

FILED
June 11, 2024
**INDIANA UTILITY
REGULATORY COMMISSION**

INDIANA-AMERICAN WATER COMPANY, INC.

AND

SILVER CREEK WATER CORPORATION

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 46023

REBUTTAL TESTIMONY

OF

JUSTIN SCHNEIDER

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BACKGROUND

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

2 A. My name is Justin Schneider. My business address is 153 N. Emerson Avenue,
3 Greenwood, Indiana 46143.

4 **Q. Did you previously submit testimony in this proceeding that was identified as Joint**
5 **Petitioners' Exhibit No. 2?**

6 A. Yes, I did.

SCOPE OF TESTIMONY

7 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

8 A. The purpose of my rebuttal is to respond to specific issues raised in the direct testimony
9 filed on May 28, 2024, by Margaret A. Stull, on behalf of the Indiana Office of Utility
10 Consumer Counselor ("OUCC").

11 **Q. Have you reviewed the testimony provided in this Cause by OUCC witnesses**
12 **Stull?**

13 A. Yes, I have. I will address her testimony below.

1 **RESPONSE TO THE RECOMMENDATION OF THE OUCC IN THIS CAUSE**

2 **Q. In summary, what is the recommendation of the OUCC regarding Indiana-**
3 **American Water Company's ("Indiana American", or "the Company") proposed**
4 **acquisition?**

5 A. OUCC witness Stull does not oppose the acquisition. However, Ms. Stull has requested
6 changes in the rates to be approved.

7 **Q. Please briefly summarize the issue you take with the rate proposal made by Ms.**
8 **Stull.**

9 A. The Asset Purchase Agreement ("APA") is conditioned upon approval of Indiana
10 American's proposed rates. The rates to be applied to the members of Silver Creek
11 Water Corporation ("Silver Creek") was a negotiated term of the agreement between
12 the parties as part of the overall transaction. Further, as noted on page 7 of the testimony
13 of Silver Creek witness Christopher Adam Snyder, the members of Silver Creek had to
14 approve the proposed transaction. Silver Creek provided notice to its customers,
15 included as Attachment CAS-4 to Mr. Snyder's testimony, which included a statement
16 that members of Silver Creek would transition to Area One rates of Indiana American.
17 The summary of the proposed terms of the APA included that the rates of Silver Creek
18 members would increase by nearly 70% for a typical monthly customer using 5,000
19 gallons per month as well as a table showing various monthly bill comparisons at the
20 then existing rates. That same notice to members also indicated that if the Silver Creek
21 system is not acquired by Indiana American, that the Silver Creek rates would increase.
22 The customers were also made aware in the customer notice included as Attachment

1 CAS-4 that they would be reimbursed their membership fee and also receive an
2 estimated payment of approximately \$4,500-\$4,800 per membership from the proceeds
3 of the sale and any remaining cash on hand. With this information provided to them,
4 the members of Silver Creek voted in favor of the transaction, including moving to
5 Indiana American's Area One rates.

6 **Q. How does the rate analysis provided in the testimony of Ms. Stull compare to the**
7 **rate calculations provided by Silver Creek to its members?**

8 A. Silver Creek is a sale for resale customer of Indiana American. As such, Silver Creek
9 has seen increases for its purchased water expense as a result of the recent rate case of
10 Indiana American. Silver Creek has historically passed those costs on to their members
11 though a rate adjustment. Those prior adjustments have been made through action of
12 the board of Silver Creek and a subsequent 30-day filing submitted to the Commission
13 to which the OUCC apparently acquiesced. At the time Ms. Stull submitted her
14 testimony, those costs from the most recent rate case were not yet reflected in the rates
15 of Silver Creek.

16 **Q. Are there other issues presented by the testimony of Ms. Stull with respect to the**
17 **application of Area One rates?**

18 A. Yes, there is. Ms. Stull indicates in her testimony that Indiana American has not
19 provided evidence of what additional marginal costs exist or why service cannot be
20 provided at the rates Silver Creek members are currently paying. Her statement can
21 actually be turned around: Indiana American's Area One rates have been approved by
22 the Commission to recover our costs of serving customers in Area One, and Ms. Stull

1 has presented no analysis demonstrating that our costs of serving these customers will
2 be any different from our costs of serving other Area One customers. As a matter of
3 law under Indiana Code § 8-1-30.3-6(5), Silver Creek is too small to capture economies
4 of scale. As noted in my direct testimony, it is too simplistic to look solely at the cost
5 of service provided by two utilities. Rather, it is necessary to look at the level of service
6 provided. All customers deserve a higher level of service and Indiana American is
7 committed to providing that higher level of service to Silver Creek customers on day
8 one. As noted in the testimony of Indiana American witness Matthew H. Hobbs, one
9 area where Silver Creek customers will immediately benefit from the acquisition is the
10 engineering infrastructure, expertise and technical capabilities of Indiana American and
11 American Water as a whole. Specifically, Silver Creek customers will benefit from the
12 cybersecurity capabilities of American Water. Cybersecurity threats are increasing. In
13 fact, a wastewater utility in Indiana was recently subject to foreign hackers,
14 highlighting the necessity for more robust cybersecurity capabilities that Indiana
15 American can provide. Other immediate benefits of a higher level of service will be
16 achieved through Silver Creek customers' access to American Water's technology and
17 information systems. As noted in my direct testimony on pages 19 and 20, American
18 Water has a suite of technologies that directly benefit customers by allowing employees
19 to be better able to response to and manage issues and document communications with
20 customers regardless of whether the communications were with the call center or a
21 technician.

22 **Q. What are other examples of benefits to be provided to customers of Silver Creek**
23 **which support the application of Indiana American's Area One rates?**

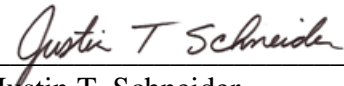
1 A. A significant benefit to the customers of Silver Creek is management of the risk facing
2 the operations of the Silver Creek system. As noted on page 4 of the testimony of Chris
3 Snyder, a significant factor in the decision to sell was the ability to replace existing
4 employees on their retirement. Those employees have been with Silver Creek for
5 decades and indications from several of them are that they will retire in the not-so-
6 distant future. As it has become more difficult to hire qualified managers and certified
7 operators, Silver Creek and all small utilities face an undue risk of inability to fill
8 positions and operate the system as needed. While the employees of Silver Creek will
9 be valuable team members to Indiana American, their retirement will not have the same
10 impact on the operation of the Silver Creek system under ownership by Indiana
11 American. Indiana American has 104 employees with distribution licenses and 90
12 employees with water treatment licenses. The Silver Creek system will become part of
13 the Southern Indiana Operations of Indiana American. By becoming part of the
14 Southern Indiana Operations, Silver Creek customers will be served by an additional
15 25 employees who will be able to directly serve the customers of Silver Creek as
16 needed.

17 **Q. Does this conclude your rebuttal testimony?**

18 A. Yes, it does.

VERIFICATION

I, Justin T. Schneider, Director of Consumer Affairs for Indiana-American Water Co., Inc.,
affirm under penalties of perjury that the foregoing representations are true and correct to the
best of my knowledge, information and belief.


Justin T. Schneider