

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE PETITION OF
GIBSON WATER, INC., A NONPROFIT
CORPORATION, FOR AUTHORITY TO
ISSUE LONG-TERM DEBT AND FOR
APPROVAL OF A CHANGE IN RATES
AND CHARGES**

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CAUSE NO. 45080

TESTIMONY

OF

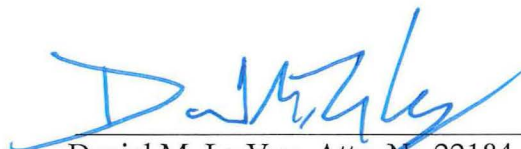
CARL N. SEALS - PUBLIC'S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

August 24, 2018

Respectfully Submitted,



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

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Testimony of Carl N. Seals* has been served upon the following counsel of record in the captioned proceeding by electronic service on August 24, 2018.

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TESTIMONY OF OUCC WITNESS CARL N. SEALS
CAUSE NO. 45080
GIBSON WATER, INC.

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Carl N. Seals, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Water/Wastewater Division. My qualifications and experience are set forth in Appendix A.

Q: What is the purpose of your testimony?

A: I describe the capital improvement projects Gibson Water, Inc. ("Gibson" or "Petitioner") plans to complete. I discuss whether these projects should be considered reasonable for purposes of approving Gibson's requested authorization for financing. I also discuss Gibson's request to recover periodic maintenance expenses.

Q: Please describe the review and analysis you conducted to prepare your testimony.

A: I reviewed Gibson's petition and the testimonies of John W. Wetzel, P.E. (Professional Engineer and Senior Project Engineer with Midwestern Engineers, Inc.), Steve Jenkins (Utility Manager) and Scott A. Miller, CPA (Municipal Advisor and partner in the firm of H.J. Umbaugh & Associates, Certified Public Accountants, LLP). I reviewed Petitioner's 2013-2017 IURC annual reports and its Monthly Reports of Operations ("MRO's") Gibson submitted to the Indiana Department of Environmental Management over several periods. I reviewed the final orders in Cause Nos. 40755 and 43918 and testimony that had been filed in those causes. I researched news articles and Toyota's own website on Toyota Motor

1 Manufacturing Indiana's ("TMMI") planned expansion at its Princeton manufacturing
2 facility, which facility Gibson serves. On May 23, 2018, OUCC Utility Analyst Jim Parks
3 and I met with Mr. Jenkins at Petitioner's office to discuss Gibson's current operations and
4 its capital improvement plan. We also viewed Petitioner's above-ground water utility
5 facilities, including its single connection (meter pit) with the City of Evansville, its
6 pumping station and elevated and ground storage facilities. Mr. Parks and I took pictures
7 of those facilities, which I present in Attachment CNS-1 to this testimony. Finally, I
8 reviewed the customer comment the OUCC received regarding the proposed rate increase,
9 which I have attached to this testimony (Attachment CNS-4).

I. WATER SYSTEM OVERVIEW

10 **Q: Please describe Gibson's characteristics.**

11 A: Gibson is a not-for-profit utility providing water service to approximately 1,805¹ customers
12 in Gibson County in southwestern Indiana. Gibson operates as a distribution system only
13 water utility as it does not produce its own water. Gibson provides wholesale water service
14 to the Town of Haubstadt ("Town") and retail service to its largest customer, the Toyota
15 Manufacturing Facility ("Toyota"), near Princeton, Indiana.² Gibson's system includes one
16 meter pit connecting it to the City of Evansville, one pumping station, three storage tanks,
17 120 hydrants and approximately 187.5 miles of main, with diameters ranging from 2 to 20
18 inches. Gibson sells an average of 1.3 million gallons of water per day. Gibson maintains
19 120 hydrants. Gibson's 2017 IURC Annual Report sets forth some general operating

¹ 2017 Annual Report, page W-1, Year End Customer Numbers including Residential, Commercial, Industrial, Public Authority, Agricultural and Private Fire Protection customers.

² Water Supply Contracts with Toyota and the Town were approved by the Commission in Cause Nos. 40755 and 43918, respectively.

1 statistics, which I summarize in Attachment CNS-2 ("Utility Dashboard"). Excluding
2 increases made via trackers based on the increases in costs of water from the City of
3 Evansville, Gibson's rates have not increased since 1986.

4 **Q: What is Gibson's water storage capacity?**

5 A: With three storage tanks, Gibson currently has total storage capacity of 2.1 million gallons.
6 With average sales in 2017 of 1.3 million gallons per day,³ Gibson easily meets the Ten
7 State Standard recommendation that total water storage meet average day demands.⁴
8 Gibson's Monthly Report of Operations to the Indiana Department of Environmental
9 Management showed a peak day on June 14, 2016 of 2.98 million gallons.⁵ This is
10 significant in that Gibson's agreement with the City of Evansville is for a maximum of 2.5
11 million gallons per day, causing Gibson to rely upon its storage under such scenarios.

12 **Q: What is Gibson's level of water loss?**

13 A: As used in Petitioner's IURC annual reports, "water loss" is the difference between water
14 Gibson produced and the total amount of water sold to customers or used for firefighting,
15 flushing mains, flushing sewers, street cleaning, backwashing, or other authorized
16 consumption. Water loss may reasonably be attributed to leaks or inaccurate measurement
17 of consumption. Over the last five years, Gibson's water loss values ranged from -4.9% to
18 0.6%.⁶ The negative values of water loss reported in Annual Reports suggest that the City

³ 2017 Annual Report page W-6, 480,351,000 gallons sold 2017 / 365 days = 1.3 million gallons per day.

⁴ 2.1 million capacity > 1.3 million average day consumption recommended. According to the Recommended Standards for Waterworks, A Report of the Water Supply Committee of the Great Lakes – Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers, Part 7 Finished Water Storage, Section 7.0.1(a) Sizing states: "The minimum storage capacity (or equivalent capacity) for systems not providing fire protection shall be equal to the average daily consumption. This requirement may be reduced when the source and treatment facilities have sufficient capacity with standby power to supplement peak demands of the system."

⁵ See Attachment CNS-3, Monthly Report of Operations for June 2016.

⁶ See "Percent Water Lost" chart on Attachment CNS-2.

1 of Evansville's meter(s) at the point of connection to Gibson's system may be under-
2 registering actual sales volumes from the City of Evansville to Gibson. If so, this would
3 obscure water loss and impede Gibson's ability to respond appropriately. In any event,
4 Petitioner's distribution system is fairly "young," having been initially installed in the late
5 1970's.⁷ Therefore, losses due to leaks (excluding those caused by poor installation) may
6 be expected to be small.

II. PROPOSED CAPITAL IMPROVEMENTS

7 **Q: Has a Preliminary Engineering Report ("PER") been prepared to guide Gibson in**
8 **planning for distribution improvements?**

9 A: Yes. A Preliminary Engineering Report For Water Distribution System Improvements was
10 prepared by Midwestern Engineers, Inc. ("Midwestern") and was included as Petitioner's
11 Exhibit 4. This PER describes Petitioner's system, examines several alternative projects
12 and ultimately selects five of those projects to be completed.

13 **Q: Has Petitioner developed a Capital Improvement Plan?**

14 A: Yes. In consultation with Gibson's Board of Directors and staff, Midwestern identified a
15 number of improvements needed to address service reliability issues for Gibson's current
16 customers and ensure the quality and reliability of service for Gibson's future customers.

17 **Q: What types of projects did Gibson include in its Capital Improvement Plan?**

18 A: As discussed in Petitioner's Exhibit 2, Gibson plans five capital improvements to its
19 distribution system:

⁷ According to Petitioner's Exhibit 1, page 3, lines 18-20.

1. County Road 225 West Water Main Extension (Alternative 2);
2. State Route 68 Water Main (Alternative 3);
3. County Roads 200 South and 350 West Water Mains (Alternative 6);
4. State Road 64 Water Main Extension (Alternative 7), and
5. Parallel Booster Station Supply Main plus Booster Pump Replacement (Alternative 8).

Q: Please describe the County Road 225 West Water Main Extension.

A: This project involves the installation of 16,175 feet of new 6-inch or 8-inch water main on County Road 225 West between an 8-inch main on County Road 950 and a 6-inch main on State Route 168. This will complete "looping" of the existing 8-inch diameter water line on County Road 150 West and the existing 6-inch diameter pipe on County Road 225 West and subsequently improve low pressures experienced in the areas west of Fort Branch and Haubstadt under peak system demands. The Hydraulic Modeling Results presented in Appendix K of Petitioner's Exhibit 4 illustrate the differences in pressures of these two, existing dead-end mains during peak demands. The proposed construction cost of the County Road 225 West Water Main Extension is \$521,800.

