 41.98%, to be
7 implemented in the same manner. In the Stipulation and Settlement Agreement
8 ("Settlement"), the Settling Parties requested Commission approval of a three-
9 phase overall rate increase of 52.59%. The three-phase implementation schedule
10 will allow immediate implementation of a portion of the approved rate increase in
11 Phase I to align Boonville's pro forma rate revenue with its pro forma operating
12 expenses. Boonville's request for authority to issue debt to fund various projects,
13 some of which the OUCC opposed in its litigation testimony, will be addressed in
14 Phase II, after removing any projects for which Petitioner fails to meet applicable
15 conditions in the Settlement, all subject to true-up following Boonville's bond
16 closing date. Other agreed post-in-service adjustments to Boonville's approved
17 revenue requirement will be made in Phase III.

18 **Q: Please explain what you mean by the phrase "applicable conditions in the**
19 **Settlement".**

20 A: Two capital improvement projects might not move forward even if the Commission
21 approves the proposed Settlement. To implement the solar field projects, Boonville
22 must obtain at least \$100,000 in grant funding from the United States Department
23 of Agriculture's Rural Development ("USDA-RD") grant program or some other
24 non-ratepayer source(s) of funding, reducing the amount of debt Boonville has to

1 incur to purchase and install the two solar fields. That would, in turn, reduce
2 ratepayers' debt service obligations related to the proposed solar field projects. The
3 second condition on Boonville being able to move forward with the solar field
4 projects requires Boonville to reduce its annual revenue requirement by \$50,000 in
5 Phase III. That is the amount Boonville expects to save in purchased power
6 expenses after the solar fields are producing electricity for use by Boonville's water
7 utility. As part of this Settlement, Boonville has committed to make that reduction
8 and reduce rates accordingly in Phase III

9 **Q: What will happen if Boonville is unable to obtain at least \$100,000 in grants**
10 **from USDA-RD or from other non-ratepayer sources to help fund the two**
11 **solar fields?**

12 A: If Boonville does not receive a USDA-RD grant or other contribution(s) of at least
13 \$100,000, it must remove the cost of the two solar fields from the total debt
14 approved for issuance in Phase II. That will further reduce the size of the rate
15 increase that would otherwise be implemented in Phase II of this rate case.

16 **Q: What other project is tied to Boonville's receipt of grant money from the**
17 **USDA-RD or another non-ratepayer source of funding?**

18 A: The OUCC challenged two water main extension projects on the grounds that they
19 were not necessary, were oversized, or should be paid for by the landowner or
20 developer who requested the extensions, consistent with the Commission's main
21 extension rule. Boonville annexed an area that includes a housing development
22 that does not currently have fire hydrants for fire protection service. In order to
23 provide comparable fire protection service to the newly annexed area (an area that
24 receives and will continue to receive its water utility service from the Town of

1 Chandler under a previously-executed inter-local agreement on service areas),
2 Boonville chose to install a new, over-sized main, allowing it to provide water for
3 fire protection service and to extend service to new customers in future residential
4 or commercial developments. Because of the speculative nature of future
5 development and the applicability of the Commission's main extension rule, the
6 OUCC's litigation testimony recommended the Commission deny full recovery of
7 the cost of both proposed main extensions. However, in the give and take of
8 settlement negotiations, the OUCC agreed to allow 20% of the total cost of the two
9 main extension projects to be recovered from ratepayers.

10 **Q: Were any other project funding and accounting changes agreed upon in**
11 **Settlement that will further reduce the amount ratepayers are required to pay**
12 **for debt service and debt service reserve requirements?**

13 **A:** Yes. In exchange for the OUCC agreeing to increase the annual allowance for
14 periodic maintenance expenses, Boonville removed tank painting costs from its
15 proposed debt-funded capital improvement projects. Tank painting is a
16 maintenance activity, not a capital investment. Therefore, ratepayers will not have
17 to fund debt service and related reserve requirements on Petitioner's planned tank
18 painting project.

19 **Q: Are there any other examples of changes agreed upon in settlement that will**
20 **reduce Boonville's requested rate increase?**

21 **A:** Yes. Boonville agreed to reduce the total amount it would claim to fund its planned
22 upgrade and replacement of all of its customers' meters. The OUCC's litigation
23 testimony took issue with Boonville's plan to replace all of its customers' meters
24 at one time, instead of following a traditional multi-year meter replacement

1 schedule (which would spread rate recovery over a greater number of years,
2 reducing the immediate rate impact). However, after negotiating a reduced cost
3 estimate for Boonville's all-customer meter replacement project, the OUCC did not
4 oppose including the new projected cost of meter replacements in the total amount
5 of Boonville's proposed long-term, low-interest bond issuance. The total cost of
6 purchasing and installing the new advanced meters would be recovered over a
7 longer period of time than Boonville originally proposed (i.e., over the full life of
8 the bond issuance), further reducing the rate impact of Boonville's meter
9 replacement project.

10 **Q: Did the OUCC obtain any other commitments from Boonville to safeguard**
11 **funds Boonville will be authorized to collect from ratepayers in advance to be**
12 **used for specific purpose(s)?**

13 **A:** Yes. In Settlement, Boonville agreed to establish restricted accounts to accumulate
14 funds for future periodic maintenance expenses (e.g., tank painting) and, in cases
15 of emergency, to fund or pay Boonville's debt service or debt service reserve
16 requirements. Boonville also agreed to notify the Commission and the OUCC in
17 writing if the restricted funds are used for those emergency purposes. (The exact
18 provisions are found in Paragraph 8 on page 4 of the Settlement.)

19 Boonville made a similar commitment to protect funding for annual non-
20 cash PERF expenses of \$4,239, to be held in a restricted, interest-bearing account,
21 which will require prior Commission approval before any funds can be used for any
22 purpose. (See Paragraph 7, on pages 3-4 of the Settlement.)

1 The Settlement also protects funds to be collected through rates approved
2 in Phase II to meet debt service reserve requirements. If Boonville spends any
3 funds collected for debt service reserve for any purpose other than making the final
4 payment on the bond issuance approved herein, Boonville must provide a detailed
5 report to the Commission and the OUCC within 5 days of making such expenditure.
6 (For exact terms, see paragraph 18 on pages 7-8 of the Settlement.)

7 The OUCC believes the above protections will not only help ensure that
8 ratepayers are not required to pay the above expenditures more than once, the
9 provisions will help ensure that when the Settlement requires the Petitioner to pay
10 certain expenses or fund capital investments without using revenue obtained
11 through rates, that the Petitioner meets that commitment and has sufficient records
12 to demonstrate that it has done so if its compliance is ever questioned.

13 **Q: Did the Settlement include any other changes to Boonville's original proposed**
14 **revenue requirement?**

15 A: Yes. Some of those changes represent corrections made to Settling Parties'
16 calculations, and some represent compromises reached during settlement
17 negotiations. Those types of changes are discussed in the Settlement and more fully
18 explained in Mr. Seever's settlement testimony.

19 **Q: Does the OUCC support the proposed 9% surcharge for customers located**
20 **outside Boonville's city limits?**

21 A: Yes, at this time we support that surcharge. Adequate support was provided and
22 fully explained in Mr. Seever's settlement testimony. However, circumstances
23 could change in the future to justify revisiting that allocation of cost recovery in a
24 future rate case.

1 **Q: Given the revenue requirement reductions, the non-ratepayer funding**
2 **requirements, and the other consumer protections discussed in your**
3 **testimony, does this Settlement represent a fair compromise of disputed issues**
4 **that reasonably protects consumer interests.**

5 A: Yes, it does.

6 **Q: Are there any other benefits to consumers that the Commission should**
7 **consider in reviewing the proposed Settlement?**

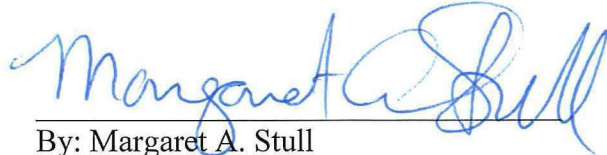
8 A: Yes. The Settlement represents a compromise that the OUCC and the utility both
9 support as fair, reasonable, and beneficial to both the utility and its customers. The
10 Settling Parties also value the certainty and speed of implementing negotiated
11 outcomes such as this.

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

13 A: Yes.

AFFIRMATION

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



By: Margaret A. Stull
Cause No. 45069
Indiana Office of
Utility Consumer Counselor

2/20/2019

Date: