

FILED
June 13, 2024
INDIANA UTILITY
REGULATORY COMMISSION

PETITIONER'S EXHIBIT NO. 3

CAUSE NO. 46086

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

DIRECT TESTIMONY
OF
SCOTT A. SCHMITT

ON BEHALF OF
INDIANA UTILITIES CORPORATION

**INDIANA UTILITIES CORPORATION
DIRECT TESTIMONY OF SCOTT A. SCHMITT**

I. INTRODUCTION AND BACKGROUND

1 **Q1. Please state your name and business address.**

2 A. My name is Scott A. Schmitt. My business address is 123 W. Chestnut St.
3 Corydon, Indiana 47112.

4 **Q2. On whose behalf are you appearing in this Cause?**

5 A. I am appearing on behalf of Indiana Utilities Corporation, (“Indiana Utilities”,
6 “Company”, or “Petitioner”).

7 **Q3. Are you affiliated with the Petitioner, Indiana Utilities Corporation?**

8 A. Yes I am. I serve as Vice President of Operations.

9 **Q4. In your role as Vice President of Operations, please describe the work you do?**

10 A. I manage the day-to-day field operations of the Indiana Utilities Corporation. My
11 responsibilities are included in Appendix A to this testimony.

12 **Q5. Are you sponsoring any attachments?**

13 A1. Yes. I am sponsoring the following attachments, which were prepared by me under my
14 direction and supervision:

- 15 • Attachment SAS-1, spreadsheet detailing expenses from 2022 compared to 2024
16 showing the increases.
- 17 • Attachment SAS-2, certain employee policies.

18 **Q6. Have you previously testified before this Commission on behalf of this Petitioner?**

19 A. No.

1 **Q7. What is the purpose of your testimony?**

2 A. My testimony is designed to support Indiana Utilities' request for authority to
3 change its rates, charges, tariffs, rules, and regulations. Specifically, I will discuss
4 increases in construction material, trucks, equipment and repairs, and employee
5 salary and training expenses. I also discuss some of Indiana Utilities key employee
6 policies surrounding cell phone usage, reimbursement of meals, and personal use
7 of vehicles.

8 **II. EXPENSES**

9 **Q8. When evaluating expenses what is Indiana Utilities goal?**

10 A. Our number #1 concern is Public Safety, so Indiana Utilities spend a great deal of
11 time and money improving our operations and improving Public Awareness.
12 Expenses are reasonably incurred in furtherance of that goal.

13 *a. Construction Material*

14 **Q9. Has Petitioner been experiencing increases in the costs of materials necessary to**
15 **provide safe and reliable service to its gas customers?**

16 A. Yes. As shown on Attachment SAS-1, average growth in construction materials is
17 31.3%. Some of the largest growth has for gas meters. Currently, Indiana Utilities
18 is buying 300 – 400 AC-250 meters (to help with pricing bulk) every year for
19 meter change-outs and new services. Included in that meter change/new service
20 will be an encoder receiver transmitter (ERT) price that has increased by 31.6%.
21 To further our goal to have safe and reliable service Indiana Utilities has been

1 removing above ground valves and installing more below ground valves. These
2 materials also come with an increased cost.

3 **Q10. Please explain further why you have decided to remove above ground valves.**

4 A. The DIMP (Distribution Integrity Management Program) Indiana Utilities to
5 improve the safety of our facilities for public safety. One area that needed
6 improvement for public safety was the location of our above Ground valves,
7 which were located near roads and intersections. Relocating these valves
8 underground improves public safety. We have been working on this safety
9 improvement for several years. It is a multi-year project.

10 **Q11. Did Petitioner take action to put downward pressure on these price increases?**

11 A. Yes. Continuing with the ERTs as an example, Petitioner entered into a 3-year
12 agreement to get an advantageous price and to receive inventory since there is a
13 shortage of ERTs in the market.

14 **Q12. Is Petitioner experiencing increases in the costs of pipe?**

15 A. Yes. In the past 2.5 years, Indiana Utilities has expanded pipeline into the
16 Lanesville area to serve an industrial park and the Lanesville area at large. This
17 expansion included purchasing 13 miles (68,640 feet) of 6" HDPE. All sizes of
18 Pipeline have increased approximately 32.48% since 2020.

19 **Q13. Is Petitioner experiencing increases with line locates?**

20 A. Yes. Specifically in locating material (Paint and Flags). Indiana Utilities receives
21 over 4,200 locates per year and that amount has been growing. Paint for locates
22 has increased 26.7% and flags for locates has increased 18.2%.

1 **Q14. Are there any other materials increases that you would like to note?**

2 A. Yes. Indiana Utilities has experienced increased interest from customers that want
3 their properties cleaned up when Indiana Utilities is working in the area. The price
4 of straw has seen a price increase of 36.4% and I have noticed grass seed
5 beginning to trend upwards as well. While Indiana Utilities limits cleanup only to
6 its area of construction, these materials are essential in this cleanup process.

7 ***b. Trucks and Equipment Repairs***

8 **Q15. Has Petitioner been purchasing equipment in order to be able to efficiently and safely**
9 **perform its duties?**

10 A. Yes. Indiana Utilities purchases a variety of equipment and we are experiencing
11 increases in costs. First, we are currently in the market to purchase a new truck
12 (2500HD). Indiana Utilities bought the same model truck in 2020 and now the
13 price has increased 27.5% (\$47,500.00 to 65,000.00) from 2020 to 2024. In the
14 next 2 years, we will need to purchase two additional new trucks and replace
15 another truck. Indiana Utilities will also need to purchase a new mini-excavator
16 and skid steer to help with installation and maintenance of our current facilities.

17 **Q16. Please describe further the vehicles and construction equipment that is necessary for**
18 **Indiana Utilities operations.**

19 A. Our standard construction truck is a ¾ ton, heavy duty 4X4 truck with a utility
20 bed. Our trucks need the capacity to transport trailers with equipment. So, a ¾ ton
21 HD can transport a trailer with a mini excavator on it for construction purposes
22 but also for emergency response. However, those trucks cannot transport our
23 directional bore machine, backhoe, and our trenchers so we have Chevy C4500

1 dump truck and Ford F550 to transport those items. We went to utility beds for
2 storage of material/equipment and for safety reasons. Indiana Utilities have some
3 ½ ton trucks, but they are primary used to paint and mow. Since the particular
4 field technician that drives that truck doesn't transport a lot of equipment, we
5 were recently able to buy a ½ ton instead ¾ ton. We currently plan to purchase
6 another truck this fall, and it will need to be a ¾ ton HD. With the price of those
7 trucks being \$66,000, we decide for cost savings measure to limit that purchase
8 to one truck.

9 **Q17. Does Petitioner maintain and repair its equipment to extend the longevity?**

10 A. Yes. However, I would note that newer pieces of equipment are now very
11 computerized. With that, there is an increase in the cost of repairs of 16%. Not
12 only in repair labor, but an increase of 20-30% in part replacement.

13 **Q18. You discussed trucks and other gas-powered equipment, has Petitioner noticed an**
14 **increase in fuel prices?**

15 A. Yes. Fuel prices have increased 34% since 2020. With the investment in
16 expansion and 811 locates increasing this means more fuel to perform the work
17 necessary to provide reliable service and protect public safety.

18 ***c. Employee Salaries and Training.***

19 **Q19. Has Petitioner experienced difficulties in attracting and retaining employees?**

20 A. Yes. Indiana Utilities has noticed a very competitive job market. We typically
21 lose employees to other gas operators because our employees are unbelievably
22 valuable in the industry. This issue is compounded by Corydon's proximity to
23 Louisville. The loss of the knowledge base held by experienced and highly trained

1 employees from critical job positions over a short period of time can adversely
2 affect a company's ability to operate effectively. Addressing the issue properly
3 and in a timely manner is critical in maintaining the industry skill set needed for
4 the delivery of safe, reliable and effective service to customers. In order to stay
5 competitive Indiana Utilities must improve wages, benefits, and rewards.

6 **Q20. Please explain further what Petitioner has done to attract and retain employees?**

7 A. We have increase salaries and improved benefits including vacation time, sick and
8 personal time, pension, and improved our On-Call pay. All these items had to be
9 improved to retain and hire new employees. Training in the Pipeline industry to
10 become Operator Qualified (“OQ”) never decreases, only. Indiana Utilities spends
11 \$7000.00 to \$9,000.00 per person each year to become OQ.

12 **Q21. Can you provide a specific example?**

13 A. Yes. Two years ago, the department of transportation (“DOT”) changed its
14 requirements for obtaining a Commercial Operator License. That change now
15 requires the employee to attend a class (cost of \$4500.00) for 4 weeks. The cost
16 previous to that was \$300 for a written and driving test and medical card. These
17 classes are held in person and the nearest location is 30 minutes from the office. ,
18 This adds travel time and other expenses to the investment for an individual to
19 attend each day for 4 weeks.

20 **III. EMPLOYEE POLICIES**

21 **Q22. Does Indiana Utilities allow their on call employees to take their work vehicles home?**

22 A. Yes. We are required to have a vehicle at the ready wherever an on call employee
23 is so they can quickly respond to service requests in an efficient manner. To make

1 this requirement easy for our employees we have authorized our employees to use
2 the company's trucks for minimal personal use when they are on call. This is
3 achieved in part by allowing employees to use their vehicles for occasional
4 personal trips. On call employees do not have time to run home or back to the
5 office in the event there is something requiring urgent attention (e.g., meter fires,
6 inside leak investigation, house fires, etc.).

7 **Q23. What other employee policies does Indiana Utilities have for their employees?**

8 A. Indiana Utilities pays a portion of employees cell phones because they are
9 essential to their work. GIS and ticket information is now accessible by cell
10 phone. These technological enhancements make employees work easier and more
11 accurate. Since they may use their personal phone to access this information,
12 rather than purchase a separate phone for their use, Indiana Utilities determined it
13 to be reasonable to pay a stipend towards their personal cell phones. Indiana
14 Utilities also has a meal policy to allow for reimbursement of meals when an
15 employee is required to travel outside of the main office area for work related
16 purposes. The Vehicle Policy, Mobile Phone, Policy and Meal-Lunch policy are
17 attached to my testimony as Attachment SAS-2.

18 **Q24. Does this conclude your prefiled direct testimony?**

19 A. Yes it does.

Appendix A


My Job duties for Indiana Utilities Include but are not limited to:

- Management of Superintendent and assist Superintendent with field staff total of 8.
- Regulation compliance for PHMSA 192 Pipeline Safety Regulations and IURC I70 IAC 5-2 including writing and developing new policies and procedures to meet compliance.
- With the President, plan future routes of pipeline.
- Project management of pipeline mains/extensions installation and new services to residential and commercial accounts.
- Negotiate contracts and set-up contractors to perform work for Indiana Utilities. I also help them achieve and maintain compliance with PHMSA 192 regulations.
- Work with other local utilities in the county for large projects.
- Purchase material and components for field operations including meters, pipe, and components.
- Purchase of large equipment like skid steers, directional bore machines, and equipment used to install pipeline.
- Purchase of all company vehicles.
- Responsible for maintenance and servicing of equipment and vehicles
- Provide public awareness to first responders, and county officials.
- Responsible for obtaining property easements and meeting with property owners to secure easements.
- Represent Indiana Utilities Corporation at conferences and meetings for compliance issues and public awareness.
- Manage and maintain OSHA and DOT compliance.
- Serve as responsible individual for all accidents or incident investigations for any losses or issues with pipeline safety.
- Manage and resolve all customer complaints with field operations.
- Evaluate and document employee performance of field service staff.
- Development of multiple company operational policies with the VP of Administration and President.
- Manage and handle all employee disciplinary issues with field staff.
- Hire all new field staff.

VERIFICATION

I affirm under the penalties of perjury that the foregoing is true to the best of my knowledge, information and belief as of this 13th day of June, 2024.

INDIANA UTILITIES CORPORATION



Scott A. Schmitt

Indiana Utilities Corporation

Company Meal/Lunch Policy

Effective: January 1, 2024

Indiana Utilities Corporation (IUC) has established a Company Meal/Lunch Policy for IUC paid meals. IUC will pay for Employee lunches or meals if the Field Service Technician is working outside Corydon in other areas of the county or Louisville, KY. It is highly recommended to bring your lunch whenever possible, but Company Management understands that sometimes that is not practical all the time. IUC Company lunch duration is One (1) Hour and must be taken. If time is shorter than One (1) Hour, then it must be documented on the timecard and discussed with IUC VP of Operations. Company paid lunches are only for IUC company employees unless approved by IUC VP of Operations or Superintendent.

I acknowledge the information in this Meal/Lunch Policy and understand the policy as it was reviewed to me by Indiana Utilities Corporation. And a copy of the policy was furnished to me by Indiana Utilities Corporation.

Employee – Printed Name: _____

Employee’s Signature: _____

Date: _____

Manager’s Signature: _____

Date: _____

Indiana Utilities Corporation

Company Mobile Phone Policy

Effective: January 1, 2024

Indiana Utilities Corporation (IUC) has established a Company Mobile Phone Policy for IUC Field Service Technicians. When an IUC Field Service Technician goes on Emergency On-Call Schedule then IUC will pay a monthly phone stipend to the Field Service Technician. The current stipend is \$40.00 per month. The Field Service Technician will be required to have a smart phone so as to have the ability to review company facilities (pipelines) while in the field performing normal work during business hours or during after-hours emergency calls. The stipend or phone allowance will be paid quarterly.

I acknowledge the information in this Company Mobile Phone Policy and understand the policy as it was reviewed to me by Indiana Utilities Corporation. And a copy of the policy was furnished to me by Indiana Utilities Corporation.

Employee – Printed Name: _____

Employee’s Signature: _____

Date: _____

Manager’s Signature: _____

Date: _____

Indiana Utilities Corporation

Company Vehicle Policy

Effective: January 1, 2024

Indiana Utilities Corporation (IUC) has established a Vehicle Policy. Field Service Technician's vehicles are to be used for company use only. The only Field Service Technicians that may take a company truck home are the Technicians that are required to perform Emergency On-Call. Those Technicians should make sure that their company trucks are equipped with the proper tools/equipment needed to manage most emergencies per IUC O&M. While On-Call the Technician shall utilize company vehicles always during their On-Call duty time. In the event of an emergency, the Technician will be able to respond immediately to an emergency or natural gas related situation.

Personal use of the company vehicle is prohibited unless approved by upper management. The technician will be responsible for the condition of the company truck and maintaining its appearance.

I acknowledge the information in this Company Vehicle Policy and understand the policy as it was reviewed to me by Indiana Utilities Corporation. And a copy pf the policy was furnished to me by Indiana Utilities Corporation.

Employee – Printed Name: _____

Employee's Signature: _____

Date: _____

Manager's Signature: _____

Date: _____