Q: Please describe the State Route 68 Water Main project.

A: This project involves the replacement of an existing 4-inch water main on State Route 68 with a new 8-inch diameter main. The new, 5,272 foot water main will connect an existing 8-inch pipe at the intersection of State Route 68 and County Road 350 E with an existing 3-inch main at the intersection of State Route 68 and County Road 450 E. The proposed main should increase carrying capacity in the southeast portion of the distribution system, and improve operating pressures for two high elevation areas northwest of the State Route

68 and Interstate 69 interchange. The proposed construction cost of the State Route 68 Water Main project is \$268,500.

Q: Please describe the County Roads 200 South and 350 West Water Mains project.

A: This project combines Alternatives 4 and 5 as discussed in the PER, while providing additional system enhancement by replacing the existing 3-inch water lines which would remain under those alternatives. While Alternatives 4 and 5 would essentially replace the existing 3" dead end lines with 6-inch and 8-inch mains, the remaining 3" pipe segments would still act as a bottleneck during peak demand conditions. This project removes those bottlenecks. The total length of this project is approximately 16,310 feet. The proposed construction cost of the County Roads 200 South and 350 West Water Mains project is \$562,000.

Q: Please describe the State Road 64 Water Main Extension.

A: This project involves the installation of 2,397 feet of new, 6-inch water main on State Route 64 to connect the existing 8-inch pipe on State Route 65 with an existing 3-inch, dead end water main on State Route 64. Installation of this main will complete a loop in the northwest portion of the distribution system, which will improve system carrying capacity in the area and reduce or eliminate poor water quality in the existing, dead end 3-inch water main on State Road 64. The construction cost of the State Road 64 Water Main Extension is \$158,900.

Q: Please discuss the Parallel Booster Station Supply Main plus Booster Pump Replacement project.

A: As previously noted, the transmission main from the City of Evansville to the County Road 1250 South Booster Station are Gibson's sole source of supply. This transmission main must cross I-64, which provides for limited access in case of any problems. This project

improves system supply redundancy by addressing this potential issue and includes the following sub-projects:

- Installation of second, parallel 16-inch main from point of connection with the City of Evansville to the Gibson booster station;
- Installation of a 16-inch water main to parallel the lone existing transmission main from the booster station northward to County Road 1200 South;
- Installation of a second 8-inch master meter with vault at the site of the Evansville master meter, and
- Replacement of booster station pumps, variable frequency drives and pump control valves.

The construction cost of the Parallel Booster Station Supply Main plus Booster Pump Replacement project is \$998,400

Q: Did Gibson provide cost support for the projects listed in its Capital Improvement Plan?

A: Yes. Table 15, the Engineer's Opinion of Probable Project Cost summarized the cost of each project and was provided on page 46 of the Preliminary Engineering Report (Petitioner's Exhibit 4). More detailed information was also included in Appendix F of the PER, and titled Cost Estimates for Project Alternatives.

Q: What is the total cost of Gibson's Capital Improvement Plan?

A: The total cost of the five, proposed capital improvement projects, including construction contingencies (10%) and non-construction costs is \$3,581,000. Gibson intends to fund these projects via Indiana State Revolving Fund and Rural Development loans.

Q: Do you agree the projects included in Gibson's Capital Improvement Plan are reasonable?

A: Yes. The capital improvement projects planned by Gibson appear to be reasonable and necessary for the continued provision of reliable service.

III. PERIODIC MAINTENANCE

Q: Please describe Gibson's proposed adjustments to Periodic Maintenance expense.

A: Petitioner's Engineering witness worked with the Accounting witness to develop the Periodic Maintenance schedule appearing as Adjustment (6) in Petitioner's Exhibit 7. Proposed adjustments to Periodic Maintenance encompass the following items:

- Supervisory Control and Data Acquisition (SCADA) systems;
- Pump maintenance;
- Tank maintenance, and
- Replacement of large meters.

Tank Maintenance includes an annual contract amount with a service provider for each of the 300,000 gallon tanks (standpipe and elevated), while coating of the 1.5 million gallon tank has been amortized over 20 years. The replacement of large meters has been amortized over 15 years.

Q: Do you accept Petitioner's pro forma expense amount for each periodic maintenance item?

A: Yes. These expenses appear to be reasonable for continued maintenance and operation of these critical assets.

Q: Do you have any concerns regarding Gibson's operations?

A: Yes. As noted in my review of Gibson's Annual Reports, it does not appear Gibson is reporting any system usage on Annual Report page W-6, particularly with respect to flushing.⁸ (See Attachment CNS-2). While Gibson reports having flushed 36 hydrants in 2017,⁹ no volumes are reported on Annual Report page W-6. While reporting flushing

⁸ System usage for a distribution-only system would typically include water used for seasonal flushing, firefighting and "other authorized consumption" as listed on the Annual Report page W-6.

⁹ 2017 Annual Report, page 54 of 55.

1 amounts may serve to exacerbate Gibson's negative water loss, this may be addressed by
2 requesting recalibration of the City of Evansville's meter serving Petitioner.

3 **Q: Please summarize your recommendations.**

4 A: I recommend the following the Commission accept Gibson's Capital Improvement Plan
5 for purposes of approving Gibson's requested authorization for financing. I also
6 recommend the Commission accept Gibson's proposed Periodic Maintenance adjustments.

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

8 A: Yes.

IV. APPENDIX A: QUALIFICATIONS

Q: Please describe your educational background and experience.

A: In 1981 I graduated from Purdue University, where I received a Bachelor of Science degree in Industrial Management with a minor in Engineering. I was recruited by the Union Pacific Railroad, where I served as mechanical and maintenance supervisor and industrial engineer in both local and corporate settings. I then served as Industrial Engineer for a molded-rubber component manufacturer before joining the Indiana Utility Regulatory Commission (“Commission”) as Engineer, Supervisor and Analyst for more than ten years. It was during my tenure at the Commission that I received my Master of Health Administration degree from Indiana University. I then worked at Indiana-American Water Company in its rates department. I was then assigned to managing Indiana-American’s Shelbyville operations for eight years. Thereafter, I was hired by Veolia Water, where I served as Director of Regulatory Compliance and Contract Management for Veolia Water Indianapolis. I joined Citizens Energy Group as Rate & Regulatory Analyst following the October 2011 transfer of the Indianapolis water utility and joined the Office of Utility Consumer Counselor in April of 2016.



View of Gibson Water office, booster station site from CR 1250 S



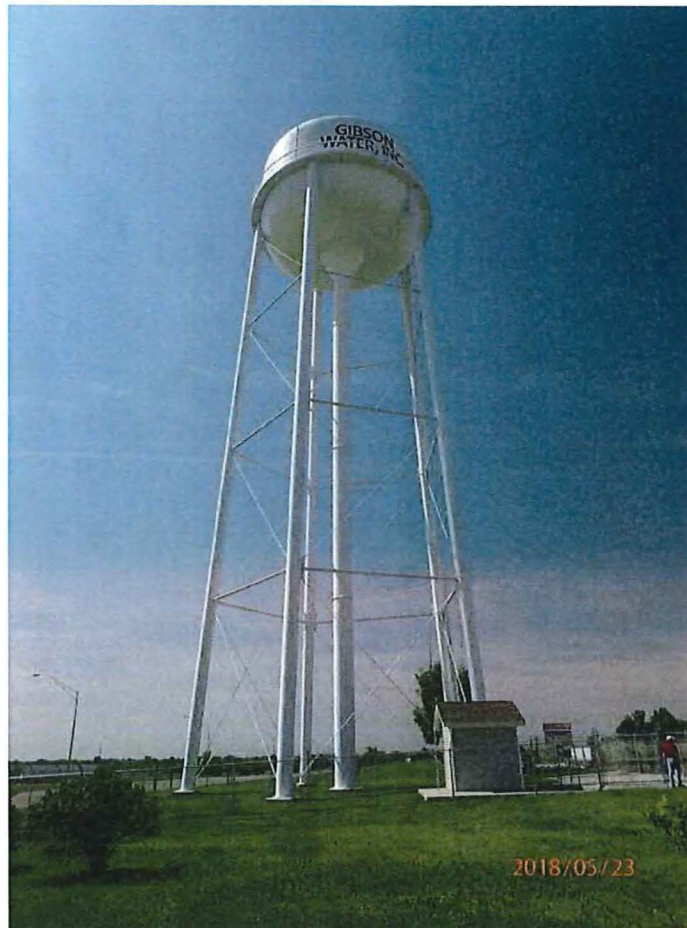
Garage, material storage at site



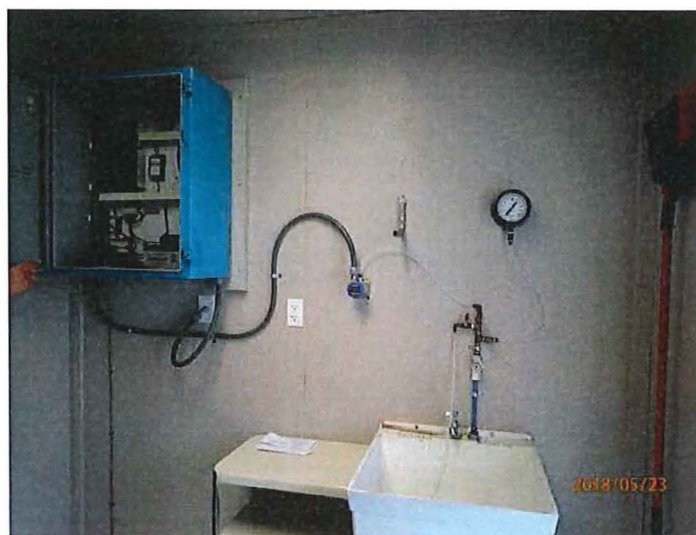
Gibson booster station, exterior



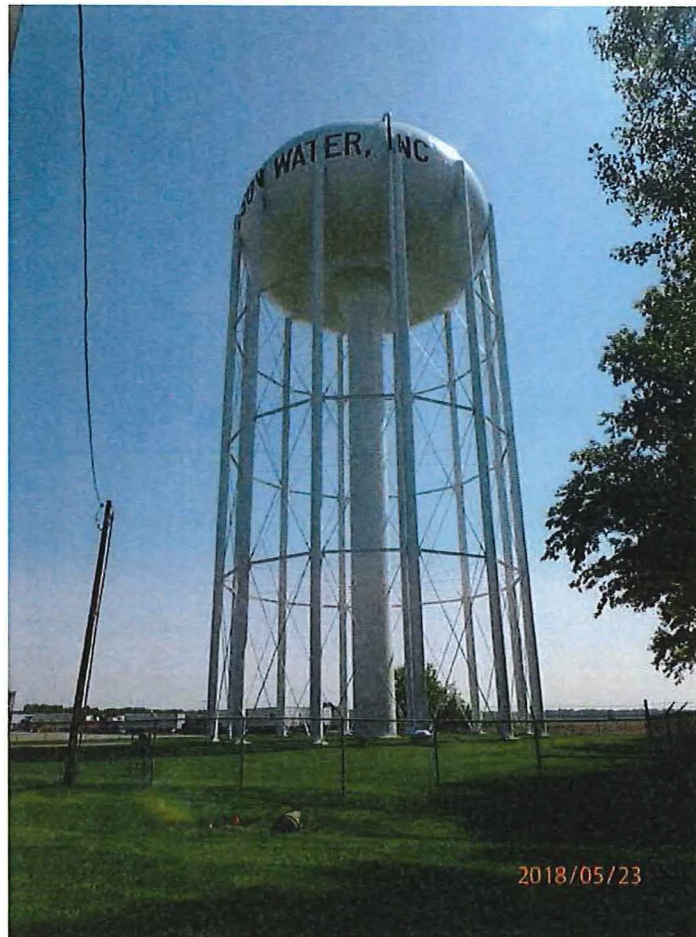
Gibson booster station, interior



300,000 gallon tank and outbuilding



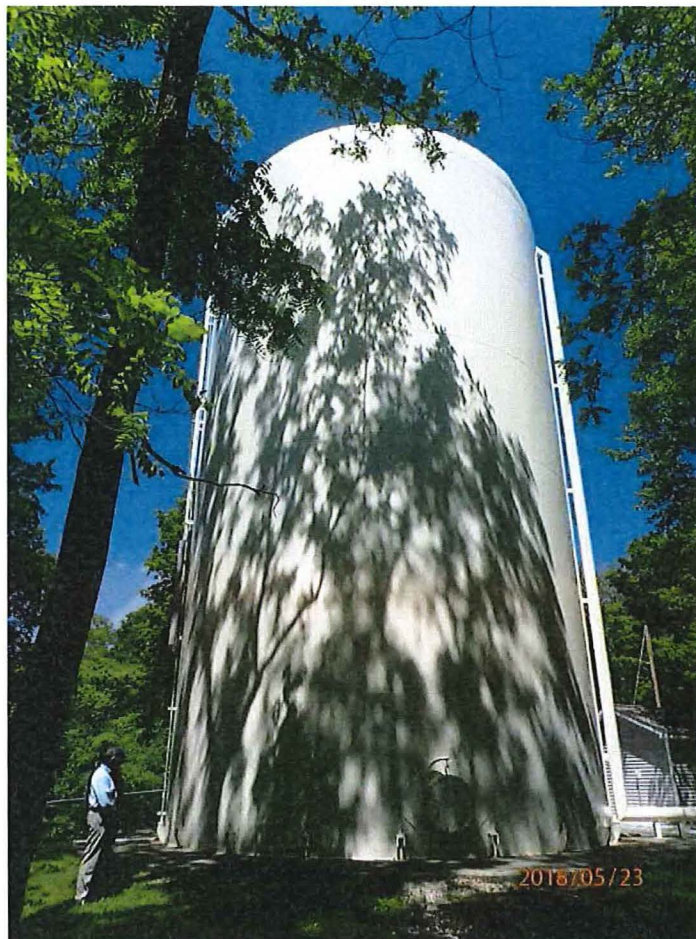
Outbuilding interior showing SCADA & sampling sink



1.5 million gallon tank



1.5 million gallon tank, interior



300,000 gallon standpipe



Point of connection (meter pit) with Evansville

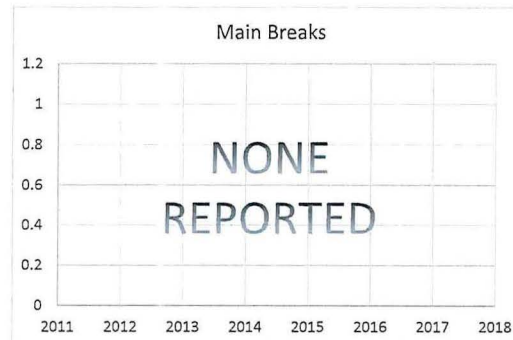
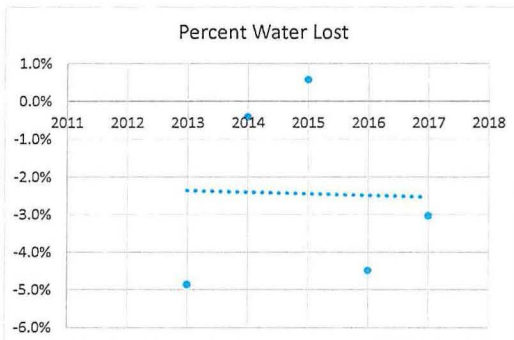
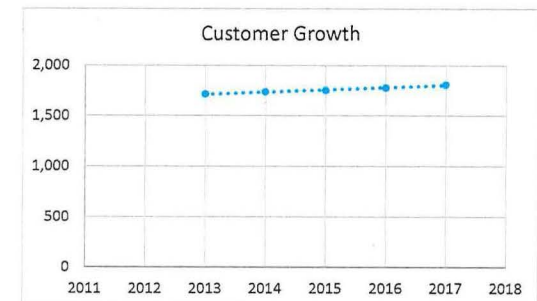
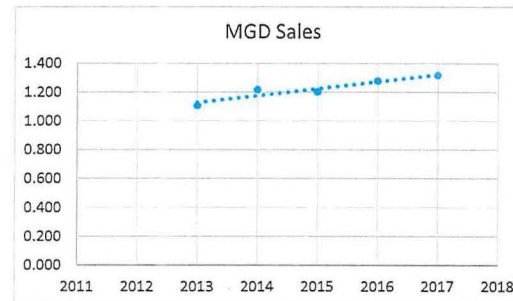
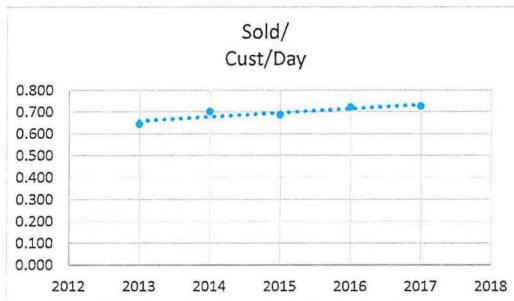
Utility Dashboard
Gibson Water Inc.
Cause No. 45080

A	B	C	D	E	F	G	H	I	J	K
Year	Customers Year-End	Total Purchased	Total Sold	Non- Revenue (C - D)	System Usage	Water Loss (E - F)	Percent Loss (G / C)	Average MGD	Sold/ Cust/Day	Main Breaks
2013	1,712	385,086	403,772	-18,686		-18,686	-4.9%	1.106	0.644	
2014	1,734	442,491	444,293	-1,802		-1,802	-0.4%	1.217	0.702	
2015	1,749	441,250	438,681	2,569		2,569	0.6%	1.202	0.687	
2016	1,775	447,536	467,610	-20,074		-20,074	-4.5%	1.278	0.722	
2017	1,805	466,243	480,351	-14,108		-14,108	-3.0%	1.316	0.727	

average mgd 2017
avg gals/cust/mo 2017
average cust growth
average mgd 5 yrs

1.316 mgd
22,177 gals
23.25 /yr
1.223 mgd

All reported in thousand gallons
System usage includes water used for firefighting, backwashing, main flushing, etc.
Source: IURC Annual Reports



Dashed lines shows results of linear regression over period shown (trend)

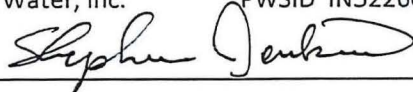
MONTHLY REPORT OF OPERATION

Gibson Water, Inc.

PWSID IN5226009

Month June Year 2016

Karla Goodman



IDEM Field Rep.

Signed

Utility Manager

DS998209

Certification Number

I certify, under penalty of law, by this signature that this document was prepared by me, or under my direction, and the information submitted is, to the best of my knowledge and belief, true, accurate, and complete.

I am also aware that there are significant penalties for submitting false information.

794244500

Previous Reading (gallons)

Date	Reading (gallons)	Volume Pumped (gallons)	Disinfectant Residual (Chlorine/Chloramine)				Notes
			Booster Station		Distribution System		
			Free (mg/l)	Total (mg/l)	Free (mg/l)	Total (mg/l)	
1	796084400	2019730		3.0			
2	798104130	2258970		2.1			
3	800363100	997900		1.9			
4	801361000	997900		1.9			
5	802358900	997900		2.0			
6	803356800	1859170		2.0			
7	805215970	1621515		1.7			
8	806837485	1621515		1.8			
9	808459000	2052800		1.9			
10	810511800	1552000		1.8			
11	812063800	1552000		1.6			
12	813615800	1552000		1.4			
13	815167800	1675400		1.1			
14	816843200	2983400		1.4			
15	819826600	1141700		1.5			
16	820968300	1932700		1.2			
17	822901000	1316766		1.7			
18	824217766	1316766		1.8			
19	825534532	1316768		1.9			
20	826851300	2108600		2.1			
21	828959900	2456400		1.9			
22	831416300	1367300		2.9			
23	832783600	2190400		3.4			
24	834974000	1493433		2.1			
25	836467433	1493433		2.4			
26	837960866	1493434		2.7			
27	839454300	2066100		3.0			
28	841520400	1595200		2.8			
29	843115600	1702200		2.5			
30	844817800	1607400		2.2			
31		0					

1	846425200	50340800	N/A	N/A	N/A	N/A	Total
		2983400	0.0	3.4	0.0	0.0	Maximum
		997900	0.0	1.1	0.0	0.0	Minimum
30	Total Days	1678027	0.0	2.1	0.0	0.0	Average

Lane, Lyndsey

From: Richard Gries MD <richardgriesmd@yahoo.com>
Sent: Friday, July 20, 2018 1:12 PM
To: UCC Consumer Info
Subject: Gibson Water Rate Increase

Categories: Done

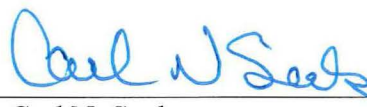
**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

An increase of over 17% in rates is totally unjustified. They should be held to the same increase that we ge in Social Security.

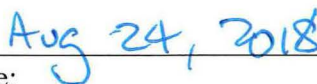
They keep expanding in areas where they cannot possibly recoup their cost.
, IN 47639
Richard Gries
11990 S 50 W
Haubstadt

AFFIRMATION

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



By: Carl N. Seals
Cause No. 45080
Indiana Office of
Utility Consumer Counselor



Date: