

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

FILED
February 9, 2022
INDIANA UTILITY
REGULATORY COMMISSION

OFFICIAL
EXHIBITS

PETITION OF THE BOARD OF SANITARY
COMMISSIONERS OF THE SANITARY
DISTRICT OF THE CITY OF EAST
CHICAGO, INDIANA, FOR AUTHORITY TO
INCREASE ITS RATES AND CHARGES
FOR WASTEWATER SERVICE, AND FOR
APPROVAL OF NEW SCHEDULES OF
WASTEWATER RATES AND CHARGES.

CAUSE NO. 45632

IURC
INTERVENOR'S

EC
IG

EXHIBIT NO. 1

3-13-22
DATE

AT
REPORTER

Verified Direct Testimony and Attachments of

Michael P. Gorman

On behalf of

The East Chicago Sanitary District Industrial Group

February 9, 2022

BAI

BRUBAKER & ASSOCIATES, INC.

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Verified Direct Testimony of Michael P. Gorman

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Verified Direct Testimony of Michael P. Gorman

I. INTRODUCTION

1

2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A Michael P. Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
4 Chesterfield, MO 63017.

5 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

6 A I am a consultant in the field of public utility regulation and a Managing Principal with
7 the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory
8 consultants.

9 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

10 A This information is included in Appendix A to my testimony.

1 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

2 A The East Chicago Sanitary District Industrial Group ("Industrial Group" or "IG"). The
3 Industrial Group consists of industrial customers of the Sanitary District of the City of
4 East Chicago, Indiana ("ECSD") who are reliant on ECSD for consistent, reliable and
5 reasonably priced wastewater service to support their respective operations.

6 **Q HAVE YOU BEEN INVOLVED WITH PRIOR PROCEEDINGS BEFORE THE**
7 **INDIANA UTILITY REGULATORY COMMISSION ("IURC" OR "COMMISSION")?**

8 A Yes. I have been involved in prior proceedings before this Commission and have
9 presented testimony in some of those proceedings.

10 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

11 A In my testimony, I respond to the City's claimed revenue requirements and revenue
12 deficiency in this proceeding.

13 **Q DOES THE FACT THAT YOU DID NOT ADDRESS EVERY ISSUE RAISED IN**
14 **ECSD'S TESTIMONY MEAN THAT YOU AGREE WITH ECSD'S TESTIMONY ON**
15 **THOSE ISSUES?**

16 A No. It merely reflects that I did not choose to address all of those issues. It should not
17 be construed as an endorsement of, or agreement with, ECSD's position on such
18 issues.

II. SUMMARY

1

2 **Q PLEASE SUMMARIZE YOUR FINDINGS, CONCLUSIONS AND**
3 **RECOMMENDATIONS.**

4 A My findings, recommendations and conclusions are summarized as follows:

- 5 1. As outlined in my testimony below, I believe the City has understated
6 revenue at current rates because it unjustifiably proposes to reduce excess
7 strength charges for total suspended solids ("TSS") and chemical oxygen
8 demand ("COD") which reduce its revenue at current rates by approximately
9 \$810,000. For the reasons outlined in this testimony, the City's proposal to
10 reduce these excess strength charges is arbitrary and not cost based.
11 Consequently, the adjustment to current rate revenue should be rejected.
- 12 2. The City has overstated its projected revenue requirement by including
13 vacant employee positions and new employee hires.
- 14 3. The City also has included vacant employee expenses in its shared services
15 allocation to ECSD from City-wide functions. City-wide functions also have
16 vacant employee positions, and the costs of these vacant positions should
17 not be allocated to ECSD as the costs are not actually incurred.
- 18 4. With these adjustments, I reduced the City's three-phase revenue increase
19 request of \$2.8 million, down to an increase of \$1.4 million. Details of these
20 adjustments are presented below.

21 **III. ECSD CLAIMED REVENUE DEFICIENCY**

22 **Q PLEASE SUMMARIZE THE ECSD DEVELOPMENT OF ITS CLAIMED REVENUE**
23 **REQUIREMENT IN THIS PROCEEDING.**

24 A ECSD witness Andre Riley develops the City's revenue at current rates, and proposed
25 revenue requirement in its Phase I, II and III rate adjustment periods. As outlined at
26 page 18 of Mr. Riley's testimony, he makes the following findings:

- 27 1. Based on the normalization adjustments to billing units, Mr. Riley estimates
28 normal revenue at current rates for ECSD at \$7.42 million.
- 29 a. Mr. Riley estimates a Phase I revenue requirement of \$8.49 million,
30 b. Phase II revenue requirement of \$9.841 million, and
31 c. Phase III revenue requirement of \$10.2 million.

1 In developing his revenue requirement Mr. Riley made the following
2 adjustments to current rates, and adjustments to pro forma changes in cost of service:

- 3 1. He reduced revenue at current rates to reflect his proposed reduction to the
4 excess strength charges for COD in excess of 250 milligrams per liter
5 ("mg/l") from \$0.28/lb. to \$0.24/lb. (a 14% price reduction), and TSS in
6 excess of 100 mg/l from \$0.92/lb. to \$0.20/lb. (a 78% price reduction).
7 These rate reductions reduced revenues at current rates by approximately
8 \$810,000.¹
- 9 2. Mr. Riley also increased cost of service to reflect an increase in cash
10 disbursements of approximately \$1.15 million for various items outlined on
11 his attachments and the inclusion of budgeted labor expense, plus hiring of
12 five new employees anticipated in 2022.
- 13 3. Mr. Riley also includes increased cost of service related to the City's capital
14 improvement program. This was accomplished by reflecting the increased
15 debt service cost for a planned 2022 bond issue by approximately \$510,000
16 by start of Phase III, and an increase in replacements and improvements
17 expense from approximately \$553,000 in 2019, up to \$1.84 million by
18 Phase III.²

19 **IV. ADJUSTMENT TO ECSD CLAIMED REVENUE DEFICIENCY**

20 **Q DO YOU TAKE ISSUE WITH MR. RILEY'S DEVELOPMENT OF REVENUE**
21 **REQUIREMENT AND REVENUE DEFICIENCY IN THIS PROCEEDING?**

22 **A** Yes. I take issue with the following presentation by Mr. Riley of the revenue
23 requirements and revenue deficiency in this proceeding:

- 24 1. Mr. Riley is overstating the revenue deficiency in Phase I by understating
25 revenues at current rates from collections of excess strength charges for
26 COD and TSS. ECSD has not justified a significant reduction to the excess
27 strength charges relative to current rates, and therefore significantly
28 understated the amount of revenue that would be collected at current rates
29 if these charges were left in effect.

30 For the reasons discussed below, the City's estimated rate reductions for
31 these excess strength surcharges are not reasonable, not cost based, and
32 unjustifiably shift excess strength treatment costs to ECSD volumetric rates
33 (Tier 1 and Tier 2). This cost responsibility shift detrimentally impacts

¹ Verified Direct Testimony of Andre J. Riley, Attachment AJR-1, page 22, Adjustment (9), and page 24.

² *Id.*, page 18.

1 customers that do not discharge (or discharge limited) excess strength
2 effluent into the ECSD system.

3 2. I take issue with ECSD's pro forma labor expense because it includes
4 projected increased costs associated with vacant and new labor positions.
5 These labor positions are included in the test year budgeted labor expense.
6 The vacant and new labor positions are not expected to be filled until 2022,³
7 which is more than 24 months after the test year in this case. Hence, the
8 cost of the vacant employee positions is not known and measureable and
9 should be removed from the projected test year cost of service. I propose
10 to adjust the cost of service to reflect the actual expenditures for employees,
11 rather than budgeted.

12 3. Final adjustments include an additional labor expense associated with
13 shared services employee costs with other City functions. Similar to the
14 ECSD stand-alone labor expense, the City's shared labor cost also includes
15 vacant employee positions, and allocates a portion of these vacant position
16 costs to ECSD in the projected test year. I propose to remove this vacant
17 employee expense from the shared services cost allocated to ECSD in the
18 pro forma test period as an additional labor expense that is not known and
19 measurable for the historic test year adjustment period.

20 **Q PLEASE SUMMARIZE THE IMPACT ON THE CITY'S CLAIMED THREE-PHASE**
21 **REVENUE DEFICIENCY WITH YOUR ADJUSTMENTS OUTLINED BELOW.**

22 **A** ECSD's proposed revenue increase and my proposed adjustments to its proposal
23 are shown below in Table 1.

³ See ECSD response to OUCC Data Request 2-15, d., provided as Attachment MPG-1.

TABLE 1					
<u>Adjustments to City Proposal</u>					
<u>Line</u>	<u>Description</u>	<u>Current</u>	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
<u>I. East Chicago Proposed¹</u>					
1	ECSD Proposed Revenue	\$7,422,260	\$8,491,063	\$9,841,883	\$10,224,705
2	Proposed Revenue Increase		\$1,068,803	\$1,350,820	\$382,822
3	Cumulative Revenue Increase			\$2,419,623	\$2,802,445
<u>II. Adjustments</u>					
4	Reverse ECSD Adjustment to Excessive Strength	810,021			
5	Adjustment to Remove Direct Charged Unfilled Vacancies at ECSD ²		(507,107)	(507,107)	(507,107)
6	Adjustment to Remove Shared Cost Unfilled Vacancies ³		(65,184)	(65,184)	(65,184)
7	Adjusted Revenue	\$8,232,281	\$8,232,281 ⁴	\$9,269,593	\$9,652,415
8	Adjusted Revenue Increase		\$0	\$1,037,312	\$382,822
9	Adjusted Cumulative Revenue Increase			\$1,037,312	\$1,420,134
Sources & Notes:					
1 - See ECSD Attachment AJR-1, pg. 18 of 54					
2 - See Table 2					
3 - See Table 3					
4 - The IG is not proposing a Phase 1 revenue decrease from current levels.					

1 As shown in Table 1 above, ECSD is requesting an increase in revenues of
2 approximately \$1.068 million in Phase I, \$1.35 million in Phase II, and \$383,000 in
3 Phase III. Over the three-phase increase, wastewater rates would be increased by
4 \$2.8 million. With my adjustments to the excess strength charges and labor
5 adjustments, I propose to modify this increase in revenues to no increase in Phase I, a
6 \$1.04 million increase in Phase II, and a \$383,000 increase in Phase III. Over the
7 three-year phase-in, I propose to increase ECSD's revenues by approximately
8 \$1.42 million as shown above in Table 1.

IV.A. Excess Strength Charge Revenues

Q WHY DO YOU BELIEVE THAT ECSD HAS UNDERSTATED ITS EXCESS STRENGTH CHARGES AND THEREBY OVERSTATED A REVENUE DEFICIENCY IN ITS PHASE I RATES?

A At page 22 of Mr. Riley's Attachment AJR-1 in Adjustment (9), he shows the development of the reduction in revenue of \$810,021 for excess strength charges related to COD and TSS. In those adjustments, he relies on a rate for COD of \$0.24/lb. and for TSS of \$0.20/lb. He develops those two rates on his Attachment AJR-1, page 34. These proposed excess strength charges for COD and TSS are lower than the City's current charges for these excess strength charges as listed at page 39 of Mr. Riley's Attachment AJR-1. At current rates, the COD rate is \$0.28/lb. per 250 mg/l and the TSS per 100 mg/l is \$0.92/lb.⁴

The City's proposed rates for these excess strength surcharges, as shown on pages 33 and 34 of Mr. Riley's attachment, are developed by taking the total estimated COD cost of \$1.459 million and dividing it by total system COD loadings of 6,003,648 lbs. Similarly, he develops a TSS excess strength rate by taking the total cost of TSS of \$2,204,685 and dividing it by total system TSS loadings of 11,142,489 lbs.⁵

The deficiency in Mr. Riley's development of the COD and TSS excess strength rates is that his estimated charges reflect the average system cost for COD and TSS. The excess strength rates should reflect the limited number of customers that have excess strength COD and TSS discharges, and ECSD's cost of treating those excess strength discharges. It is not appropriate to charge the small number of excess strength customers an average rate for the COD and TSS wastewater treatment when their

⁴ Verified Direct Testimony of Andre J. Riley, Attachment AJR-1, page 39.

⁵ *Id.*, pages 27 and 34.

1 excess discharge contributions of COD and TSS are the primary cause of extra cost
2 on ECSD to treat that wastewater. This proposal simply shifts ECSD's cost of treating
3 excess strength discharges to other customers that do not have excess strength
4 discharges. Such a result is contrary to basic cost of service principles that would
5 assign costs to cost causers.

6 For these reasons, Mr. Riley's proposed excess strength charges for COD and
7 TSS are simply unreasonable, not cost based and his proposed adjustment to revenue
8 at current rates to reflect this excess strength rate reduction should be denied.

9 **Q CAN MR. RILEY'S RATES FOR EXCESS STRENGTH COD AND TSS BE**
10 **CORRECTED BASED ON HIS FILING?**

11 **A** Yes. My colleague, Jessica A. York, has separated the City's cost of COD and TSS
12 for system normal levels from the additional costs related to excess COD and TSS
13 charges. Based on the City's stated tariff rates of the amount of loadings that
14 constitutes normal levels of COD and TSS, she was able to separate total treatment
15 costs of COD and TSS into normal loadings and excess loadings. Based on that
16 analysis, and using the test year billing units for COD and TSS, Ms. York calculated
17 excess COD and TSS rates to be \$0.98/lb. and \$1.60/lb., respectively. Both of these
18 rates exceed the current COD and TSS excess charges of \$0.24/lb. and \$0.92/lb.,
19 respectively.

20 Based on this, I reject the City's adjustment to revenue at current rates by
21 reducing planned revenue collections for excess charges for COD and TSS. Doing this

1 increases revenue at current rates by \$810,000 and reduces the City's claimed Phase I
2 revenue requirement by the same amount.

3 Resulting adjustments to these rates during Phase I, II and III will be addressed
4 by Ms. York, and will be used to cure the claimed revenue deficiency in each of these
5 phases based on the proposal outlined in Ms. York's testimony.

6 **IV.B. Projected Employee Expense**

7 **Q PLEASE DESCRIBE THE CITY'S ADJUSTMENT FOR EMPLOYEE EXPENSE**
8 **INCLUDED IN ITS REVENUE REQUIREMENT.**

9 A The City has included its budgeted level of employees, including pensions and benefits,
10 medical expenses, etc. in its test year filing. The City has increased its actual 2019
11 level expenses by approximately \$1.15 million for incremental costs related to filling all
12 budgeted positions relative to the City's actual expenditures in 2019.⁶

13 **Q IS THE CITY'S PRO FORMA ADJUSTMENT FOR LABOR EXPENSE**
14 **REASONABLE?**

15 A No. The City has increased its cash disbursements in its test year revenue requirement
16 to reflect vacant and planned new positions. The City did not actually incur expenses
17 associated with these vacant employee positions and planned new positions in either
18 the 2019 base period or the 12-month adjustment period following the test year. The
19 City proposes to increase cash disbursements in the pro forma period. It is not
20 reasonable to reflect cost of service based on filling all vacant and planned new
21 positions, because the City has not been able to demonstrate that these unfilled

⁶ *Id.*, page 11.

1 positions and vacancies were filled or the related costs incurred. These positions were
2 planned to be filled in the current year, 2022. However, ECSD has not provided any
3 evidence that it has definitive plans or has identified specific qualified candidates to fill
4 these positions. As such, the cost of these unfilled and vacant positions is not known
5 and measurable and should be removed from the proposed revenue requirement.

6 **Q DID YOU ASK ECSD WHETHER IT HAS HISTORICALLY SPENT ITS BUDGETED**
7 **LEVEL OF LABOR EXPENSE?**

8 A Yes. In Industrial Group's Data Request 3-15,⁷ I asked the specific question to see
9 whether or not the City has consistently budgeted labor expense that exceeds its actual
10 labor expense, as currently reflected in its test year data. However, ECSD maintained
11 that this historical relationship between budget and actual expense was not relevant to
12 this case, and therefore declined to provide the information. Without such information,
13 I reject the City's inclusion in its test year cost of service labor expense in excess of
14 actual levels as being a known and measurable change to its cost of service in this
15 proceeding.

16 **Q WHAT ADJUSTMENT DO YOU PROPOSE FOR EMPLOYEE EXPENSE?**

17 A I propose to remove from the pro forma adjustments to the City's cost of service,
18 estimated expense and benefits for vacant and new employee expenses. This

⁷Provided as Attachment MPG-2.

1 adjustment reduces the City's projected revenue requirement by \$507,107, as shown
2 in Table 2 below.

TABLE 2								
<u>Labor Cost Adjustment</u>								
Line	Description	Salary (1)	FICA (2)	Retirement (3)	Unemployment (4)	Health Insurance (5)	Workers Comp (6)	Total (7)
1	Total Labor Budget in Test Year - 34 Employees	\$1,714,924	\$131,192	\$189,077	\$2,755	\$535,200	\$19,575	\$2,592,723
	(Less) Reductions for Unfilled Vacancies							
2	Treatment Operations-TREATMENT PLANT ASST. OPER	\$39,247	\$3,002	\$4,396	\$95	\$17,160	\$675	\$64,575
3	Treatment Maintenance-ELECTRICIAN	47,060	3,600	5,271	95	24,000	675	80,701
4	Treatment Maintenance-NEW MAINTENANCE MAN I	35,100	2,685	3,931	95	24,000	675	66,486
5	Treatment Maintenance-NEW MAINTENANCE MAN II	46,022	3,521	5,155	95	24,000	675	79,468
6	Monitoring-Pretreatment Coordinator II	52,000	3,978	5,824	95	24,000	675	86,572
7	Treatment Operations-OPERATOR	39,247	3,002	4,396	95	17,160	675	64,575
8	Treatment Maintenance-Rodder	39,377	3,012	4,410	95	17,160	675	64,729
9	Total Reductions for Unfilled Vacancies	\$298,054	\$22,801	\$33,382	\$665	\$147,480	\$4,725	\$507,107
10	Revised Labor Cost (Line 1 - Line 9)	\$1,416,870	\$108,391	\$155,695	\$2,090	\$387,720	\$14,850	\$2,085,616
11	Labor Cost Reduction (Line 1 - Line 10)	\$298,054	\$22,801	\$33,382	\$665	\$147,480	\$4,725	\$507,107

Source:
ECSD Workpaper AJR-10 Payroll Analysis Work Paper.

3 **IV.C. Shared Services Employee Costs**

4 **Q DOES ECSD INCLUDE THE SHARED SERVICES EMPLOYEE COSTS IN ITS**
5 **PROJECTED REVENUE REQUIREMENT?**

6 **A** Yes. ECSD receives an allocated portion of shared labor costs and has adjusted that
7 amount to reflect a 2020 pro forma level of cost. As dictated by Resolution Nos.
8 SD14-02 and WD-14-01, ECSD receives an allocation of 44% of these costs.

9 **Q DID THE PRO FORMA SHARED LABOR COSTS INCLUDE AMOUNTS FOR OPEN**
10 **POSITIONS?**

11 **A** Yes. Upon examination of these shared labor costs, I noted two full-time and two
12 part-time positions listed as "open". The total labor cost for these positions was listed
13 as \$148,144, of which ECSD would be responsible for \$65,184, as shown in Table 3
14 below.

TABLE 3			
<u>Open Positions Included in Shared Cost Adjustment</u>			
<u>Line</u>	<u>Description</u>	<u>Total</u> <u>(1)</u>	<u>ECSD Share (44%)</u> <u>(2)</u>
1	Total Shared Cost Labor Budgeted Included in ECSD Revenue Requirement	\$1,543,028	\$678,932
	(Less) Reductions for Unfilled Vacancies		
2	Account Representative	\$45,891	20192
3	Accountant	59,662	26251
4	Part Time - Utility Administration	20,542	9039
5	Part Time - Utility Administration	22,049	9702
6	Total Reductions for Unfilled Vacancies	<u>\$148,144</u>	<u>\$65,184</u>
7	Revised Labor Cost (Line 1 - Line 6)	<u>\$1,394,884</u>	<u>\$613,748</u>
8	Labor Cost Reduction (Line 1 - Line 7)	<u>\$148,144</u>	<u>\$65,184</u>
Source: ECSD Workpaper AJR-02 Book 1, pgs. 489 and 495			

1 **Q WHAT IS YOUR POSITION WITH RESPECT TO THESE UNFILLED SHARED**
2 **POSITIONS?**

3 **A** My position, consistent with my recommendation to eliminate the pro forma costs of
4 vacant positions directly assigned to ECSD, is to eliminate \$65,184 from the cash
5 disbursements for each year because ECSD has not shown that those positions have
6 been, or will be filled, nor that the allocated costs have been or will be charged to the
7 utility. Because the costs were not incurred, ratepayers should not be expected to pay
8 for those positions.

9 **Q DOES THIS CONCLUDE YOUR VERIFIED DIRECT TESTIMONY?**

10 **A** Yes, it does.

Qualifications of Michael P. Gorman

1 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK**
2 **EXPERIENCE.**

3 A In 1983 I received a Bachelor of Science Degree in Electrical Engineering from
4 Southern Illinois University, and in 1986, I received a Master's Degree in Business
5 Administration with a concentration in Finance from the University of Illinois at
6 Springfield. I have also completed several graduate level economics courses.

7 In August of 1983, I accepted an analyst position with the Illinois Commerce
8 Commission ("ICC"). In this position, I performed a variety of analyses for both formal
9 and informal investigations before the ICC, including: marginal cost of energy, central
10 dispatch, avoided cost of energy, annual system production costs, and working capital.
11 In October of 1986, I was promoted to the position of Senior Analyst. In this position, I
12 assumed the additional responsibilities of technical leader on projects, and my areas
13 of responsibility were expanded to include utility financial modeling and financial
14 analyses.

15 In 1987, I was promoted to Director of the Financial Analysis Department. In
16 this position, I was responsible for all financial analyses conducted by the Staff. Among
17 other things, I conducted analyses and sponsored testimony before the ICC on rate of
18 return, financial integrity, financial modeling and related issues. I also supervised the
19 development of all Staff analyses and testimony on these same issues. In addition, I
20 supervised the Staff's review and recommendations to the Commission concerning
21 utility plans to issue debt and equity securities.

22 In August of 1989, I accepted a position with Merrill-Lynch as a financial
23 consultant. After receiving all required securities licenses, I worked with individual

1 investors and small businesses in evaluating and selecting investments suitable to their
2 requirements.

3 In September of 1990, I accepted a position with Drazen-Brubaker &
4 Associates, Inc. ("DBA"). In April 1995, the firm of Brubaker & Associates, Inc. was
5 formed. It includes most of the former DBA principals and Staff. Since 1990, I have
6 performed various analyses and sponsored testimony on cost of capital, cost/benefits
7 of utility mergers and acquisitions, utility reorganizations, level of operating expenses
8 and rate base, cost of service studies, and analyses relating to industrial jobs and
9 economic development. I also participated in a study used to revise the financial policy
10 for the municipal utility in Kansas City, Kansas.

11 At BAI, I also have extensive experience working with large energy users to
12 distribute and critically evaluate responses to requests for proposals ("RFPs") for
13 electric, steam, and gas energy supply from competitive energy suppliers. These
14 analyses include the evaluation of gas supply and delivery charges, cogeneration
15 and/or combined cycle unit feasibility studies, and the evaluation of third-party
16 asset/supply management agreements. I have participated in rate cases on rate
17 design and class cost of service for electric, natural gas, water and wastewater utilities.
18 I have also analyzed commodity pricing indices and forward pricing methods for third
19 party supply agreements, and have also conducted regional electric market price
20 forecasts.

21 In addition to our main office in St. Louis, the firm also has branch offices in
22 Corpus Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix, Arizona.

1 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

2 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of
3 service and other issues before the Federal Energy Regulatory Commission and
4 numerous state regulatory commissions including: Alaska, Arkansas, Arizona,
5 California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho,
6 Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts,
7 Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New
8 Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma,
9 Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia,
10 Washington, West Virginia, Wisconsin, Wyoming, and before the provincial regulatory
11 boards in Alberta, Nova Scotia, and Quebec, Canada. I have also sponsored testimony
12 before the Board of Public Utilities in Kansas City, Kansas; presented rate setting
13 position reports to the regulatory board of the municipal utility in Austin, Texas, and Salt
14 River Project, Arizona, on behalf of industrial customers; and negotiated rate disputes
15 for industrial customers of the Municipal Electric Authority of Georgia in the LaGrange,
16 Georgia district.

17 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
18 **ORGANIZATIONS TO WHICH YOU BELONG.**

19 A I earned the designation of Chartered Financial Analyst ("CFA") from the CFA Institute.
20 The CFA charter was awarded after successfully completing three examinations which
21 covered the subject areas of financial accounting, economics, fixed income and equity
22 valuation and professional and ethical conduct. I am a member of the CFA Institute's
23 Financial Analyst Society.

STATE OF INDIANA

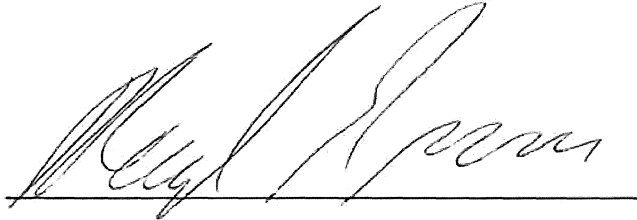
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF SANITARY
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CAUSE NO. 45632

Verification

I, Michael P. Gorman, a Managing Principal of Brubaker & Associates, Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read "Michael P. Gorman", is written over a horizontal line.

Michael P. Gorman

February 9, 2022

Cause No. 45632
City of East Chicago Sanitary District
Responses to OUCC Data Request No. 2

Q-2-13: Please provide a payroll register for the “Wastewater Utility Operating Fund” for the year ending December 31, 2020. This should list each employee who charged time to the Utility during the test year and state pay rates, the number of regular and overtime hours each such employee worked, total regular pay, total overtime pay, and any additional pay the employee received such as on-call payments.

A-2-13. See OUCC DR 2-13 Attachments 1-2.

Q-2-14: Please provide a payroll register for the “Utilities Revolving Fund” for the year ending December 31, 2020. This should list each employee who charged time to the Utility during the test year and state pay rates, the number of regular and overtime hours each such employee worked, total regular pay, total overtime pay, and any additional pay the employee received such as on-call payments.

A-2-14. See OUCC DR 2-14 Attachment.

Q-2-15: Petitioner anticipates the addition of five employees, according to Mr. Riley. However, pages 11 through 20 of Attachment AJR-2 provides job description for just four additional employees: a Maintenance Man I – Mechanical, a Maintenance Man II – Mechanical and two Pretreatment Assistants. Pages 8 through 10 of Attachment AJR-2 provides different job titles for these new positions: Treatment Plant Operator, Electrician, and two Maintenance Positions. Please answer the following questions:

- a. Identify the five new job titles being added and explain the discrepancies in Petitioner’s workpapers (AJR-22).
- b. Identify the functions each new position will perform.
- c. State whether any of the five positions have been filled as of October 31, 2021 and state the hire date and the starting salary.
- d. For those positions not yet filled, please explain whether Petitioner is actively seeking to fill these positions and when Petitioner expects to fill these positions.

A-2-15.

- a. Workpaper AJR-10 Payroll Analysis Work Paper.xlsx indicated that the Petitioner was looking to hire the following five positions.
 - Treatment Plant Assistant Operator
 - Electrician
 - Maintenance Man I
 - Maintenance Man II
 - Pretreatment Coordinator II

Two of these positions were new: Pretreatment Coordinator II, and Electrician/Instrument Tech. The two maintenance positions were unfilled open positions provided in the 2019

and 2020 sanitary budgets. Upon investigation, the Treatment Plant Assistant Operator position was listed in error as of the 8/16/20 payroll analysis and was not a new position nor unfilled. However, since that analysis, there were changes in the Operations Department staff, and there is currently a vacancy in the Chief Operator position, which requires a Class IV Operators Certificate. The below responses provide information on the Chief Operator position rather than a Treatment Plant Assistant Operator position.

- b. Please see the following descriptions for job functions:
- Treatment Plant Chief Operator – See OUCC DR 2-15 Attachment 1.
 - Electrician- See OUCC DR 2-15 Attachment 2.
 - Maintenance Man I – See description included on pages 11 and 12 of Attachment AJR-2
 - Maintenance Man II – See description included on pages 13 and 14 of Attachment AJR-2
 - Pretreatment Coordinator II – See description included on pages 15 and 16 of Attachment AJR-2
- c. The positions have not been filled.
- d. The positions are still being advertised and candidates sought. With respect to the Chief Operator position, none of the Assistant Operators wanted to accept the promotion to Chief Operator. A single qualified candidate was interviewed but no offer made due to salary requirements. Petitioner is continuing to work to fill these positions and expects to do so in Spring 2022.

Q-2-16: Please provide a copy of the 2020 payroll budget found on page 8 through 10 of Attachment AJR-2 in EXCEL format with all formulas intact.

A-2-16. See OUCC DR 2-16 Attachment.xlsx.

Q-2-17: Please provide invoices for electric service for 2021 to date.

A-2-17. See OUCC DR 2-18 Attachments 1-23.

Q-2-18: Please provide a copy of the PowerPoint presentation regarding the proposed Sanitary District rate increase referenced on page 6 of 34 of the East Chicago Common Council Regular Meeting Minutes of November 25, 2019.

A-2-18. See OUCC DR 2-18 Attachment.

Q-2-19: Does Petitioner currently have any vacant positions? If yes, please answer the following questions:

- a. Identify each vacant position;

A-3-14: Reference AJR-2 Book 1 - East Chicago SD - 2021 IURC Rates pages 5-47.

Q-3-15: With respect to this projected change in O&M in the test year cost of service, please answer the following:

- a. What is the City's budgeted level of employees and actual number of employees over the last five years?
- b. Please identify all new planned positions and identify whether or not the City has started seeking qualified candidates to fill these positions.
- c. Please identify the reduction in contract labor or overtime expense that would be realized if additional new employees are hired.
- d. Please state whether or not new hires will be reflected in the City's existing employee benefits plans or the benefit plans will be modified for new hires.

- A-3-15: a.** Petitioner objects to this request as unduly burdensome and disproportionate in benefit. Petitioner further objects on grounds of relevance and disproportionate benefit.
- b. Reference ECSD Responses to OUCC Data Request 2, question number 2-15 for a description of the 5 positions the Petitioner was seeking to hire and the status of the hiring of those positions.
 - c. Petitioner objects to this request as unduly burdensome and disproportionate in benefit. No such calculations have been prepared.
 - d. Petitioner objects to this request as vague and ambiguous. New employees would be reflected in the existing employee benefit plans. The plan would be dependent on if the hired employee was a union or non-union employee.

Q-3-16: Please refer to the "Billing Determinates" tab of ECSD Workpaper AJR-01 Accountant's Report 2021 – COSS – (clean). To the extent not provided in response to Industrial Group's data request 2-8, please provide the following:

- a. For the Commercial class, please break out the Tier II Gallons Billed into two blocks, where the first block consists of the first 1 million gallons per month, and the second block consists of all gallons billed in excess of 1 million gallons per month.
- b. For the Industrial class, please break out the Tier II Gallons Billed into two blocks, where the first block consists of the first 1 million gallons per month, and the second block consists of all gallons billed in excess of 1 million gallons per month.