

PETITIONER'S EXHIBIT 1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF ANDERSON,)
INDIANA, FOR (1) AUTHORITY ADJUST ITS)
RATES AND CHARGES THROUGH A FIVE-)
STEP RATE IMPLEMENTATION; AND (2))
FOR AUTHORITY TO ISSUE LONG-TERM)
DEBT TO FINANCE WATER SYSTEM)
IMPROVEMENTS)

CAUSE NO. 46171

**PREFILED DIRECT TESTIMONY AND EXHIBITS
OF NEAL L. McKEE**

Direct Testimony of Neal L. McKee

Petitioner's Exhibit 1

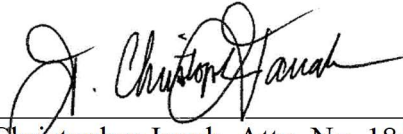
Petition

Attachment NLM-1

Table of 2015 Rate Case Requirements

Attachment NLM-2

Respectfully submitted,



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IMPROVEMENTS)**

CAUSE NO. _____

VERIFIED PREFILED DIRECT TESTIMONY OF

NEAL L. McKEE

ON BEHALF OF

CITY OF ANDERSON, INDIANA

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I.
Introduction

1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Neal L. McKee and my business address is the City of Anderson Water Utility, 550 Dale Keith Jones Road, Anderson, Indiana 46011.

2. MR. McKEE, HOW ARE YOU EMPLOYED?

A. I am employed by the City of Anderson Water Utility as its Director.

3. HOW LONG HAVE YOU BEEN EMPLOYED BY THE CITY OF ANDERSON WATER UTILITY?

A. I have been employed by the City of Anderson Water Utility for approximately 8 years and 8 months.

4. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL STATUS.

A. I have a Bachelor of Science in Public Health and Environmental Science from Indiana University. Throughout my career, I have obtained several certifications, including an Indiana WT5 Drinking Water Certification, WT3 Drinking Water Certification, DSL Indiana Drinking Water Certifications, and Class 2 and Class A Indiana Wastewater Certifications.

5. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE?

A. I have been employed in the water and wastewater industry since 1987. I began as a Water and Wastewater Plant Operator for the United States Air Force at Chanute Air Force Base,

1 Illinois. After my honorable discharge from the Air Force in 1991, I spent a year as a
2 general laborer at Indianapolis Water Company. In April of 1992, I began my career at
3 Indiana American Water Company in Shelbyville, Indiana, as a meter reader. I also held
4 the position of Work Coordinator for Indiana American Water in the Wabash District from
5 1997 through 1999 coordinating daily workflow in the operations. In 1999, I was hired as
6 an Operations Manager for Hamilton Western Utilities in Carmel/Westfield.

7 While at Hamilton Western, I managed operations, production, distribution, and customer
8 service. When Hamilton Western sold the utility in 2002, I was fortunate to have the
9 opportunity to work with a company that was attempting to start a water utility from the
10 ground up in Central Indiana. At Southern Madison Utilities, I served as project manager
11 for construction of a new 1.5 MGD plant as well as the installation of 9.5 miles of water
12 main. After construction was completed, I moved into the role of Vice President and
13 General Manager of the Utility.

14 When my contract expired with Southern Madison Utilities in 2008, I returned to Indiana
15 American Water Company, where I served as Operations Supervisor in the company's
16 Muncie District from 2008-2012. In 2012, I was promoted to Operations Superintendent
17 in the West Lafayette District, where I supervised both distribution and production
18 personnel and managed the annual budget for the operation. In 2013, I was promoted to
19 Operations Superintendent at the Noblesville Operations where I supervised both
20 distribution and production personnel and managed the annual budget for the operation, as

1 well as developer installed projects. In 2016, I left Indiana American Water to accept
2 another promotion with the City of Anderson, Indiana, as its Director of the Water Utility.
3 I have been the Director of the Water Utility from February 2016 to the present.

4 **6. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. The purpose of my testimony is to support Anderson's request for authority to adjust its
6 rates and charges and for authority to finance up to \$130 million for improvements
7 necessary for Anderson's system, as described in the Preliminary Engineering Report
8 ("PER") provided by witness Lori A. Young. My testimony describes: (i) Anderson's
9 requested relief; (ii) Anderson's existing water facilities; (iii) the separate, pending
10 proceeding to establish an expansion to Anderson's service area; (iv) Anderson's
11 compliance with the requirements of the Commission's 2015 Rate Order; (v) Anderson's
12 prospective capital improvement needs and other drivers for Anderson's rate adjustment
13 request; and (vi) an overview of Anderson's requested rate adjustment and financing
14 authorization.

15 **7. DOES ANDERSON PRESENT OTHER WITNESSES IN SUPPORT OF ITS**
16 **PETITION?**

17 A. Yes. Anderson also provides testimony of (i) Lori A. Young, P.E., to describe the
18 Preliminary Engineering Report ("PER") that analyzes and recommends the needs,
19 recommended timing, and financing options for Anderson's specific water utility system
20 projects; (ii) Jennifer Z. Wilson, who presents Anderson's accounting information which

1 yields Anderson's proposed revenue, debt, and debt service requirements; and (iii) Mark
2 C. Beauchamp, who presents his cost of service study ("COSS"), which includes Ms.
3 Wilson's revenue requirements and provides Anderson's proposed rate adjustment and rate
4 design.

5 **II.**
6 **Relief Requested**

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8 **8. HAVE YOU REVIEWED THE PETITION INITIATING THIS CAUSE?**

9 A. Yes, I have. For the Commission's convenience, I have attached a copy of the Petition
10 to my testimony (together with the Exhibits to the Petition) as **Attachment NLM-1.**
11 As stated in the Petition, Anderson seeks approval of an adjustment to its water rates
12 and charges and for financing authority as approved by the Anderson Common Council
13 on November 18, 2024 in Ordinance 38-24 and 38-24, respectively, copies of which is
14 attached to the Petition as Exhibit A).

15 **9. DOES THE PETITION ACCURATELY DESCRIBE ANDERSON'S**
16 **INTENTIONS IN THIS CASE?**

17 A. Yes, it does. Anderson's request is two-fold. First, Anderson seeks approval to adjust
18 its rates and charges for water service. Second, Anderson seeks authority to issue long
19 term debt to fund construction of certain capital improvements.

20
21 **III.**
22 **Anderson's Water Utility**

23 **10. MR. McKEE, CAN YOU BRIEFLY DESCRIBE ANDERSON'S WATER**

1 **UTILITY?**

2 A. Yes. Anderson currently provides water service in and outside of Anderson's boundaries
3 and has approximately 23,300 active customers. It currently has two separate water
4 treatment plants, including the Lafayette water treatment plant ("Lafayette Plant") and the
5 Wheeler Avenue water treatment plant ("Wheeler Plant"). Currently, the Lafayette Plant
6 has a capacity of 10 MGD and the Wheeler Plant has a capacity of 4.5 MGD. The
7 distribution system consists of approximately 420 miles of water main, ranging in size from
8 two (2) inch to thirty (30) inch. Currently, there are twelve (12) inch and larger transmission
9 and distribution mains located on the south, southwest, and southeast areas of Anderson at
10 or near the area where the Town of Pendleton and Anderson's proposed water service areas
11 overlap (the "Disputed Area") – which I discuss in more detail below. Anderson also has
12 seven (7) water storage tanks that store approximately a total of 6.5 million gallons of water
13 and an additional 2.6 million in ground storage with backup generation.

14 **11. WHAT IS THE MAIN SOURCE OF ANDERSON'S WATER SUPPLY?**

15 A. Anderson has made it a priority to provide its own source of water through wells. Anderson
16 currently has two separate well fields with each well field supplying its respective treatment
17 plant (i.e., the Lafayette Plant and Wheeler Plant). The Wheeler wellfield has eight (8)
18 wells ranging in capacity from 200 GPM to 1,000 GPM. The Lafayette Wellfield has nine
19 (9) wells ranging from 150 GPM to 1,400 GPM. In 2016 and 2018, Anderson purchased
20 two (2) mobile generators to support its wells in the event of power outages. As discussed

1 later in my testimony and the testimony of Lori A. Young, Anderson has made significant
2 efforts and financial investments to locate additional water source areas through test wells
3 and test production wells. For example, Anderson commissioned a hydrogeological study
4 in 2017, which remains ongoing. Based on this study, Anderson has already identified
5 eighteen (18) properties that have potable water and have drilled seventeen (17) test wells
6 and two (2) production test wells. Additional engineering details of Anderson's system and
7 a copy of the hydrogeological study are included in the PER attached to Ms. Young's
8 testimony.

9 **12. WHAT ARE ANDERSON'S CURRENT RATES AND CHARGES?**

10 A. Anderson's current charge for 4,000 gallons is \$24.31, plus a \$2.67 fire protection charge
11 for a 5/8th inch meter. Anderson's current rates and charges were approved by the
12 Commission's March 4, 2015 Order in Cause No. 44510 (the "2015 Rate Order").

13 **13. SINCE YOU BECAME THE DIRECTOR OF ANDERSON'S WATER UTILITY IN**
14 **2016, WHAT TYPE OF IMPROVEMENTS HAS THE UTILITY MADE TO ITS**
15 **SYSTEM AND OPERATIONS?**

16 A. Since I became Director of Anderson's Water Utility (and since Anderson's last rate case),
17 Anderson has made significant improvements to upgrade its water treatment, production,
18 distribution, transmission, and administrative operations. For example, in 2019, Anderson
19 replaced its 4.5 MGD Lafayette Treatment Plant with a new 10 MGD Plant. Also, since
20 2019, Anderson has drilled four (4) new wells in the Lafayette Wellfield to replace four (4)

1 wells that were past their useful life, which were originally drilled in the 1960's. Anderson
2 also replaced 20,000 feet of old two (2) inch and three (3) inch galvanized water mains in
3 and around the Homewood Development, thereby increasing water pressure and enabling
4 the installation of fire hydrants, and also installed a booster station to move water from the
5 Fairview Tank to the Park Road Tank for additional water storage and increased fire
6 protection and service to the Southwest portion of Anderson's distribution system serving
7 its larger industrial users. To assist Anderson with its ongoing water improvements,
8 Anderson developed an Asset Management Plan in September 2017 to operate as a guide
9 for maintaining, renewing, and replacing assets. In conjunction with this, Anderson has
10 also established a valve database and valve exercising program, a small diameter, steel
11 main replacement program, water main and service line database, and a computerized
12 maintenance management system program to assist with ongoing system maintenance.
13 Anderson also entered into a twenty (20) year storage tank maintenance and inspection
14 program with Suez in January of 2018, which results in annual inspections for all tanks.
15 Since this time, Anderson has also painted five (5) of its seven (7) elevated storage tanks.
16 Anderson also specifically established a restricted tank and well maintenance fund in 2017
17 to fund ongoing tank and well maintenance expenses. In addition, Anderson has also started
18 a leak detection program through "Zonescan," a software by Gutterman Technologies that
19 reports through Anderson's advanced metering infrastructure ("AMI") system. This has
20 also been instrumental in Anderson's efforts with its water loss program, which assists with

1 leak detection and leak elimination. Since 2014, Anderson has reduced its water loss from
2 a high in 2019 of 38.6% to 34% for 2023. Of course, Anderson has made other
3 improvements than these since I began working for Anderson, but these are some of the
4 significant improvements Anderson has made since I started in 2016 and since Anderson's
5 last rate case.

6 **IV.**
7 **Pending Anderson Service Area Proceeding**

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9 **14. IS ANDERSON A PARTY TO ANY OTHER PENDING COMMISSION**
10 **PROCEEDINGS?**

11 A. Yes. Anderson is a party in Cause Nos. 46087 and 46147 pending before this Commission,
12 which involve the Disputed Area where both Anderson and the Town of Pendleton, Indiana
13 are seeking authority to provide water service. I have filed testimony in Cause No. 46087,
14 which I incorporate by reference into my testimony in this proceeding. I refer to the
15 Anderson Service Area as the entirety of Anderson's existing service area plus the area
16 Anderson seeks to serve.

17 **15. PLEASE BRIEFLY DESCRIBE WHY ANDERSON BELIEVES IT SHOULD**
18 **SERVE THE DISPUTED AREA.**

19 A. For at least a couple of years, Anderson has been planning to expand its existing facilities
20 and construct new facilities that can be used to provide service to its existing customers, as
21 well as to certain areas within unincorporated Madison County, Indiana, all comprising the
22 Anderson Service Area. The Anderson Service Area was selected due to the fact that it is

1 immediately adjacent to Anderson's existing facilities, making the area a logical extension
2 of Anderson's existing service. It also encompasses areas where Anderson has invested
3 resources in planning to serve. On September 12, 2024, Anderson adopted Ordinance No.
4 27-24, Anderson's water regulatory ordinance ("Regulatory Ordinance") which is currently
5 before the Commission for approval.

6 **V.**

7 **Anderson's Compliance with 2015 Rate Order**

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9 **16. PLEASE DESCRIBE THE REQUIREMENTS ASSOCIATED WITH THE**
10 **COMMISSION'S 2015 RATE ORDER.**

11 A. In Anderson's last base rate case, the Commission approved a Settlement Agreement
12 between Anderson and the Indiana Office of Utility Consumer Counselor. The Settlement
13 Agreement imposed several requirements on Anderson, which I have identified in the table
14 shown in **Attachment NLM-2** to my testimony. The table identifies which requirements
15 are addressed by me, Lori Young, and Jennifer Wilson.

16 **17. PLEASE DESCRIBE ANDERSON'S PROGRESS TOWARD COMPLYING WITH**
17 **THE COMMISSION'S 2015 RATE ORDER.**

18 A. I provide information on Anderson's compliance with fifteen requirements of the
19 Commission's 2015 Rate Order, which I summarize in **Table NLM-1** below. I provide
20 details on Anderson's compliance with: (A) Operations and Planning, (B) Restricting
21 Funding; (C) Reporting & Meeting; (D) Other Reporting Requirements; and (E) Other
22 Obligations.

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Table NLM-1

Category	Sub-Category	Requirement
Operations & Planning	Strategic Planning and Other Planning	Anderson will develop Requests for Qualifications (RFQs) for a qualification-based selection of consultants for strategic planning activities as required in this Agreement. Within eighteen (18) months of the issuance of the final order in this Cause, Anderson will develop a Strategic Plan. (See VII.D.3 below regarding reporting.) Within six (6) months of the final order in this Cause, Anderson will contract with a professional consultant(s) to begin working on the Strategic Plan and assist, as appropriate, in the development of the Capital Improvement Plan, the Tank Maintenance Prioritization Plan, the Scope of Services and Study Schedule, the Asset Management Plan, and the Flushing Plan.
Operations & Planning	Other Studies	Assess its smart grid system (see VII.D.2 below for reporting)
Operations & Planning	Asset Management	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause, establish an asset management team to develop a written asset management plan, including: (a) an asset condition assessment for renewal/replacement planning, (b) valve database, (c) valve exercising program, (d) small diameter water main and steel water main replacement program, (e) water main and service line database, and (f) development or purchase, and implementation, of computer maintenance management system software to help the Anderson schedule, track, and monitor O&M activities and resources.
Operations & Planning	Flushing	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause, develop and implement a comprehensive flushing plan for its water system and its hydrants.
Restricting Funding	Criteria & Notice Requirements	Reasonable notice requirements means notification (within 30 days) to the IURC and the OUCC after any monies from either the depreciation fund or the well and tank maintenance fund are used to pay debt service. The notice will include the amount of funds used to pay debt service and the date the funds were paid out for that purpose.
Reporting & Meeting	Quarterly & Annual Meetings with OUCC	During the first 12 months in which Anderson's Phase I rates are in effect, Anderson will meet with the OUCC on a quarterly basis to discuss its progress in developing such RFQs and its selection of consultant(s). Anderson will meet with the OUCC on a semi-annual basis for the following two years to discuss ongoing progress of its strategic planning activities.
Reporting & Meeting	Reports in Connection with Meetings	Prior to each quarterly and semi-annual meeting, Anderson will provide the OUCC a summary cash flow statement reflecting total cash inflows and total cash outflows for the period being reported. The summary of

		cash flows must show a breakdown of cash outflows by category – i.e., operating expenses, debt service, PILT paid to City, funds deposited in depreciation fund, funds deposited in well and tank maintenance fund, etc.
Reporting & Meeting	Reports in Connection with Financing	Within thirty (30) days of closing on is proposed long-term debt issuance, Anderson will file a report with the Commission and serve a copy on the OUCC, disclosing the terms of the new financing, including an amortization schedule, the amount of debt service reserve and a breakdown of all issuance costs by payee or vendor. Anderson will copy the OUCC on any notice Anderson gives to the lenders pursuant to the terms of the Bond Ordinances pertaining to the use of monies in the Reserve Account within the Sinking Fund.
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a report to the OUCC and the Commission describing its plan to comply with AWWA G200-09 Standard for Treated Water Storage Facilities, Section 4.3.1 (see IV.C above).
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a report to the Commission, copying the OUCC, on its assessment of its smart grid system (see IV.D.2).
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a copy of its Strategic Plan, including a copy of the written asset management plan, to the Commission, copying the OUCC (see IV.A. above).
Other Reporting Requirements (to be performed within 18 months of final order)		Report, in writing, the balances, including a schedule showing the deposit and withdrawal activity, within depreciation fund and the well and tank maintenance fund to the OUCC at the same time Anderson submits its Annual Report to the Indiana Utility Regulatory Commission (see IV.D. above).

Other Reporting Requirements (to be performed within 18 months of final order)		If either the Lease with Chase or the Guaranteed Savings contract is terminated or otherwise amended to remove the City's obligation to Chase or the obligation of Johnson Controls to provide Measure & Verification and Consultation services, Anderson agrees to notify the OUCC of such termination or amendment within thirty (30) days of such termination or amendment. (See VII above.)
Other Obligations	Retention of Internal Water System Reports	After 2014, Anderson will retain all final engineering reports, designs, studies, planning studies, cost estimates, evaluation reports, inspections, cost quotes, and bids prepared by, or on behalf of, Anderson in electronic format.
Other Obligations	Cost of Service Study	Anderson will conduct a Cost of Service Study for its next general water rate case before the Commission.

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A. Operations & Planning

18. IN CONNECTION WITH STRATEGIC PLANNING, DID ANDERSON ISSUE REQUESTS FOR QUALIFICATIONS (RFQS) FOR A QUALIFICATION-BASED SELECTION OF CONSULTANTS FOR STRATEGIC PLANNING ACTIVITIES; DEVELOPED A STRATEGIC PLAN; CONTRACTED WITH A PROFESSIONAL CONSULTANT(S) TO BEGIN WORKING ON THE STRATEGIC PLAN, AND CAPITAL IMPROVEMENT PLAN, TANK MAINTENANCE PRIORITIZATION PLAN, SCOPE OF SERVICES AND STUDY SCHEDULE, ASSET MANAGEMENT PLAN, AND FLUSHING PLAN?

A. Yes. Anderson conducted an RFQ for strategic planning and hired American Structure Point for its strategic planning process. The strategic plan was completed in 2016. Anderson hired its tank consultant, Tank Infrastructure Consultants, on August 19, 2015.

1 Anderson began its asset condition assessment in 2016, which is ongoing.

2 **19. HAS ANDERSON ASSESSED ITS SMART GRID SYSTEM?**

3 A. Yes. Anderson contracted with American Structure Point for assessment of its smart grid
4 system in November, 2015. In June, 2019, Anderson began using the Zonescan software
5 by Gutterman Technologies for leak detection, which reports through Anderson's AMI
6 system.

7 **20. AS PART OF ITS STRATEGIC PLANNING FOR ASSET MANAGEMENT, DID**
8 **ANDERSON ESTABLISH AN ASSET MANAGEMENT TEAM TO DEVELOP A**
9 **WRITTEN ASSET MANAGEMENT PLAN, INCLUDING: (A) AN ASSET**
10 **CONDITION ASSESSMENT FOR RENEWAL/REPLACEMENT PLANNING, (B)**
11 **VALVE DATABASE, (C) VALVE EXERCISING PROGRAM, (D) SMALL**
12 **DIAMETER WATER MAIN AND STEEL WATER MAIN REPLACEMENT**
13 **PROGRAM, (E) WATER MAIN AND SERVICE LINE DATABASE, AND (F)**
14 **DEVELOPMENT OR PURCHASE, AND IMPLEMENTATION, OF COMPUTER**
15 **MAINTENANCE MANAGEMENT SYSTEM SOFTWARE TO HELP THE**
16 **ANDERSON SCHEDULE, TRACK, AND MONITOR O&M ACTIVITIES AND**
17 **RESOURCES?**

18 A. Yes. Anderson began its asset condition assessment in 2016. The water distribution system
19 modeling was conducted by CHA Consultants, Inc. Anderson completed its valve database
20 in 2016, and developed a valve exercising program in 2016 and began working the valves

1 identified by the hydraulic model. As part of Anderson's 10-year Capital Improvement
2 Plan, it identified problem and critical areas, created maps and a spreadsheet of all main
3 breaks annually. Anderson replaced 20,000 feet of main in 2016-2017. Anderson also
4 implemented GIS mapping for mains and service lines. In 2019, Anderson purchased
5 Ziptility software for ticket/work order management. On November 18, 2018, Anderson
6 entered a 20-year tank maintenance and inspection program with Suez, and has inspected
7 all tanks annually. Anderson has painted 5 of its 7 elevated tanks to date.

8 **21. AS PART OF ITS STRATEGIC PLANNING, HAS ANDERSON DEVELOPED**
9 **AND IMPLEMENTED A COMPREHENSIVE FLUSHING PLAN FOR ITS**
10 **WATER SYSTEM AND HYDRANTS?**

11 A. Yes. Anderson contracted with American Structure Point in 2015 for consulting services
12 on its flushing program. Anderson completed its hydrant database and conducted limited
13 flushing in 2016. Anderson implemented its full annual flushing program in April, 2017.

14 **B. Restricting Funding**

15 **22. HAS ANDERSON PROVIDED REASONABLE NOTICE TO THE COMMISSION**
16 **AND OUCC AFTER ANY MONIES FROM EITHER THE DEPRECIATION**
17 **FUND OR THE WELL AND TANK MAINTENANCE FUND WERE USED TO**
18 **PAY DEBT SERVICE, INCLUDING THE AMOUNT OF FUNDS USED TO PAY**
19 **DEBT SERVICE AND THE DATE THE FUNDS WERE PAID OUT FOR THAT**
20 **PURPOSE?**

1 A. There have been no such debt service transfers.

2 **C. Reporting & Meeting**

3 **23. DURING THE FIRST 12 MONTHS AFTER ANDERSON'S PHASE I RATES FROM THE**
4 **2015 ORDER WERE IN EFFECT, DID ANDERSON MEET WITH THE OUCC ON A**
5 **QUARTERLY BASIS TO DISCUSS PROGRESS IN DEVELOPING THE RFQS AND**
6 **CONSULTANT SELECTION, AND MEET SEMI-ANNUALLY FOR THE FOLLOWING**
7 **TWO YEARS TO DISCUSS ONGOING PROGRESS OF ITS STRATEGIC PLANNING**
8 **ACTIVITIES?**

9 A. Anderson's counsel contacted counsel for the OUCC, and the OUCC staff contacted
10 Anderson's personnel during this time.

11 **24. PLEASE DESCRIBE ANDERSON'S EFFORTS TO MEET AND CONFER WITH**
12 **THE OUCC FOLLOWING THE 2015 RATE ORDER.**

13 A. Within the first year following the 2015 Rate Order, counsel for Anderson sent in email to
14 counsel for the OUCC asking to speak about the status of the tasks Anderson had completed
15 and to have a meeting consistent with the Order. At that time, counsel for the OUCC did
16 not respond and counsel for Anderson did not follow up. Approximately two (2) years ago,
17 Anderson began meeting with the OUCC in preparation for the rate case. Anderson shared
18 with the OUCC Anderson's progress and findings (including its strategic plan activities),
19 the proposed improvements, and the proposed rate increase at that time. Because the
20 Anderson City Council did not vote to approve the rate increase, Anderson did not move
21 forward with a rate case at that time. However, over the last two (2) years, counsel for

1 Anderson and the OUCC have had several conversations that included OUCC staff
2 regarding the status of the rate increase, timing, etc.

3 **25. IN CONNECTION WITH FINANCING AND WITHIN THIRTY (30) DAYS OF CLOSING**
4 **ON LONG-TERM DEBT ISSUANCE, DID ANDERSON FILE A REPORT WITH THE**
5 **COMMISSION AND SERVE THE OUCC, DISCLOSING THE REQUIRED TERMS OF**
6 **THE NEW FINANCING, AND COPY THE OUCC ON ANY NOTICE TO LENDERS**
7 **PURSUANT TO THE TERMS OF THE BOND ORDINANCES PERTAINING TO THE**
8 **USE OF MONIES IN THE RESERVE ACCOUNT WITHIN THE SINKING FUND?**

9 A. Yes. Anderson filed the terms and conditions of its debt issuance on June 7, 2016.

10 **D. Other Reporting Requirements**

11 **26. DID ANDERSON PROVIDE A REPORT TO THE OUCC AND THE**
12 **COMMISSION DESCRIBING ITS PLAN TO COMPLY WITH AWWA G200-09**
13 **STANDARD FOR TREATED WATER STORAGE FACILITIES?**

14 A. Since I joined Anderson in 2016, I do not know whether this report was provided.

15 **27. DID ANDERSON PROVIDE REPORTS ON ITS ASSESSMENT OF ITS SMART**
16 **GRID SYSTEM?**

17 A. In June, 2019, Anderson began using the Zonescan software by Gutterman Technologies
18 for leak detection, which reports through Anderson's AMI system. Anderson's counsel
19 may have apprised the OUCC on this development in conversations that occurred in the
20 past two years.

21 **28. DID ANDERSON REPORT, IN WRITING, THE BALANCES, INCLUDING A**

1	Hydrogeological Investigation	\$150,000/year
2	<u>Service Fleet Replacement</u>	<u>\$372,400/year</u>
3	Total Annual Rolling Short-Term Cap	\$2,842,400 per year

4 Ms. Wilson provides further explanation of Anderson's proposal to build up to this amount
5 through the phased rate increase, with funding of \$1,000,000 per year for Phases I – IV,
6 then full funding in Phase V.

7 **34. MR. McKEE, PLEASE COMMENT ON THE NEED AND REASONABLENESS**
8 **OF THE CIP.**

9 A. In my opinion, the CIP is both reasonable and necessary so that Anderson may continue to
10 provide reasonably adequate water service to its customers in the future. These projects are
11 needed due to the aging conditions, reduced capacity, and leaks in Anderson's drinking
12 water wells as well as the need for a new source of supply for the long term performance
13 of the water utility. Anderson's treatment plant is aging, with declining performance
14 system, and the system experiences too many breaks in its distribution mains and service
15 lines. The water main infrastructure is 50-80 years old. Anderson also needs to address lead
16 service lines, removal of PFAS, and other regulatory concerns. Ms. Young provides
17 additional detail in her testimony and the PER.

18 **35. PLEASE DESCRIBE SOME OF THE MAJOR PROJECTS TO BE FUNDED BY**
19 **THE PROPOSED FINANCING ALONG WITH THEIR ASSOCIATED**
20 **ESTIMATED COSTS.**

1 A. Ms. Young provides details on the eleven proposed projects and the preliminary opinion
2 of probable cost of each project, with a cumulative total of \$95,368,900.00, which does not
3 include non-construction related costs and contingencies. The projects involve the
4 replacement of the water treatment plan, South Side wells, and several mains and service
5 lines.

6 **36. PLEASE DESCRIBE ANDERSON'S PROPOSAL FOR PHASING IN THE**
7 **PROJECTS.**

8 A. The projects are proposed to be implemented in three phases, which will allow Anderson
9 to also phase in necessary rate adjustments over a longer period. Ms. Young provides
10 greater detail in her testimony, but at a high level, the first phase of projects is
11 recommended based on water main and service line leak history, lead service lines
12 replacement needs and elimination of 2" galvanized water mains. The proposed south side
13 water supply wells and treatment plant are recommended for Phase II to provide time to
14 complete well siting, complete land acquisition and design the water treatment plant and
15 wells. The final phase will include Belmont water main and service lines; Brentwood
16 service line replacements; Indiana Meadows service line replacements; and Historic
17 District service line replacements.

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VII.

Requested Rate Adjustment and Financing Authority

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37. PLEASE PROVIDE AN OVERVIEW OF ANDERSON'S REQUESTED RATE

1 **ADJUSTMENT.**

2 A. As described by Ms. Wilson and Mr. Beauchamp in greater detail, Anderson seeks a 5-
3 phase rate adjustment where rates increase: (i) in Phase I (upon the effective date of the
4 Commission's Order) by 24.1% from Anderson's current rates; (ii) in Phase II, effective
5 January 1, 2026, by 5.2% from Phase I rates; (iii) in Phase III, effective January 1, 2027,
6 by 24.5% Phase II rates; (iv) in Phase IV, effective January 1, 2028, by 19.2% from Phase
7 III rates; and (v) in Phase V, effective January 1, 2029, by 14.3% from Phase IV rates. Ms.
8 Wilson further provides support for Anderson's request for approval of its non-recurring
9 and system development charges.

10 **38. PLEASE COMMENT ON THE OVERALL AFFORDABILITY OF ANDERSON'S**
11 **CURRENT AVERAGE WATER BILL AND THE AVERAGE BILL THAT WILL**
12 **BE IN PLACE IN PHASE V.**

13 A. According to the Commission's 2024 Annual Report, Anderson's current average monthly
14 water bill (including a 5/8" meter fire protection surcharge) is \$24.33. The Annual Report
15 indicates that out of the 50 water utilities whose rates are included in the Commission's
16 residential water bill survey, Anderson's average water bill is lower than approximately 43
17 other water utilities. Although it is impossible to know what other water utility rates will
18 be in the future, I believe it is likely that when Anderson's Phase V rates are in place,
19 Anderson's average monthly water bill will be remain generally aligned with the average
20 water bills for several utilities.

1 **39. PLEASE PROVIDE AN OVERVIEW OF ANDERSON'S REQUESTED**
2 **FINANCING AUTHORITY.**

3 A. Ms. Wilson and Ms. Young provide additional details, but at a high level, Anderson has
4 made considerable efforts over the past year discussing the proposed facilities with the SRF
5 Program. The SRF Program has indicated willingness to finance these facilities in three (3)
6 different bond issues with the first issue being done in the SRF Program's 2025 Fiscal
7 Year. The SRF Program has, in turn, reviewed the Anderson PER and formal approval is
8 expected in the next few months. Anderson is exploring borrowing options with SRF that
9 include zero percent interest loans, forgivable loans, subsidized loans, and, if needed,
10 participation in the SRFs pooling program. Anderson qualifies for special funding as a
11 Disadvantaged Community with Median Household Income of \$44,974. Anderson also
12 qualifies for Lead Service Line Replacement SRF funding for replacement of lead service
13 lines and galvanized service lines in need of replacement. Anderson will apply for these
14 programs and strive to access funding to the extent possible in each of the three project
15 phases. Anderson will pursue funding through these programs and the SRF subsidized
16 funds, but due to the amount of funding required, the SRF pooled funds will likely be
17 necessary for a portion of the project funding.

18
19
20

VIII.
Recommendation and Conclusion

21 **40. WHAT DO YOU RECOMMEND TO THE COMMISSION?**

1 A. I recommend that the Commission approve Anderson's requested rate adjustment and
2 authorize Anderson to incur long-term debt not to exceed \$120 million so that it may
3 implement the projects and initiatives identified in the Anderson PER.

4 **41. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes, it does.


6 4890280.1

7

City of Anderson, IN
Direct Testimony of Neal L. McKee
Petitioner's Exhibit 1
Page 24

VERIFICATION

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


Neal L. McKee

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served upon the following by electronic mail this 5th day of December, 2024:

William I. Fine
Daniel M. LeVay
Indiana Office of Utility Consumer Counselor
wfine@oucc.in.gov
dlevay@oucc.in.gov
infomgt@oucc.in.gov



J. Christopher Janak

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000

Attachment NLM-1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF ANDERSON,)
 INDIANA, FOR AUTHORITY TO: (1) ISSUE)
 LONG TERM DEBT TO FINANCE WATER)
 SYSTEM IMPROVEMENTS; AND (2) ADJUST) CAUSE NO. _____
 ITS RATES AND CHARGES)

PETITION

TO THE INDIANA UTILITY REGULATORY COMMISSION:

The City of Anderson, Indiana (“Petitioner” or “Anderson”), respectfully requests that the Indiana Utility Regulatory Commission (“Commission”) grant it approval to issue long-term debt (i.e. bonds) and adjust its rates and charges for water service. In support of its Petition, Anderson states:

1. Anderson is an Indiana municipality and political subdivision of the State of Indiana that operates a municipal water utility pursuant to Ind. Code § 8-1.5-3 (the “Utility”). The office for the Utility is located at 550 Dale Keith Jones Road, Anderson, Indiana 46011.
2. The Utility is a municipally owned utility as defined by Ind. Code § 8-1-2-1(h) that serves more than 20,000 residential, commercial, industrial, and irrigation and fire protection customers. Anderson believes that by virtue of Ind. Code §§ 8-1.5-2-19, 8-1-2-61, 8-1.5-3-8, and 8-1-2-103(d), the Commission has jurisdiction over this matter. Additional statutes that may be applicable in this Cause may be found at Ind. Code ch. 8-1-2.
3. The Utility owns, operates, manages, or controls wells, treatment facilities, transmission facilities, distribution facilities, land, land rights, equipment, materials, supplies, working capital, and other property that are used and useful for the rendering of potable water and fire protection service to its customers. The Utility provides water to residential, commercial, industrial, and agricultural customers in Madison County, Indiana.
4. The Utility has experienced increased costs and expenses since its last rate increase was approved by the Commission in its final order issued on March 4, 2015, in Cause No. 44510. These rates and charges no longer produce revenues sufficient for Anderson to pay all the expenses incident to the operation of the Utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds and other obligations, provide a sinking fund for the liquidation of bonds or other evidences of

indebtedness, provide adequate money for working capital, provide adequate money for making extensions and replacements to the extent not provided for through depreciation, provide a debt service reserve for bonds and other obligations, or to provide money for the payment of any taxes that may be assessed against the Utility. Therefore, the existing rates are unlawful.

5. Anderson proposes in this Cause new water rates and charges which will be sufficient to pay the Utility's expenses, including for operation, maintenance, extensions, and replacements, and to pay the principal and interest on the proposed indebtedness. Anderson is proposing to increase its rates over five (5) phases to mitigate any adverse impact to its customers.
6. As required by Ind. Code § 8-1-2-42, more than fifteen (15) months have passed since the filing date of the Utility's last request for a general increase in its basic rates and charges. Anderson proposes a historic test year comprising of the twelve month period ending December 31, 2023, with adjustments for changes that are fixed, known, and measurable and in effect within twelve months after the test year.
7. In order to provide adequate and efficient water service and maintain the Utility in a sound physical and financial condition, the Utility must make necessary extensions, replacements, and improvements to its waterworks system. Petitioner proposes to obtain the necessary funds for said extensions, replacements, and improvements from the issuance of new debt in a principal amount not to exceed \$130,000,000 and an interest rate of 7% through the Drinking Water State Revolving Fund Loan Program ("DWSRF"), through the Indiana Bond Bank Community Funding Resource Program, or sold on the open market. The proceeds from the debt will be used to pay for necessary extensions, replacements, and improvements to the Utility's waterworks system.
8. Anderson's Common Council has approved the issuance of long-term debt and the establishment of a new schedule of water rates and charges, which are the subject of this Cause.
9. Anderson proposes a five-phase rate adjustment over an approximate four year-four month time period, with average adjustments as follows: a 24.1% increase in Phase I; a 5.2% increase in Phase II; a 24.5% increase in Phase III; a 19.2% increase in Phase IV; and a 14.3% increase in Phase V. The cumulative amount of Anderson's proposed rate adjustment is approximately 121%. The rate adjustment for each of Anderson's 10 meter size rate classes will vary in each phase, ranging from a decrease of 4.4% for one rate class to an increase of 49.6% for another rate class in a single phase. For a 5/8" meter, the proposed rate adjustment ranges by phase from 3.1% to 18.1%.

10. Pursuant to 170 IAC 1-1.1-9(a)(8), Petitioner will file a proposed procedural schedule within ten (10) days of the date of this Petition. Petitioner will seek to reach an agreement with the Indiana Office of Utility Consumer Counselor regarding the proposed procedural schedule for this proceeding.
11. The Utility does not have any outstanding indebtedness to the federal government.
12. The attorneys representing Petitioner in this proceeding who are authorized to accept service of papers on behalf of the Anderson are:

J. Christopher Janak, Atty. No. 18499-49
Nikki G. Shoultz, Atty No. 16509-41
Jacob T. Antrim, Atty No. #36762-49
BOSE MCKINNEY & EVANS LLP
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(317) 684-5249 Direct Dial
(317) 223-0249 Fax
JJanak@boselaw.com
NShoultz@boselaw.com
JAntrim@boselaw.com

WHEREFORE, the Petitioner, the City of Anderson, Indiana, respectfully requests that the Commission: (a) promptly establish a procedural schedule in this Cause; (b) conduct such hearings as the Commission believes necessary and appropriate; (c) authorize Anderson to issue bonds as supported by the evidence; (d) authorize Anderson to adjust its rates and charges for water utility service; (e) approve Anderson's new schedule of rates and charges; and (f) for all other appropriate relief.

Respectfully submitted,

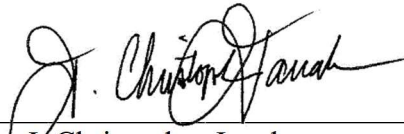


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(317) 684-5000
(317) 684-5173 Fax
Counsel for Petitioner, City of Anderson, Indiana

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing "Petition" was served electronically upon the following this 5th day of December, 2024:

William I. Fine
Dan LeVay
Indiana Office of the Utility Consumer Counselor
wfine@oucc.in.gov
dlevay@oucc.in.gov
infomgt@oucc.in.gov



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4887702.2

Attachment NLM-2

ATTACHMENT NLM-2

**Requirements Imposed on City of Anderson by IURC's
March 4, 2015 Rate Case Order – Cause No. 44510**

Category	Sub-Category	Requirement	Witness
Accounting Practices	Accounting Manual	Anderson will develop and implement by December 31, 2015, a comprehensive accounting manual. Anderson's accounting manual will set forth standards for required journal voucher support and file vouchers with support in a readily available location; develop a standardized journal voucher numbering system for transactions that are not AP, Inventory, or Payroll, and require approval of all water utility journal vouchers before transactions are entered into accounting system.	Jennifer Wilson
Accounting Practices	Specific Regulatory Accounting Practices	Anderson will: <ol style="list-style-type: none"> 1. reconcile bank account(s) monthly and develop a schedule showing each fund balance included in the pooled cash account; 2. research the possibility in its MUNIS accounting system to record public fire protection surcharge separately from water sales revenues and implement such an accounting system if it can be reasonably accomplished; and 3. either adopt the NARUC system of accounts numbering system or develop a crosswalk to allow ease of reference between the MUNIS account numbers and the account numbers prescribed by NARUC, provided that Anderson may retain its current capitalization policy. 	Jennifer Wilson
Operations & Planning	Strategic Planning and Other Planning	Anderson will develop Requests for Qualifications (RFQs) for a qualification-based selection of consultants for strategic planning activities as required in this Agreement. Within eighteen (18) months of the issuance of the final order in this Cause, Anderson will develop a Strategic Plan. (See VII.D.3 below regarding reporting.) Within six (6) months of the final order in this Cause, Anderson will contract with a professional consultant(s) to begin working on the Strategic Plan and assist, as appropriate, in the development of the Capital Improvement Plan, the Tank Maintenance Prioritization Plan, the Scope of Services and Study Schedule, the Asset Management Plan, and the Flushing Plan.	Neal McKee

Category	Sub-Category	Requirement	Witness
Operations & Planning	Capital Improvement Plan	As part of, or in connection with, its strategic planning activities, within eighteen (18) months of the final order in this Cause, Anderson will, develop and implement a rolling short-term three-year capital improvement plan for its depreciation funds.	Lori Young
Operations & Planning	Wells & Tanks - Tanks	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause: (a) work with a professional tank consultant to develop (i) a long-term tank maintenance prioritization plan and establish a forecasted maintenance schedule to assist in determining the financial cost to performing future tank maintenance, and (ii) the necessary documents, policies, and procedures to comply with the AWWA G200-09 Standard; and (b) comply with AWWA G200-09 Standard for Treated Water Storage Facilities, Section 4.3.1 (see VII.D.1 below regarding reporting).	Lori Young
Operations & Planning	Wells	Anderson will work with a professional well consultant to determine the annual cost of performing well maintenance on an ongoing basis.	Lori Young
Operations & Planning	Other Studies	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause, also: Develop a Scope of Services and Study Schedule, consultant selection criteria and a solicitation process for the Qualification Based Selection of consultants for (a) hydraulic model, (b) hydrogeological study, (c) water resources alternatives study, and (d) bottom-up water audit to further the goal of reducing Anderson's non-revenue water. Anderson will issue Requests for Statements of Qualifications (SOQ) with separate sealed cost proposals to conduct the studies.	Lori Young
Operations & Planning	Other Studies	Assess its smart grid system (see VII.D.2 below for reporting)	Neal McKee
Operations & Planning	Asset Management	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause, establish an asset management team to develop a written asset management plan, including: (a) an asset condition assessment for renewal/replacement planning, (b) valve database, (c) valve exercising program, (d) small diameter water main and steel water main replacement program, (e) water main and service line database, and	Neal McKee

Category	Sub-Category	Requirement	Witness
		(f) development or purchase, and implementation, of computer maintenance management system software to help the Anderson schedule, track, and monitor O&M activities and resources.	
Operations & Planning	Flushing	As part of, or in connection with, its strategic planning activities, Anderson will, within eighteen (18) months of the final order in this Cause, develop and implement a comprehensive flushing plan for its water system and its hydrants.	Neal McKee
Operations & Planning	Portable Generator	Within ninety (90) days following the final order in this Cause, Anderson will procure or arrange for access to a portable generator to support the pump at Ranney Well No. 5.	Lori Young
Restricting Funding	Depreciation Fund	Anderson will establish a depreciation fund, which is restricted for use only to pay for capital improvement projects. However, the depreciation fund may be invaded in the event Anderson requires the money to make debt service payments on its outstanding debt subject to criteria and notice requirements. Anderson will begin funding the restricted depreciation fund starting on January 1, 2017. Anderson will fund the restricted depreciation fund at a monthly level of at least one-twelfth (1/12) of the annual amount calculated for annual depreciation expense within this Cause as shown in Schedule 1 and 1A. To the extent the depreciation fund is not so funded in any given month, Anderson will make up the funding deficit as soon as monthly revenues are available to do so.	Jennifer Wilson
Restricting Funding	Tank & Well Maintenance Fund	Anderson will establish a tank and well maintenance fund, which is restricted for use only to pay the expenses associated with tank and well maintenance. However, the tank and well maintenance fund may be invaded in the event Anderson requires the money to make debt service payments on its outstanding debt subject to criteria and notice requirements. Anderson will begin funding the restricted well and tank maintenance fund starting on January 1, 2017. Anderson will fund the restricted well and tank maintenance account at a monthly level of at least one-twelfth (1/12) of the annual amount for well and tank maintenance expense within this Cause as shown in Schedule 1 and 1A. To the extent that the well and tank maintenance fund is not so funded in any given month,	Jennifer Wilson

Category	Sub-Category	Requirement	Witness
		Anderson will makeup the funding deficit as soon as monthly revenues are available to do so.	
Restricting Funding	Criteria & Notice Requirements	Reasonable notice requirements means notification (within 30 days) to the IURC and the OUCC after any monies from either the depreciation fund or the well and tank maintenance fund are used to pay debt service. The notice will include the amount of funds used to pay debt service and the date the funds were paid out for that purpose.	Neal McKee
Reporting & Meeting	Quarterly & Annual Meetings with OUCC	During the first 12 months in which Anderson's Phase I rates are in effect, Anderson will meet with the OUCC on a quarterly basis to discuss its progress in developing such RFQs and its selection of consultant(s). Anderson will meet with the OUCC on a semi-annual basis for the following two years to discuss ongoing progress of its strategic planning activities.	Neal McKee
Reporting & Meeting	Reports in Connection with Meetings	Prior to each quarterly and semi-annual meeting, Anderson will provide the OUCC a summary cash flow statement reflecting total cash inflows and total cash outflows for the period being reported. The summary of cash flows must show a breakdown of cash outflows by category – i.e., operating expenses, debt service, PILT paid to City, funds deposited in depreciation fund, funds deposited in well and tank maintenance fund, etc.	Neal McKee
Reporting & Meeting	Reports in Connection with Financing	Within thirty (30) days of closing on is proposed long-term debt issuance, Anderson will file a report with the Commission and serve a copy on the OUCC, disclosing the terms of the new financing, including an amortization schedule, the amount of debt service reserve and a breakdown of all issuance costs by payee or vendor. Anderson will copy the OUCC on any notice Anderson gives to the lenders pursuant to the terms of the Bond Ordinances pertaining to the use of monies in the Reserve Account within the Sinking Fund.	Neal McKee
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a report to the OUCC and the Commission describing its plan to comply with AWWA G200-09 Standard for Treated Water Storage Facilities, Section 4.3.1 (see IV.C above).	Neal McKee

Category	Sub-Category	Requirement	Witness
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a report to the Commission, copying the OUCC, on its assessment of its smart grid system (see IV.D.2).	Neal McKee
Other Reporting Requirements (to be performed within 18 months of final order)		Provide a copy of its Strategic Plan, including a copy of the written asset management plan, to the Commission, copying the OUCCC (see IV.A. above).	Neal McKee
Other Reporting Requirements (to be performed within 18 months of final order)		Report, in writing, the balances, including a schedule showing the deposit and withdrawal activity, within depreciation fund and the well and tank maintenance fund to the OUCC at the same time Anderson submits its Annual Report to the Indiana Utility Regulatory Commission (see IV.D. above).	Neal McKee
Other Reporting Requirements (to be performed within 18 months of final order)		If either the Lease with Chase or the Guaranteed Savings contract is terminated or otherwise amended to remove the City's obligation to Chase or the obligation of Johnson Controls to provide Measure & Verification and Consultation services, Anderson agrees to notify the OUCC of such termination or amendment within thirty (30) days of such termination or amendment. (See VII above.)	Neal McKee
Other Obligations	Retention of Internal Water System Reports	After 2014, Anderson will retain all final engineering reports, designs, studies, planning studies, cost estimates, evaluation reports, inspections, cost quotes, and bids prepared by, or on behalf of, Anderson in electronic format.	Neal McKee
Other Obligations	Cost of Service Study	Anderson will conduct a Cost of Service Study for its next general water rate case before the Commission.	Neal McKee
Other Obligations	Non-Recurring Fees	In its next rate case before the Commission, Anderson will provide testimony to address the current costs associated with the non-recurring fees included in its tariff. Anderson agrees these fees should be cost-based, and as a result, it agrees to update its non-recurring fees as necessary.	Mark Beauchamp