

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) APPROVAL OF)
A LOW-INCOME CUSTOMER ASSISTANCE)
PROGRAM; AND (3) APPROVAL OF)
CERTAIN CHANGES TO ITS GENERAL)
TERMS AND CONDITIONS FOR)
WASTEWATER SERVICE.)**

CAUSE NO. 45151

PREFILED TESTIMONY

OF

SCOTT A. BELL – PUBLIC’S EXHIBIT NO. 5

ON BEHALF

OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JANUARY 25, 2019

Respectfully Submitted,



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

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor's Testimony of Scott A. Bell* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 25, 2019.

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TESTIMONY OF OUCC WITNESS SCOTT A. BELL
CAUSE NO. 45151
CWA AUTHORITY, INC.

I. INTRODUCTION

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

2 A: My name is Scott A. Bell, 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 the
6 Director of the Water/Wastewater Division. I have served in that capacity for more than
7 thirteen years. My qualifications and experience are set forth in Appendix A.

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

9 A: With its application for rate increase, CWA Authority, Inc. ("CWA" or "Petitioner")
10 requests authority to implement a low-income customer assistance program ("LICAP") to
11 be funded by a \$0.79 per bill charge. My testimony describes Petitioner's request for
12 Commission approval to establish and implement the LICAP. While I don't oppose the
13 approval of a low-income customer assistance program, I recommend Petitioner not be
14 granted authority to impose a charge on captive ratepayers. I recommend that CWA be
15 authorized to implement its low-income customer assistance program with the provision
16 that it must fund the program with other sources.

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

18 A: I read the Petition and testimony of Petitioner's witnesses who address CWA's proposed
19 LICAP, Mr. Jeffrey A. Harrison, President, Chief Executive Officer of both Citizens
20 Energy Group ("CEG") and CWA, Mr. Korlon L. Kilpatrick II, Director of Regulatory

1 Affairs, CEG, and Eric P. Rothstein, Utility Management Consultant, Galardi Rothstein
2 Group. I participated in the development of discovery requests and reviewed the
3 responses to that discovery. I reviewed relevant portions of the final order issued by the
4 Indiana Utility Regulatory Commission's ("Commission") in Cause No. 44685. Finally,
5 I reviewed portions of the following documents:

- 6 • American Water Works Association ("AWWA") M1 Manual of Water
7 Supply Practices, Principles of Water Rates, Fees, and Charges (Seventh
8 Edition).
- 9 • United States Environmental Protection Agency ("USEPA") document
10 titled "Drinking Water and Wastewater Utility Customer Assistance
11 Programs" (April 2016).
- 12 • USEPA and Water Research Foundation ("WRF") document titled "Best
13 Practices in Customer Payment Assistance Programs" (2010).
- 14 • National Consumer Law Center ("NCLC") document titled "Review and
15 Recommendations for Implementing Water and Wastewater Affordability
16 Programs in the United States" (March 2014).
- 17 • Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-
18 Income Water Customers (AWWA) Second Edition – 2014.

II. LOW-INCOME CUSTOMER ASSISTANCE PROGRAM

19 **Q: Please briefly describe the low-income customer assistance program CWA includes**
20 **in its application for rate increase?**

21 A: Petitioner seeks authority to establish and implement a low-income customer assistance
22 program or LICAP, which it proposes be funded entirely by CWA's customers through a
23 mandatory surcharge. Petitioner is also seeking Commission approval to establish a new
24 rate (Rider C) to charge customers the LICAP Rate.

25 **Q: Why is CWA proposing to establish and implement a LICAP?**

26 A: In their testimonies, Petitioner's witnesses Harrison, Kilpatrick and Rothstein discuss the
27 issue of poverty in Marion County and the affordability of CWA's wastewater service for
28 low-income customers. Petitioner proposes to establish and implement a LICAP to lessen

1 the impact of its increasing rates on low-income customers.

2 **Q: What kind of assistance would the proposed LICAP provide?**

3 A: Petitioner's witness, Mr. Kilpatrick explained that the LICAP would provide a discount
4 on the monthly sewer bill for eligible and qualifying low-income customers. Petitioner
5 estimates that approximately 15,000 low-income customers will participate in the
6 program, and it proposes to provide bill discounts of 10%, 18% or 25%, based on the level
7 of a low-income customer's need. The LICAP would also establish a wastewater
8 infrastructure fund.¹ Mr. Kilpatrick testified the "wastewater infrastructure fund may be
9 used to help customers keep their bills lower in the long run through infrastructure
10 investment assistance."² Mr. Kilpatrick added that eligible and qualifying low-income
11 customers "may receive assistance for: (1) water conservation, such as for water saving
12 appliances; and (2) water-related and sewer-related infrastructure repairs, such as leaking
13 service lines."³ Thus, part of the charge CWA seeks to impose (estimated \$500,000)
14 would be used to procure water saving appliances for program participants or to make
15 infrastructure repairs.⁴ CWA has not explained how the larger part of the proceeds of the
16 charge (estimated \$1,789,840) would be used by CWA. Presumably, CWA would treat
17 the \$1,789,840 as fungible cash to meet any of its operating expenses.

18 **Q: How is Petitioner proposing to fund the proposed LICAP?**

19 A: As I noted above, Petitioner would establish a new charge in Rider C for the "Low Income
20 Customer Assistance Program."⁵ The proposed charge, which Rider C references as the

¹ Verified Direct Testimony of Korlon L. Kilpatrick II, page 20. (Petitioner's Exhibit No. 10)

² Verified Direct Testimony of Korlon L. Kilpatrick II, page 21. (Petitioner's Exhibit No. 10)

³ Verified Direct Testimony of Korlon L. Kilpatrick II, page 21. (Petitioner's Exhibit No. 10)

⁴ It is not clear from Mr. Kilpatrick's testimony whether the infrastructure repairs would be made to program participant's service lines or CWA's property.

⁵ See Attachment KLK-2, CWA Authority, Inc. Sewage Disposal Service Tariff, Original Page No. 203, Rider C.

1 “Applicable LICAP Rate”, is \$0.79 per customer bill per month. Mr. Kilpatrick’s
2 Attachment KKK-6 shows how the proposed \$0.79 LICAP Rate was calculated. For the
3 convenience of the reader, I have attached this document to my own testimony as
4 Attachment SAB-1.

5 **Q: What customers would be required to pay the LICAP charge?**

6 A: Petitioner’s Rider C makes the following statement regarding who would pay the
7 Applicable LICAP Rate.

8 The Low Income Customer Assistance Program (“LICAP”) Rider is
9 established pursuant to Ind. Code § 8-1-2-46(c) to recover the cost of
10 providing an assistance program for qualifying low-income Nonindustrial
11 Customers served under Sewer Rate No. 1. The Charge applicable under
12 the LICAP Rider shall be applied to all Customers served under Sewer
13 Rate Nos. 1, 2, and 5 and shall be set at the rate set forth below.

14 Therefore, the LICAP Rider will be applicable to all nonindustrial customers (Sewer Rate
15 No. 1), industrial customers (Sewer Rate No. 2) and self-reporting customers (Sewer Rate
16 No. 5).

17 **Q: Is the charge different for large volume customers?**

18 A: No. As explained on page 26 of Mr. Kilpatrick’s testimony, “Petitioner proposes to
19 recover the cost of the program on a fixed-charge basis applying a surcharge per bill.”
20 Therefore, regardless of a customer’s volumetric usage or water meter size, the LICAP
21 charge will be \$0.79 per bill per month.

22 **Q: Would the charge appear as a separate item on customer bills?**

23 A: In Data Request No. 10.4, the OUCC asked whether the LICAP charge would appear as
24 a line item on customers’ bills. Petitioner responded that “For a CWA standard billing
25 customer, the proposed LICAP fee would not be displayed on the bill as is the case with
26 other CWA charges. For a customer who signs up for a Citizens “Detailed Bill,” the

1 charge would be listed as a line item on the second page.”

2 **Q: Petitioner indicates that the LICAP Rider is established pursuant to Ind. Code § 8-**
3 **1-2-46(c). What does Ind. Code § 8-1-2-46(c) state about customer assistance**
4 **programs?**

5 A: Ind. Code § 8-1-2-46(c) authorizes the Commission to allow wastewater utilities to
6 establish different rates for low-income customers:

7 (c) Upon request by a water or wastewater utility in a general rate case,
8 the commission may allow, but may not require, a water or wastewater
9 utility to establish a customer assistance program that:

10 (1) uses state or federal infrastructure funds; or

11 (2) provides financial relief to residential customers who qualify
12 for income related assistance.

13 A customer assistance program established under this subsection that
14 affects rates and charges for service is not discriminatory for purposes of
15 this chapter or any other law regulating rates and charges for service. In
16 considering whether to approve a water or wastewater utility's proposed
17 customer assistance program, the commission shall determine that a
18 customer assistance program established under this subsection furthers the
19 interests set forth in section 0.5 of this chapter and is in the public interest.

20 (emphasis added.)

III. OUCC CONCERNS

21 **Q: Is the OUCC opposed to the implementation of a low-income customer assistance**
22 **program for eligible low-income customers?**

23 A: No. Provided the program is implemented fairly, efficiently, and appropriately, the
24 OUCC does not oppose the implementation of a low-income wastewater customer
25 assistance program. There are several positive benefits to such a program. However,
26 Petitioner intends to fund the program entirely with compulsory charges imposed on
27 CWA's ratepayers. Moreover, these charges will be imposed based on the number of
28 meters without any regard to meter size or volume of water used, disproportionately

1 affecting smaller users. Petitioner's proposal to fund the LICAP entirely with a monthly
2 charge means captive ratepayers will be required to pay the LICAP charge regardless of
3 ability to pay and without the ability to mitigate the expense by using less water.

4 **Q: Does Citizens Energy Group have other business entities that may provide funds for**
5 **proposed LICAP costs?**

6 A: Yes. CWA⁶ is affiliated with the Board of Directors for Utilities of the Department of
7 Public Utilities of the City of Indianapolis, which does business as Citizens Energy Group
8 ("Citizens Energy Group" or "CEG"). CEG "operates as a Public Charitable Trust
9 engaged in a variety of businesses."⁷ CEG's operations extend into many regulated and
10 non-regulated business operations that may provide sources of funding for the LICAP. In
11 CEG's Annual Financial Report 2018, Section 7, Financial Segment Information, page
12 33, a table titled "Segment Footnote – Combined Statement of Cash Flows" displays
13 financial information for several entities including Gas, Steam, Chilled Water, Water,
14 Wastewater, Resources and Other. A column in that table marked "Other"⁸ appears to
15 have an \$8.9 million "Net change in cash and cash equivalents" for the fiscal year 2018
16 and "Cash and cash equivalents at the end of period" of \$25.2 million. This "Other" may

⁶ "The Wastewater System is owned by CWA, a separate nonprofit corporation, which through an interlocal agreement entered into by and among Citizens, the City of Indianapolis, and the Sanitary District of the City (the "District"), acting by and through its Board of Public Works, pursuant to Indiana Code 36-1-7, has the power to exercise all rights and powers of Citizens, the City, and the District in connection with the provision of wastewater utility services, excluding in the case of the City and the District, taxing power and taxing authority. CWA's board of directors comprises the same individuals who serve on the Board. The Wastewater System is managed by employees of Citizens under an operating agreement between Citizens and CWA. CWA is subject to a separate public charitable trust (the Wastewater Trust) that operates in substantially the same manner as the Energy Trust and the Water Trust." (See Citizen Energy Group, Annual Financial Report 2018, page 2)

⁷ <https://www.citizensenergygroup.com/Our-Company/About-Citizens/Divisions-of-the-Trust>

⁸ "Other includes certain non-profit instrumentalities, as well as advertising and philanthropic costs that are not recoverable through rates and are funded by contributions from non-regulated segments. Other also includes shared services comprised of various administrative and operational departments that provide support services to each of Citizens and CWA business segments, certain affiliates and the combined enterprise as a whole, and allocates the associated cost of the services to the appropriate segment." (Citizens Energy Group, Annual Financial Report 2018, page 29)

1 be a potential source of financial resources to fund the proposed LICAP.

2 CEG's non-regulated utility services business entity (Citizens Resources) could
3 also potentially provide a funding source for this program. According to CEG's Annual
4 Financial Report 2018, "Citizens Resources is a separate corporation whose stock is
5 owned by the Department in its capacity as trustee of the Energy Trust." Under the
6 Citizens Resources corporate structure, several *for-profit* entities reside. These include
7 Citizens Westfield Utilities, LLC (Westfield Water, Westfield Wastewater and Westfield
8 Gas); CESCO Diversified Business Enterprises, LLC (Citizens Resources Production,
9 LLC); Southern Madison Utilities, LLC (dba Citizens South Madison); Citizens Energy
10 Management Company, LLC and Proliance Holding, LLC (39%).⁹ All three Citizens
11 Westfield Utilities (water, wastewater and gas) have rates approved by the Commission
12 that include an authorized capital structure that provides for a return on equity. Also,
13 Citizens South Madison is another *for-profit* company that opted out of Commission
14 jurisdiction before Citizens acquired it. Citizens South Madison provides wholesale water
15 service to Citizens Water. According to the Annual Financial Report 2018, page 33, it
16 appears that Citizens Resources had an \$8.3 million "Net change in cash and cash
17 equivalents" for the fiscal year 2018 and "Cash and cash equivalents at the end of period"
18 of \$35.9 million.

19 Rather than impose what has the appearance of a tax on its wastewater customers,
20 it would be more appropriate for CWA to procure the funds for this program from one or
21 more of CEG's business entities, which are operated for the benefit of Marion County

⁹ Citizens Energy Group, Annual Financial Report, pages 1-3.

1 residents. I recommend that CWA fund its proposed LICAP in this manner.

2 **Q: Do you have other concerns with Petitioner's proposal to fund the LICAP through a**
3 **customer charge?**

4 A: Yes. First, Petitioner also seeks the ability to increase its proposed LICAP Rate at the end
5 of any given year if a funding deficit exists. Petitioner does not fully describe the criteria
6 that would be employed to determine whether and when an increase would be justified.
7 Petitioner further does not explain how the OUCC and other parties would have an
8 opportunity to be heard with respect to a proposed increase. Second, Mr. Kilpatrick
9 asserts participation by eligible low-income customers will "reduce the potential for undue
10 costs for both the customer and utility associated with the arrearage – disconnection –
11 reconnection cycle that plagues all too many customers." (Kilpatrick, p. 14). However,
12 Petitioner makes no operating expense adjustment to reflect lower
13 operation/administration expenses as a result of the LICAP. Petitioner also makes no
14 reduction to bad debt expense.

15 **Customer-Funded LICAP Rate**

16 **Q: Petitioner indicates that the LICAP Rider is established pursuant to Ind. Code § 8-**
17 **1-2-46(c). Does Ind. Code § 8-1-2-46(c) state that a customer assistance program**
18 **should be funded by ratepayers?**

19 A: No. Ind. Code § 8-1-2-46(c) does not address how a customer assistance program may be
20 funded. It only authorizes different rates may be charged to different customers based on
21 the need for assistance (i.e. financial condition). It does this by providing, as Mr.
22 Kilpatrick noted, that "customer assistance programs that impact rates and charges for
23 service are not discriminatory." In this manner, it becomes lawful to charge residential
24 customers with identical usage characteristics a different rate. That does not need to be
25 accomplished by charging a compulsory fee. The statute does not authorize the funding

1 mechanism Petitioner has proposed for the program.

2 **Q: Based on the language contained in Ind. Code § 8-1-2-46(c), what shall the**
3 **Commission consider when determining whether to approve a water or wastewater**
4 **utility's proposed customer assistance program?**

5 A: My reading of the plain language indicates that when the Commission considers whether
6 to approve Petitioner's proposed customer assistance program, it shall determine whether
7 the LICAP (1) "furthers the interests set forth in section 0.5 of this chapter" and (2) "is in
8 the public interest."

9 **Q: What are the interests set forth in Ind. Code § 8-1-2-0.5?**

10 A: The language in Ind. Code § 8-1-2-0.5 State policy to promote utility investment in
11 infrastructure while protecting affordability of utility service is as follows:

12 Sec. 0.5. The general assembly declares that it is the continuing policy of
13 the state, in cooperation with local governments and other concerned
14 public and private organizations, to use all practicable means and
15 measures, including financial and technical assistance, in a manner
16 calculated to create and maintain conditions under which utilities plan for
17 and invest in infrastructure necessary for operation and maintenance while
18 protecting the affordability of utility services for present and future
19 generations of Indiana citizens.

20 *As added by P.L.104-2016, SEC.1.*

21 **Q: Does Ind. Code § 8-1-2-0.5 state how utilities should protect "the affordability of**
22 **utility services for present and future generations of Indiana citizens?"**

23 A: No. Ind. Code § 8-1-2-0.5 does not specifically address *how* utilities should protect the
24 affordability of utility services, other than saying "to use all practicable means and
25 measures." Although a customer assistance program will help eligible low-income
26 customers better afford their sewer bills (Petitioner estimates 15,000 low-income
27 customers will participate in the program), making other non-participating customers
28 (approximately 228,000 customers) fund a customer assistance program makes their
29 sewer rates more *unaffordable*.

1 **Q: Are you concerned that many low-income customers will be charged higher rates if**
2 **the LICAP is approved?**

3 A: Yes. If the LICAP is approved, CWA will be providing sewer service to many low-
4 income customers that may not have enrolled in LICAP, either because they do not meet
5 the qualifications or did not apply. However, based on CWA's proposed funding source,
6 such customers will be subject to paying the proposed \$0.79 LICAP charge every month
7 without any offsetting benefit. On page 7 of his testimony, Mr. Kilpatrick testified that
8 "Citizens has developed a machine-learning model that helps identify residential
9 customers who are at-risk of not being able to afford paying their utility bills." He added
10 that "For CWA, the model has identified approximately 42,000 customers that are most
11 likely to qualify for some type of assistance." However, Petitioner's proposed LICAP
12 Rate has been developed to provide benefits to only 15,000 customers. Therefore, it
13 appears that there may be up to 27,000 customers that are at-risk of not being able to afford
14 their sewer bill, but will not receive LICAP assistance. Rather, those at-risk customers
15 would have to actually pay not only their normal sewer bill, but an additional \$0.79 per
16 month to fund the LICAP.

17 **Q: Has the Commission addressed the establishment of a low income assistance**
18 **program for CWA?**

19 A: Yes. In its July 18, 2016 Order in Cause No. 44685, the Commission denied the creation
20 of a low income assistance fund using non-tariff revenues from a cell tower lease. The
21 Commission found it was not "reasonable to charge captive customers" for assistance to
22 low income customers. The Commission acknowledged that low income customers are
23 increasingly in need and encouraged the utility to continue to develop a program funded
24 through voluntary contributions or through a source of funds that do not affect the revenue

1 requirements. CWA did not present such a program.

2 **Q: Does new language in Ind. Code § 8-1-2-46(c) prohibit CWA from developing a**
3 **customer assistance program that is fully funded by voluntary contributions or from**
4 **sources other than ratepayer funded revenue requirements?**

5 A: No. The legislature modified Ind. Code 8-1-2-46 to indicate that a customer assistance
6 program that affects rates and charges for service is not discriminatory for purposes of
7 that chapter or any other law regulating rates and charges for service. That new language
8 *allows* a utility to charge customers differently based on income through an appropriate
9 customer assistance program. However, as I indicated above, it does not include the
10 authority to establish a charge imposed on other ratepayers to fund a customer assistance
11 program.

12 **Q: Does this new statute affect how CWA should fund its LICAP?**

13 A: No. The fact that a customer assistance program affecting rates and charges is deemed
14 not discriminatory does not automatically mean it is reasonable as a matter of law to
15 require captive ratepayers pay program costs through a special fee. While a special rate
16 for certain customers is no longer considered discriminatory, it remains unreasonable to
17 make captive customers fund a customer assistance program. The LICAP is more
18 appropriately funded by other sources that would not affect CWA's revenue requirement.

19 **Q: Could CWA solicit voluntary contributions to fund the LICAP?**

20 A: Yes. Other than having CEG funding the LICAP from its other business entities, CWA
21 could fund a portion of the LICAP costs by soliciting voluntary contributions. It appears
22 that Citizens Energy Group already solicits funds for the Warm Heart Warm Home
23 program and has used a portion of those funds to assist low-income customers.

24 **Annual Adjustment to the LICAP**

25 **Q: Where does Petitioner propose having the ability to modify the Applicable LICAP**

1 **Rate through an annual reconciliation process?**

2 A: On page 23 of Mr. Kilpatrick's testimony, he states that the initial proposed charge is
3 \$0.79 per month, but to "the extent a funding deficit exists at the conclusion of any given
4 year, the foregoing charge would be modified for reconciliation purposes." On page 27
5 of his testimony, Mr. Kilpatrick shares his proposed methodology to adjust the LICAP
6 charge.

7 **Q: Do you agree that CWA should be able to adjust the Applicable LICAP Rate as**
8 **proposed by Mr. Kilpatrick?**

9 A: No. Mr. Kilpatrick's proposal does not mention any opportunity for the OUCC or any
10 other party to review Petitioner's compliance filing to verify the LICAP costs or respond
11 to any proposed increase with its own filing. If any portion of the LICAP Rate is to be
12 funded by customers, then an appropriate review process needs to be made available
13 before any rate adjustment is approved.

14 **Operating Expense and Bad Debt Expense**

15 **Q: Did CWA make any adjustments to operating expense associated with the LICAP?**

16 A: While Mr. Kilpatrick discusses the benefits of implementing the LICAP including the
17 potential to reduce operating costs, Petitioner did not make any operating and/or
18 administrative expense adjustment attributed to the LICAP program. On pages 14-15 of
19 Mr. Kilpatrick's testimony, he discusses how the public interest is served by instituting
20 the LICAP and that there are direct benefits to non-participating customers. He indicated
21 that "participation will reduce the potential for undue costs for both the customer and
22 utility associated with arrearage – disconnection – reconnection cycle that plagues all too
23 many customers."¹⁰ He also states that "the cost associated with nonpayment is borne by

¹⁰ Verified Direct Testimony of Korlon L. Kilpatrick II, page 14. (Petitioner's Exhibit No. 10)

1 remaining customers, so measures to reduce the incidence of nonpayment convey system-
2 wide benefits.”¹¹ Therefore, if the LICAP is approved by the Commission, Petitioner
3 should make a downward adjustment to operating and/or administrative expense to reflect
4 the estimated reduced cost as a result of the LICAP.

5 **Q: Did Petitioner make any downward adjustment to bad debt expense in association**
6 **with the proposed LICAP?**

7 A: No. In Data Request No. 10.6, the OUCC asked Petitioner “by what amount does CWA
8 anticipate the LICAP program will reduce bad debt?” Petitioner provided the following
9 response:

10 Petitioner objects to the foregoing Data Request to the extent it requests
11 that Petitioner perform a study that does not presently exist. Subject to and
12 without waiving the foregoing objection, Petitioner states that it has not
13 calculated the expected reductions in bad debt related to the proposed
14 LICAP. Any reduction in bad debt resulting from the LICAP is not fixed,
15 known, or measureable.

16 Therefore, Petitioner proposes to charge customers 100% of the LICAP cost, but despite
17 the testimony of Mr. Kilpatrick that there are direct benefits to non-participating
18 customers, Petitioner does not propose to provide any financial benefit to those customers
19 by way of a reduced operating, administrative or bad debt expense. If the LICAP is
20 approved, Petitioner should be ordered to quantify the reduced costs and make the
21 necessary accounting adjustments to provide that benefit to ratepayers.

IV. SUCCESS OF THE LICAP

22 **Q: How does CWA plan to measure the LICAP's success?**

23 A: Mr. Kilpatrick does not disclose or describe specific metrics that will be used to determine

¹¹ Verified Direct Testimony of Korlon L. Kilpatrick II, page 14-15. (Petitioner's Exhibit No. 10)

1 LICAP's success.

2 **Q: How should CWA measure the success of the LICAP?**

3 A: If the Commission were to approve LICAP's implementation, specific metrics or
4 measures should be established to gauge the program's success. In addition, Petitioner
5 should be required to report annually to the Commission and the OUCC the measurement
6 results, including participation levels.

7 **Q: What metrics could be established to determine the LICAP's success level?**

8 A: The USEPA document titled "Drinking Water and Wastewater Utility Customer
9 Assistance Programs" (April 2016)¹² identifies several ways to gather data and measure
10 success. This document is described as follows: "This compendium is an effort by EPA's
11 Water Infrastructure and Resiliency Finance Center ("WIRFC") to document how
12 drinking water and wastewater utilities are implementing customer assistance programs
13 to provide better access to essential drinking water delivery and wastewater management
14 services." The data gathered and measures of success include the following:

- 15 • **Termination of Service.** How many households have had their water shut
16 off each year?
- 17 • **Payment Agreements.** How many payment plans have been developed
18 and how many have been successfully completed?
- 19 • **Money at Risk.** What is the total value of accounts in arrears?
- 20 • **Customers in Arrears.** How many accounts have past-due bills that are
21 not on a payment plan?
- 22 • **Weighted Arrears.** What is the value of arrears not subject to deferred
23 payment divided by the average monthly bill?

24 Other possible metrics include:

- 25 • **Participation Rate.** How many customers participate in the program?
26 What percent of eligible households participate?
- 27 • **Dollar Value of Assistance.** How much assistance has been disbursed
28 directly to customers as a result of the program?
- 29 • **Water Efficient Metrics.** How many water-efficient devices have been

¹² Drinking Water and Wastewater Utility Customer Assistance Programs (USEPA, April 2016), p. 25.

1 installed and how many repairs have been made to leaking pipes?

- 2 • **Demand.** Is the demand for assistance higher or lower than expected? Is
- 3 the resource level available for assistance too great or not sufficient?
- 4 • **Financial Performance Metrics.** Has the utility's financial position
- 5 improved over time?

6 **Q: What do you recommend Petitioner be required to do to evaluate success?**

7 A: If Petitioner is authorized to implement the LICAP, Petitioner should be ordered to work
8 with the OUCC and other parties to establish performance metrics that evaluate the
9 program's success.

V. RECOMMENDATIONS

10 **Q: What are your recommendations for the Low-Income Customer Assistance**
11 **Program?**

12 A: I recommend the Commission approve the establishment and implementation of a low-
13 income customer assistance program as generally outlined by Petitioner. However, I
14 recommend the Commission condition the authority to implement the program on CWA
15 procuring program funds through sources other than its proposed customer charge (Rider
16 C). I further recommend the Commission require CWA to gather data and establish
17 metrics to measure LICAP's participation and success.

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

19 A: Yes.

APPENDIX A

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

2 A: I have a Bachelor of Science degree in Industrial Management, with a minor in Industrial
3 Engineering from Purdue University. I began working for the Indiana Utility Regulatory
4 Commission ("Commission") in 1988 as a Staff Engineer. In 1990, I transferred to the
5 OUCC at the time of the reorganization of the Commission and the OUCC. In 1999, I
6 was promoted to the position of Assistant Director and in 2005 I was promoted to the
7 position of Director of the Water / Wastewater Division. During my term as Director, I
8 have served on the Water Shortage Task Force, created by SEA 369 in the 2006 General
9 Assembly and the Water Resources Task Force, created by HEA 1224 in the 2009 General
10 Assembly. I am a member of the American Water Works Association ("AWWA") and
11 have attended numerous utility related seminars and workshops including the Western
12 Utility Rate Seminar sponsored by the National Association of Regulatory Utility
13 Commissioners ("NARUC"). I also completed additional coursework regarding water
14 and wastewater treatment at Indiana University-Purdue University at Indianapolis
15 ("IUPUI").

16 **Q: Have you previously testified before the Commission?**

17 A: Yes. I have testified in many causes relating to telecommunications, natural gas, electric,
18 water, and wastewater utilities. During the past eighteen (18) years, I have testified
19 exclusively on water and wastewater utility issues. Some of those issues included the
20 reasonableness of cost of service studies, rate design, fair value, Replacement Cost New
21 Less Depreciation ("RCNLD") studies, engineering-related operation and maintenance
22 expenses, capital improvement projects, non-revenue water and water conservation.

Low-Income Customer Assistance Program Rate Determination

CWA Authority, Inc.
Attachment KLK-6

Line No.	A	B	C	D	E	F	G	H	I
	FY 2017			FY 2018		FY 2017/2018 Combined		Proposed Tier Distribution	Estimated Participants
	Tier	Participants	Tier Distribution	Participants	Tier Distribution	Participants	Tier Distribution		
1	10%	1,965	32.17%	1998	38.25%	3,963	34.97%	30.00%	4,500
2	18%	3,582	58.64%	2956	56.60%	6,538	57.70%	60.00%	9,000
3	25%	561	9.18%	269	5.15%	830	7.33%	10.00%	1,500
4	Average Monthly Bill (incl. 6 Ccf, SIA 2 and LICAP rate)				\$	61.01			
	Tier	Participants	Discount	Annual Cost					
5	10%	4,500	\$ 6.10	\$ 329,400					
6	18%	9,000	\$ 10.98	1,185,840					
7	25%	1,500	\$ 15.25	<u>274,500</u>					
8	Total Estimated Cost of Bill Discount			\$ 1,789,740					
9	Infrastructure Fund			<u>500,000</u>					
10	Total Estimated Cost of LICAP			\$ 2,289,740					
11	Annual Bills applicable to LICAP			2,903,709					
12	Proposed LICAP Rate			\$ 0.79					

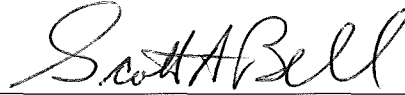
Low-Income Customer Assistance Program Rate Determination

CWA Authority, Inc.
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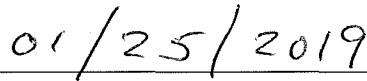
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11	Annual Bills applicable to LICAP			2,903,709					
12	Proposed LICAP Rate			\$ 0.79					

AFFIRMATION

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



By: Scott A. Bell
Cause No. 45151
Indiana Office of
Utility Consumer Counselor



Date: