

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF MARYSVILLE-OTISCO-NABB WATER)
CORPORATION: (1) FOR AUTHORITY AND)
APPROVAL TO INCREASE RATES AND CHARGES)
FOR WATER SERVICE, INCLUDING APPROVAL OF) CAUSE NO. 45955
NEW SCHEDULE(S) OF RATES AND CHARGES FOR)
WATER SERVICES (2) FOR AUTHORITY AND)
APPROVAL TO ISSUE BONDS, NOTES, OR OTHER)
OBLIGATIONS OF INDEBTEDNESS)

PUBLIC'S EXHIBIT NO. 5

SUPPLEMENTAL TESTIMONY OF

THOMAS W. MALAN ON

BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

May 30, 2024

Respectfully submitted,

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SUPPLEMENTAL TESTIMONY OF OUCC WITNESS THOMAS W. MALAN
CAUSE NO. 45955
MARYSVILLE OTISCO NABB WATER CORPORATION, INC.

I. INTRODUCTION

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

2 A: My name is Thomas W. Malan, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, IN 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
6 a Utility Analyst with the Water/Wastewater Division. My qualifications and
7 experience are set forth in Appendix A.

8 **Q: Did you prepare testimony that was filed on January 12, 2024 in this Cause?**

9 A: Yes. I filed testimony supporting the OUCC's recommended 29.14% rate increase
10 to produce an additional \$271,323 of revenue and sponsored the OUCC's
11 accounting schedules.

12 **Q: What is the purpose of your supplemental testimony?**

13 A: I present and explain the OUCC's supplemental accounting schedules in response
14 to Petitioner's supplemental testimony. These schedules include updated debt
15 service and debt service reserve revenue requirements.

16 **Q: Describe the review and analysis you performed to prepare your supplemental**
17 **testimony.**

18 A: I reviewed the rebuttal testimonies of Tracy Wyne and Eric Smith and the
19 supplemental testimony of Eric Smith. I reviewed Petitioner's responses to
20 discovery.

1 **Q: Do you sponsor any revised schedules or new attachments to this supplemental**
2 **testimony?**

3 A: Yes. Schedules 1, 9, 10 and 11 have been updated from the versions included in
4 my initial testimony. I have attached all 11 schedules to my testimony for ease of
5 reference. I also have included OUCC Attachment TWM-1, which is Petitioner's
6 response to OUCC Data Request No. 8-1.

7 **Q: If you do not address a specific topic in 1 your testimony, does that mean you**
8 **agree with or endorse Petitioner's request or position?**

9 A: No. It is neither practical nor reasonable for me or the OUCC's other witness to
10 address every issue, item, or adjustment presented in Petitioner's testimony,
11 exhibits, work papers, or discovery responses. The scope of my testimony is strictly
12 limited to the specific items I address. My silence in response to any actions,
13 decisions, or positions stated or implied by Petitioner in its request should not be
14 construed as an endorsement.

II. OVERVIEW OF SUPPLEMENTAL TESTIMONIES

15 **Q: What is Petitioner's requested relief with supplemental testimony in this**
16 **Cause?**

17 A: Petitioner requested an across the board 63.90% increase to produce \$590,401 of
18 additional revenue. Even though Petitioner appeared to have changed its original
19 request through its rebuttal and supplemental cases, in response to OUCC Data

1 Request No. 8-1 Petitioner confirmed that its original requested rate relief remains
2 the same (OUCC Attachment TWM-1).

3 **Q: What rate increase does the OUCC recommend?**

4 A: The OUCC had recommended an increase of 29.14% to produce additional
5 revenues of \$271,323. Due to changes in the interest rate and the term of the loan
6 requested by Petitioner, the OUCC now recommends an across-the-board rate
7 increase of 33.84% to produce additional revenues of \$315,087 per year. Table 1
8 below compares the OUCC's case-in-chief position with the OUCC's supplemental
9 proposed revenue requirement. Table 2 compares Petitioner's and the OUCC's
10 current positions.

11 **Q: Does the additional testimony filed by Petitioner in this case affect any of the**
12 **OUCC's proposed revenue or operating expense accounting adjustments?**

13 A: No. I continue to recommend the same accounting adjustments presented in my
14 initial testimony. As addressed in the Supplemental Testimony of James T. Parks,
15 the OUCC continues to oppose granting financing authority for Phase 1B Project,
16 the water main extension.

Table 1: Comparison of OUCC Revenue Requirements

	OUCC Case in Chief	OUCC Supplemental	OUCC Sup. More (Less)
Operating Expenses	\$ 850,267	\$ 850,267	\$ -
Extensions and Replacements	172,567	172,567	-
Debt Service	165,000	201,417	36,417
Debt Service Reserve	33,000	40,283	7,283
Total Revenue Requirements	1,220,834	1,264,534	43,700
Less: Interest Income	(969)	(969)	-
Other Income	(4,672)	(4,672)	-
Net Revenue Requirements	1,215,193	1,258,893	43,700
Less: Rev @ current rates subj to inc.	(931,040)	(931,040)	-
Other revenues at current rates	(13,228)	(13,228)	-
Recommended Increase	270,925	314,625	43,700
Add: Additional IURC Fees	398	462	64
Recommended Increase	\$ 271,323	\$ 315,087	\$ 43,764
Recommended Percentage Increase	29.14%	33.84%	4.70%

Table 2: Comparison of Petitioner / OUCC Current Revenue Requirements

	<u>Petitioner Case in Chief</u>	<u>OUCC Supplemental</u>	<u>OUCC More (Less)</u>
Operating Expenses	\$ 906,203	\$ 850,267	\$ (55,936)
Extensions and Replacements	122,422	172,567	50,145
Debt Service	425,520	201,417	(224,103)
Debt Service Reserve	85,300	40,283	(45,017)
Total Revenue Requirements	1,539,445	1,264,534	(274,911)
Less: Interest Income	(969)	(969)	-
Other Income	(4,672)	(4,672)	-
Net Revenue Requirements	1,533,804	1,258,893	(274,911)
Less: Rev @ current rates subj to inc.	(923,931)	(931,040)	(7,109)
Other revenues at current rates	(20,337)	(13,228)	7,109
Recommended Increase	589,536	314,625	(274,911)
Add: Additional IURC Fees	865	462	(403)
Recommended Increase	\$ 590,401	\$ 315,087	\$ (275,314)
Recommended Percentage Increase	<u>63.90%</u>	<u>33.84%</u>	<u>-30.06%</u>

III. DEBT SERVICE, AND DEBT SERVICE RESERVE

1 **Q: Please describe Petitioner's proposed debt issuance.**

2 A: Due to conflicting information, it remains somewhat unclear how much borrowing
3 authority Petitioner seeks. Based on Petitioner's revised PER, which we received
4 through informal discovery, Petitioner should require a total debt issuance of
5 \$7,315,464 with a loan term of 20 years at 2%. (See OUCC Attachment JTP-22,
6 Table ES-14, Page 7 of 24.) Table ES-14 indicates annual debt service will be
7 \$447,390 and its debt service reserve will be \$44,739 with the debt service reserve
8 being funded over a ten-year period.

9 **Q: Do you agree with the 2% interest rate Petitioner assumes for this borrowing?**

10 A: No. As determined and explained by OUCC witness Shawn Dellinger in his case-
11 in-chief testimony, a 5% interest rate is a more appropriate assumption.

1 **Q: Do you agree with the ten-year debt service reserve funding?**

2 A: No. Petitioner has stated that it seeks funding with the State Revolving Fund (SRF).

3 The SRF requires that a debt service reserve be funded within five years.

4 **Q: Please explain the difference between your case-in-chief testimony and your**
5 **supplemental testimony position with respect to debt service.**

6 A: My initial testimony incorporated annual debt service of \$165,000 and annual debt
7 service reserve of \$33,000, based on a principal amount of \$2,650,260 at 5% for a
8 term of 35 years, as described by Mr. Dellinger in his case-in-chief testimony. My
9 supplemental testimony position is that Petitioner should be authorized to borrow a
10 principal amount of \$2,510,095 for a term of 20 years at 5%. This results in an
11 annual debt service revenue requirement of \$201,417 and an annual debt service
12 reserve revenue requirement of \$40,283 (See Table 3 below).

13 My proposed recommended debt service and debt service reserve are based
14 on Petitioner completing the 300,000 Gallon Elevated Storage Tank project but not
15 the main extension project as recommended by Mr. Parks.

16 **Q: Is there any change in the OUCC's recommended debt service revenue**
17 **requirement from the OUCC's initial case?**

18 A: Yes. The OUCC has decreased the recommended borrowing amount by \$140,165
19 to reflect a decrease in the estimated cost of complying with the Build America Buy
20 America (BABA) Act from 10% of project costs to 5% of project costs as shown
21 by Petitioner in its Preliminary Engineering Report (PER) of March 2024 (OUCC
22 Attachment JTP-22, Table ES-11, page 6 of 24). I used Mr. Dellinger's workpaper
23 included in his initial testimony and modified it to reflect the reduction of BABA
24 costs. (See Table 3 below.)

Table 3: OUCC Witness Dellinger's workpaper (modified)

Construction Costs	
300,000 Gallon Elevated Storage Tank	\$ 2,803,300
Contingency (10%)	280,330
BABA (5%)	140,165
Total Construction Costs	3,223,795
Non-Construction Costs	791,500
Total Project Costs	\$ 4,015,295
Grants-Local Match	5,200
Grants-ARP	1,500,000
Total Funding Required	\$ 2,510,095

Note: Highlighted information has been changed from the original.

1 **Q: Please explain the reduction in the loan term from 35 to 20 years.**

2 A: In his testimony, Mr. Dellinger accepted Petitioner's assertion that a 35-year
3 repayment period was appropriate. Petitioner made that assertion through the
4 case-in-chief Testimony of Tracy Wyne (page 7, lines 17-23). The OUCC's
5 reduction in the loan term from 35 to 20 years, which is included in this
6 supplemental testimony, is in response to Petitioner's representation in table ES-14
7 of its March 2024 PER (OUCC Attachment JTP-22, page 7 of 24) that a more
8 appropriate repayment period would be 20 years. Further, in response to the
9 Commission's February 23, 2024 docket entry requesting additional information,
10 Petitioner filed "T Wyne Amortization Schedule-Tank Project Only," which also
11 represented 20 years was a more appropriate term for this loan.

12 I used Mr. Dellinger's workpaper included in his initial testimony and
13 modified it accordingly to reflect the reduction of the loan term from 35 to 20 years.
14 (See Table 4 below.)

Table 4: Dellinger Debt Service worksheet (modified)

Debt Service		
Assumptions:	\$2,510,095 Principal	\$ 2,510,095
	No wrapping	
	No interest only period	
	Level Payments	
	20 year Term	20
	5% Interest Rate	5%
Annual Payment	\$ 201,417	
Debt Service Reserve	\$ 40,283	

Note: Highlighted information has been changed from the original.

Q: Please explain the increase of annual debt service and annual debt service reserve to be included in rates.

The decrease in loan term from 35 to 20 years increases annual debt service and debt service reserve revenue requirements. The annual debt service reserve revenue requirement will increase to \$201,417 and the annual debt service reserve revenue requirement will increase to \$40,283. (See Table 4 above.)

Q: What should Petitioner do if it receives a longer borrowing term or lower interest rate?

A: Petitioner should recognize any savings from a longer term or lower interest rate to reduce the rate increase in a true-up once funding has been secured.

Q: How would rates be affected if Petitioner was authorized to borrow \$7,315,464?

A: The total project cost is \$8,815,464 as stated on Table ES-14 of the updated PER (OUCC Attachment JTP-22, page 7 of 24). Assuming a grant of \$1,500,000, the remaining cost would be \$7,315,464. Assuming an interest rate of 5%, this amount of borrowing would increase the annual debt service revenue requirement to \$587,012 and an annual debt service reserve revenue requirement to \$117,402 (See Table 5 below). Petitioner would have to seek an overall rate increase of 83.61% to produce \$778,482 of additional operating revenue to service this amount of debt

1 and maintain the utility. Petitioner is not seeking a rate increase sufficient to service
2 this amount of debt and maintain a going concern for the utility. This increase
3 would be greater than the increase authorized by Petitioner's board of directors and
4 requested in this Cause.

Table 5: Dellinger Debt Service workpaper (modified)

Debt Service		
Assumptions:	\$7,315,464 Principal	\$ 7,315,464
	No wrapping	
	No interest only period	
	Level Payments	
	20 year Term	20
	5% Interest Rate	5%
Annual Payment	\$587,012.00	
Debt Service Reserve	\$ 117,402.00	

Note: Highlighted information has been changed from the origin

5 A water utility's primary function is to provide safe, reliable drinking water
6 at an affordable rate. This amount of debt without sufficient revenues would
7 jeopardize the utility's ability to do so. Further, as Mr. Parks asserts, one of the two
8 projects is not necessary to provide safe, reliable drinking water.

9 **Q: Do you agree with Petitioner's proposal to borrow \$7,315,464?**

10 A: No. As noted by Jim Parks, the OUCC does not consider the water main extension
11 project to be necessary. Moreover, Petitioner stated in response to OUCC Data
12 Request No. 8-1 (OUCC Attachment TWM-1) that the requested rate relief in this
13 case was to remain 63.90% to produce an additional \$590,401. Petitioner is not
14 asking for an increase sufficient to produce revenues to complete both elevated
15 water tank and the main extension. Petitioner would not have the funds to service
16 this level of debt and therefore it would not be prudent to incur this level of debt.

IV. RECOMMENDATIONS

1 **Q: Summarize your recommendations?**

2 A: Based on the loan term of 20 years at a 5% interest rate, I recommend an annual
3 debt service revenue requirement of \$201,417 and an annual debt service reserve
4 revenue requirement of \$40,283. With those changes, I recommend the
5 Commission approve an across-the-board rate increase of 33.84% to generate an
6 additional \$315,087 of operating revenue per year.

7 **Q: Did Petitioner's supplemental testimony affect any other opinions in your**
8 **prior testimony?**

9 A: No. All other opinions and recommendations remain unchanged from my prior
10 testimony.

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

12 A: Yes.

APPENDIX A - QUALIFICATIONS

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

2 A: In December of 2002 I received a bachelor's degree in Business Administration
3 focusing on Accounting from Indiana University Kelley School of Business. In
4 December of 2012 I received my Master of Science in Accounting from Indiana
5 University Kelley School of Business, Indianapolis Indiana.

6 **Q: Please describe your professional experience.**

7 A: I was hired as a Utility Analyst in the Water / Wastewater division of the OUCC
8 on April 30, 2018. Prior to being hired by the OUCC, I was the controller of All
9 Trades Staffing. I have over fifteen years of accounting experience. I worked for
10 several years as a Financial Analyst in the insurance and healthcare industries. I
11 have participated in conferences and seminars regarding utility regulation, rate
12 making and financial issues. I have completed the National Association of
13 Regulatory Utility Commissioners (NARUC) Eastern Utility Rate School. I also
14 have regularly attended the National Association of State Utility Consumer
15 Advocates (NASUCA) Accounting and Tax committee monthly meetings. In
16 August of 2019 I completed the Annual Regulatory Studies Program from the
17 Institute of Public Utilities at Michigan State University.

18 **Q: Have you previously testified before the Indiana Utility Regulatory**
19 **Commission?**

20 A: Yes.

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

**Comparison of Petitioner's and OUCC's
Revenue Requirements**

	Per Petitioner	Per OUCC	OUCC Supplemental	Sch Ref	OUCC Sup. More (Less)
Operating Expenses	\$ 906,203	\$ 850,267	\$ 850,267	4	\$ -
Extensions and Replacements	122,422	172,567	172,567	7	-
Working Capital	-	-	-	8	-
Debt Service	425,520	165,000	201,417	9	36,417
Debt Service Reserve	85,300	33,000	40,283	10	7,283
Total Revenue Requirements	1,539,445	1,220,834	1,264,534		43,700
Less: Interest Income	(969)	(969)	(969)	3	-
Other Income	(4,672)	(4,672)	(4,672)	3	-
Net Revenue Requirements	1,533,804	1,215,193	1,258,893		43,700
Less: Revenues at current rates subject to increase	(923,931)	(931,040)	(931,040)	4	-
Other revenues at current rates	(20,337)	(13,228)	(13,228)	4	-
Net Revenue Increase Required	589,536	270,925	314,625		43,700
Add: Additional IURC Fees	865	398	462		64
Recommended Increase	<u>\$ 590,401</u>	<u>\$ 271,323</u>	<u>\$ 315,087</u>		<u>\$ 43,764</u>
Recommended Percentage Increase	<u>63.90%</u>	<u>29.14%</u>	<u>33.84%</u>		<u>4.70%</u>

Current Rate for 5,000 Gallons	Proposed		Supplemental	OUCC
	Petitioner	OUCC	OUCC	More (Less)
Current Rate = \$34.85	\$ 57.12	\$ 45.01	46.64	\$ (12.11)

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC Supplemental</u>	<u>OUCC Sup. More (Less)</u>
Operating Revenues				
Residential normalization	\$ 12,272	\$ 12,272	\$ 12,272	\$ -
Total Operating Revenues	<u>12,272</u>	<u>12,272</u>	<u>12,272</u>	<u>-</u>
O&M Expense				
Salaries and Wages				
Petitioner Adjustment	9,524	9,524	9,524	-
Tap Fee Labor		(1,571)	(1,571)	-
Purchased Water	7,157	7,157	7,157	-
Purchased Power		5,338	5,338	-
Materials and Supplies				-
Non-Recurring Item	(1,791)	(1,791)	(1,791)	-
Capital Cost		(1,554)	(1,554)	-
Contractual Services				-
Accounting	(5,490)	(5,490)	(5,490)	-
Other	48,479			-
Capital Cost		(1,813)	(1,813)	-
New Tank Maintenance	31,485	980	980	-
New Tank Coating		23,500	23,500	-
Transportation Expense		(582)	(582)	-
Insurance				-
General Liability	(287)	(287)	(287)	-
Workers' Compensation	(1,721)	(1,721)	(1,721)	-
Other	(15)	(15)	(15)	-
Regulatory Commission Expenses - Other	301	301	301	-
Directors' Compensation				-
Bad Debt Expense	186	186	186	-
Miscellaneous Expense		(270)	(270)	-
Payroll Taxes	(885)	(885)	(885)	-
Total Operating Expenses	<u>86,943</u>	<u>31,007</u>	<u>31,007</u>	<u>-</u>
Net Operating Income	<u>\$ (74,671)</u>	<u>\$ (18,735)</u>	<u>\$ (18,735)</u>	<u>\$ -</u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

COMPARATIVE BALANCE SHEET
As of December 31,

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Utility Plant:			
Utility Plant in Service	\$ 5,154,407	\$ 4,869,076	\$ 4,655,243
Less: Accumulated Depreciation	(2,571,436)	(2,431,418)	(2,259,269)
Net Utility Plant in Service	<u>2,582,971</u>	<u>2,437,658</u>	<u>2,395,974</u>
Current Assets:			
Cash and Cash Equivalents	500	500	500
Working Funds	456,827	472,750	538,861
Customer Accounts Receivable	102,771	99,023	106,420
Materials and Supplies	110,991	121,212	126,527
Prepayments	6,877	8,884	9,838
Total Current Assets	<u>677,966</u>	<u>702,369</u>	<u>782,146</u>
Total Assets	<u>\$ 3,260,937</u>	<u>\$ 3,140,027</u>	<u>\$ 3,178,120</u>
<u>LIABILITIES</u>			
Equity			
Retained Earnings	\$ 1,390,136	\$ 1,449,522	\$ 1,521,247
Total Equity	<u>1,390,136</u>	<u>1,449,522</u>	<u>1,521,247</u>
Contributions in Aid of Construction			
Contributions in Aid of Construction, net	1,503,126	1,330,466	1,298,486
Net Contributions-in-aid of Construction	<u>1,503,126</u>	<u>1,330,466</u>	<u>1,298,486</u>
Current Liabilities			
Accounts Payable	81,674	79,633	82,443
Customer Deposits	270,538	266,630	263,150
Accrued Taxes Payable	6,729	5,523	5,846
Misc. Liabilities	8,734	8,253	6,948
Total Current Liabilities	<u>367,675</u>	<u>360,039</u>	<u>358,387</u>
Total Liabilities	<u>\$ 3,260,937</u>	<u>\$ 3,140,027</u>	<u>\$ 3,178,120</u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues			
Water Sales			
Residential	\$ 902,957	\$ 897,977	\$ 902,518
Commercial	7,374	7,374	6,683
Public Authority	1,328	1,328	1,240
Late Payment Fees	7,109	7,023	5,444
Miscellaneous Service Revenues	10,878	9,695	6,633
Other Water Revenues	2,350	1,300	1,950
Total Operating Revenues	<u>931,996</u>	<u>924,697</u>	<u>924,468</u>
Operating Expenses			
Salaries and Wages	231,764	219,877	214,072
Purchased Water	413,604	416,656	417,031
Purchased Power	3,758	3,614	2,887
Materials and Supplies	35,961	46,484	44,928
Contractual Services			
Accounting	24,747	17,042	20,895
Other	48,039	63,300	51,916
Transportation Expense	10,824	9,431	7,314
Insurance			
General Liability	8,605	8,319	4,383
Workers' Compensation	3,532	3,043	2,318
Other	900	900	900
Regulatory Commission Expenses - Other	1,055	1,162	1,158
Bad Debt Expense	(186)	2,768	30
Miscellaneous Expense	17,849	15,686	17,445
Total O&M Expense	<u>800,452</u>	<u>808,282</u>	<u>785,277</u>
Depreciation Expense	177,763	176,349	105,218
Taxes Other than Income			
Payroll Taxes	18,808	17,874	17,479
Total Operating Expenses	<u>997,023</u>	<u>1,002,505</u>	<u>907,974</u>
Net Operating Income	(65,027)	(77,808)	16,494
Other Income (Expense)			
Interest Income	969	942	1,673
Non-Utility Income	4,672	5,141	4,829
Gain on sale of Property	-	-	10,540
Total Other Income (Expenses)	<u>5,641</u>	<u>6,083</u>	<u>17,042</u>
Net Income	<u>\$ (59,386)</u>	<u>\$ (71,725)</u>	<u>\$ 33,536</u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Pro Forma Net Operating Income Statement

	Test Year Ended 12/31/2022	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Pro Forma Proposed Rates
Operating Revenues							
Water Sales							
Residential	\$ 902,957	\$ 12,272	PET	\$ 915,229	266,715		\$ 1,181,944
Commercial	7,374			7,374	2,149		9,523
Public Authority	1,328			1,328	387		1,715
Late Payment Fees	7,109			7,109	2,072		9,181
Misc. Service Rev. (Service Fees)	10,878			10,878			10,878
Other Water Rev (Reconnection)	2,350			2,350			2,350
Total Operating Revenues	<u>931,996</u>	<u>12,272</u>		<u>944,268</u>	<u>271,323</u>	1	<u>1,215,591</u>
O&M Expense							
Salaries and Wages	224,764			232,717			232,717
Petitioner Adjustment		9,524	PET				
Tap Fee Labor		(1,571)	6-1				
Purchased Water	413,604	7,157	PET	420,761			420,761
Purchased Power	3,758	5,338	6-2	9,096			9,096
Materials and Supplies	35,961			32,616			32,616
Non-Recurring Item		(1,791)	PET				
Capital Cost		(1,554)	6-3				
Contractual Services							
Accounting	24,747	(5,490)	PET	19,257			19,257
Other	48,039			70,706			70,706
Capital Cost		(1,813)	6-3				
New Tank Maintenance		980	6-2				
New Tank Coating		23,500	6-2				
Transportation Expense	10,824	(582)	6-1	10,242			10,242
Insurance							
General Liability	8,605	(287)	PET	8,318			8,318
Workers' Compensation	3,532	(1,721)	PET	1,811			1,811
Other	900	(15)	PET	885			885
Regulatory Commission Expenses	1,055	301	PET	1,356	398		1,754
Directors' Compensation	7,000			7,000			7,000
Bad Debt Expense	(186)	186	PET	-			-
Miscellaneous Expense	17,849	(270)	6-4	17,579			17,579
Depreciation Expense	177,763			177,763			177,763
Payroll Taxes	18,808	(885)	PET	17,923			17,923
Total Operating Expenses	<u>997,023</u>	<u>31,007</u>		<u>1,028,030</u>	<u>398</u>		<u>1,028,428</u>
Net Operating Income	<u>\$ (65,027)</u>	<u>\$ (18,735)</u>		<u>\$ (83,762)</u>	<u>\$ 270,925</u>		<u>\$ 187,163</u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

OUCS Revenue Adjustments

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Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

OUCS Expense Adjustments

(1)

Salaries & Mileage - Tap Fee

Adjustment to remove test year salaries and mileage that Petitioner will recover through its tap fee.

		Avg # of Taps*	
Average value of labor included in a tap fee	65.47	24	\$ 1,571
Average value of mileage included in a tap fee	24.26	24	582
			<u>\$ 2,153</u>

Adjustment Increase (Decrease) **\$ (2,153)**

* Using the Average number of new customers (2013 - 2022)

<u>Year</u>	<u>Connections</u>
2022	4
2021	35
2020	53
2019	49
2018	6
2017	28
2016	17
2015	20
2014	27
2013	-4
Total Connections	<u>235</u>
Average New Customers	24

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

OUCS Expense Adjustments
(2)

New Tank Operating Expense

Additional operating expenses for the new 300,000 gallon tank	
Operations*	\$ 140
Housekeeping & Trash disposal*	280
Scheduled Maintenance*	280
Other Maintenance*	280
Electrical*	5,338
Estimated Annual Interior Tank coating *	12,750
Estimated Annual Exterior Tank coating *	<u>10,750</u>

Adjustment Increase (Decrease) \$ 29,818

* As proposed by Petitioner in its Adjustment 7 and broke down in Table 4-20 of the Preliminary Engineering Report

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

OUCS Expense Adjustments

(3)

Capital Costs

Adjustment to remove Richard Henderson, Inc. invoice and associated shop material expenses that are capital in nature

Vendor	Invoice #	Amount
Richard Henderson, Inc.	1730	\$ 1,813
Shop Materials Required	N/A	<u>1,554</u>
		3,367

Adjustment Increase (Decrease)

\$ (3,367)

(4)

Disallowed Expense

Adjustment to remove test year expense that is not allowed

Vendor	Invoice #	Amount
Henderson Flower Shop	2075	56.00
Henderson Flower Shop	2065	102.00
Henderson Flower Shop	2048	56.00
Henderson Flower Shop		<u>56.00</u>
		<u>\$ 270.00</u>

Adjustment Increase (Decrease)

\$ (270)

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Extensions and Replacements

To reflect the average amount of extensions and replacements required over a five year period.

	Total Cost	Amortization Period	Annual Cost
Petitioner Request			
Service Vehicles	\$ 65,663	5	\$ 13,133
Valve Replacement	128,120	5	25,624
Meter Replacement	381,600	5	76,320
GIS Software	18,000	5	3,600
Security Cameras	13,525	5	2,705
Parking Lot Improvements	5,200	5	1,040
Petitioner Proposed	\$ 612,108	5	\$ 122,422
OUCC Recommended Additions			
Booster pump replacement (15-year amortization)	25,000	15	1,666
75,000 Gallon Tank Improvements (10 year) (\$253,065)	253,065	10	25,307
250,000 Gallon Tank Improvements (10 year) (\$231,720)	231,720	10	23,172
	Total OUCC Additions		50,145
OUCC Recommended Yearly E&R			172,567

The OUCC recommends reclassification of three items from expense to E&R. These are in addition to what was requested by Petitioner

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Working Capital

Petitioner did not request working capital as part of this Cause.
The OUCC's analysis reflected no need for working capital.

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Debt Service

To reflect the average amount of debt service required over a five year period.

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
2024 State revolving fund	\$ 201,417	\$ 201,417	\$ 201,417	\$ 201,417	\$ 201,417	\$ 1,007,085
	<u>\$ 201,417</u>	<u>\$ 201,417</u>	<u>\$ 201,417</u>	<u>\$ 201,417</u>	<u>\$ 201,417</u>	<u>\$ 1,007,085</u>
Divide by 5 years						<u>5</u>
Average Annual Debt Service						<u>\$ 201,417</u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Debt Service Reserve

To reflect the average amount of debt service reserve required over a five year period.

	<u>2024 SRF</u>	<u>Total</u>
Highest Annual Debt Service - Year	\$ 201,417	\$ 201,417
Less: Debt Service Reserve as of		-
<i>Pro Forma</i> Increase in Debt Service Reserve		<u>\$ 201,417</u>
Divide by 5 years		<u>5</u>
Annual Debt Service Reserve		<u><u>\$ 40,283</u></u>

Marysville Otisco Nabb Water Corporation, Inc
CAUSE NUMBER 45955

Current and Proposed Rates and Charges

	<u>Current Rate</u>	<u>Current Tracker</u>	<u>Total Current Rate</u>	<u>Petitioner Proposed</u>	<u>OUCC Proposed</u>	<u>OUCC More (Less)</u>
First 2,500 Gallons	\$ 3.97	\$ 3.24	\$ 7.21	\$ 11.82	\$ 9.31	\$ (2.51)
Next 3,500 Gallons	\$ 3.49	3.24	6.73	11.03	8.69	(2.34)
Next 4,000 Gallons	\$ 2.54	3.24	5.78	9.47	7.46	(2.01)
Next 10,000 Gallons	\$ 2.19	3.24	5.43	8.90	7.01	(1.89)
Over 20,000 Gallons	\$ 1.83	3.24	5.07	8.31	6.55	(1.76)

Minimum Rate per Month - Based on meter size.

Size of Meter	Allowance						
5/8"	2,500	\$ 9.93	\$ 8.10	\$ 18.03	\$ 29.55	\$ 23.28	\$ (6.27)
3/4"	3,750	\$ 14.29	12.15	26.44	43.34	34.15	(9.19)
1"	6,250	\$ 22.78	20.25	43.03	70.52	55.57	(14.95)
1 1/2"	12,500	\$ 37.78	40.50	78.28	128.29	101.09	(27.20)
2"	20,000	\$ 54.20	64.80	119.00	195.04	153.68	(41.36)
3"	37,500	\$ 86.23	121.50	207.73	340.46	268.27	(72.19)
4"	62,500	\$ 131.98	202.50	334.48	548.21	431.95	(116.26)
5"	125,000	\$ 246.35	405.00	651.35	1,067.59	841.17	(226.42)

**STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION**

PETITION OF MARYSVILLE-OTISCO-)	Cause No. 45955
NABB WATER CORPORATION:)	
)	
(1) FOR AUTHORITY AND APPROVAL)	
TO INCREASE RATES AND CHARGES)	
FOR WATER SERVICE, INCLUDING)	
APPROVAL OF NEW SCHEDULE(S) OF)	
RATES AND CHARGES FOR WATER)	
SERVICES)	
)	
(2) FOR AUTHORITY AND APPROVAL)	
TO ISSUE BONDS, NOTES, OR OTHER)	
OBLIGATIONS OF INDEBTEDNESS)	

**RESPONSE TO THE EIGHTH SET OF DATA REQUESTS FROM THE
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR TO
MARYSVILLE-OTISCO-NABB WATER CORPORATION QUESTIONS NO. 1**

Pursuant to the Data Request Set No. 8 from the Indiana Office of Utility Consumer Counselor (“OUCC”) to Marysville-Otisco-Nabb Water Corporation (“**Petitioner**”) dated April 22, 2024, in the above-captioned cause, Petitioner hereby files this response to OUCC’s Question 1. Petitioner reserves the right to amend, revise, and/or supplement any of the original answers it provides hereunder should there be any relevant change in circumstances.

Tony Masingo, Superintendent for Petitioner, 7703 State Highway 3, Marysville, Indiana 47141, and Dana Miller, Office Manager for Petitioner, 7703 State Highway 3, Marysville, Indiana 47141 jointly provided information in response to Questions 8-1(a) and 8-1(d). Jerome Hentrup, a Salesman and Crop Consultant for Nutrien Ag Solutions, 71 S. Hwy. 3, Lexington, Indiana 47138, who serves as Secretary of Petitioner’s Board of Directors, can be called as Petitioner’s witness to answer questions regarding the substance of or origination of information in response to such questions.

Tracy Wyne, a Certified Public Accountant, Certified Fraud Examiner, and Manager of Sherman Barber & Mullikin, CPAs, 210 W. Third Street, Madison, Indiana 47250, provided information in response to Questions 8-1(b) and 8-1(c). Ms. Wyne can be called as Petitioner's witness to answer questions regarding the substance of or origination of information in response to such questions.

RESPONSES

Q-8-1: Please confirm that notwithstanding Eric Smith's supplemental testimony, Petitioner continues to seek the following:

- a. An increase in annual operating revenues of \$590,401, which represents a 63.9% across-the-board increase from present rates. (*See Direct Testimony of Tracy Wyne, Pg. 3, Q&A 10*). If not confirmed, please explain.

Response: Confirmed.

- b. An annual debt service revenue requirement of \$425,520 calculated on a five-year average. (*See Direct Testimony of Tracy Wyne, Pg. 8, Q&A 22 and Pg. 6, Accountant's Compilation Report and Financial Forecast*). If not confirmed, please explain.

Response: Confirmed.

- c. An annual debt service reserve revenue requirement of \$85,300. (*See Direct Testimony of Tracy Wyne, Pg. 6, Q&A 19 and Pg. 6, Accountant's Compilation Report and Financial Forecast*). If not confirmed, please explain.

Response: Confirmed.

- d. Commission approval of the 8-inch water main extension project. If not confirmed, please explain.

Response: Confirmed.

Respectfully submitted,

/s/ Darren A. Craig
Darren A. Craig

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been electronically served upon the following counsel of record via e-mail, the agreed method of service for this proceeding, on May 2, 2024:

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Victor Peters
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/s/ Darren A. Craig

Darren A. Craig

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Thomas W. Malan

Utility Analyst

Cause No.45955

Indiana Office of Utility Consumer

Counselor

Marysville-Otisco-Nabb Water Corporation

05-30-2024

Date

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 5 – Supplemental Testimony of Thomas W. Malan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service May 30, 2024.

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