

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)
OF BLOOMINGTON, INDIANA, FOR)
AUTHORITY TO ISSUE BONDS, NOTES,)
OR OTHER OBLIGATIONS, FOR)
AUTHORITY TO INCREASE ITS RATES) CAUSE NO. 44855
AND CHARGES FOR WATER SERVICE,)
AND FOR APPROVAL OF A NEW)
SCHEDULE OF WATER RATES AND)
CHARGES)

PETITIONER'S EXHIBIT 6

**Settlement Testimony of John R. Skomp
with Attachment JRS-2**

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**VERIFIED SETTLEMENT TESTIMONY OF JOHN R. SKOMP
ON BEHALF OF THE CITY OF BLOOMINGTON, INDIANA**

Cause No. 44855

1 **Q. Please state your name.**

2 A. My name is John R. Skomp.

3 **Q. Are you the same John Skomp who previously testified in this Cause?**

4 A. Yes, I am. My previous testimony has been marked as Petitioner's Exhibit 4, including
5 Attachment JRS-1 identified therein.

6 **Q. On whose behalf are you appearing in this proceeding and what is the purpose of your
7 settlement testimony?**

8 A. I am appearing on behalf of the City of Bloomington, Indiana's municipal water utility
9 ("Bloomington"). My purpose is to present testimony to the Indiana Utility Regulatory
10 Commission (the "Commission") in support of the Joint Stipulation and Settlement Agreement
11 (the "Settlement") reached by the parties in this Cause.

12 **Q. Please describe the materials you reviewed to prepare your settlement testimony?**

13 A. In addition to the data and information referred to in my previous testimony, I have reviewed data
14 requests that were received by Bloomington from the Office of Utility Consumer Counselor
15 ("OUCC") and helped in preparing responses to those data requests. I have reviewed and
16 analyzed the Settlement between the parties in this Cause including the settlement testimony and
17 schedules of the OUCC.

1 **Q. Can you describe current market interest rates and their effect on Bloomington's plans to**
2 **issue bonds?**

3 A. Yes. Open market interest rates have been historically low in the past few years. Recent actions
4 by the Federal Reserve as well as other economic forces suggest that open market interest rates
5 will increase in the short term. Bloomington plans to issue bonds in the open market to finance
6 the projects connected with this Cause. The current view is that open market rates will continue to
7 increase in the short term and therefore, affect Bloomington's cost of borrowing. Because of the
8 risk of rising interest rates, Bloomington believes it to be in the best interest of its utility and its
9 customers to settle this case and move forward with completing the bond issuance at the earliest
10 possible time.

11 **Q. Will Bloomington make a filing with the Commission after closing on the proposed bonds in**
12 **order to have the actual debt service reflected in the rates and charges?**

13 A. Yes. Attachment JRS-2 to my settlement testimony is a schedule of present and proposed rates
14 and charges that were calculated based on the increases agreed to by the parties in this Cause. The
15 proposed rates represent a twenty and fifteen hundredths percent (20.15%) increase over
16 Bloomington's current rates and charges, and it is anticipated that these rates would go into effect
17 upon approval by the Commission. Since the actual annual debt service will be known only after
18 the closing on the proposed bonds, Bloomington has agreed to make a filing with the
19 Commission that would reflect that actual debt service in the calculation of revenue requirements
20 and then true-up the rates and charges (either higher or lower) based on the updated calculation.

21 **Q. Is Bloomington accepting the OUCC's proposed accounting adjustments?**

22 A. Yes. The proposed adjustments as seen in the OUCC's settlement exhibits are reasonable for
23 settlement purposes. As can be seen on Schedule 1 of the OUCC's Exhibit 1, the OUCC has
24 calculated an overall increase of twenty and fifteen hundredths percent (20.15%), which is very

1 close to the twenty-two percent (22%) requested by Bloomington. Due to the minor difference
2 and Bloomington's need to move forward with projects, Bloomington accepts the proposed
3 adjustments. Additionally, due to increasing open market interest rates, resolving this case and
4 issuing bonds sooner would likely provide greater benefit than the lost revenue created by the
5 proposed accounting adjustments when factoring in the time and expense of further litigating this
6 case.

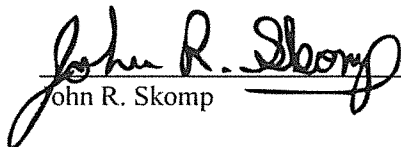
7 **Q. Does this conclude your settlement testimony at this time?**

8 A. Yes. It does.

VERIFICATION

I hereby verify under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Signature:



John R. Skomp

Dated: January 6, 2017

CITY OF BLOOMINGTON, INDIANA

PETITIONER'S ATTACHMENT JRS-2

BLOOMINGTON MUNICIPAL WATER UTILITY

Bloomington, Indiana

Schedule of Present and Proposed Rates and Charges

	<u>Present</u> <u>Rates (1)</u>	<u>Proposed</u> <u>Rates (2)</u>
<u>Monthly Usage Charge (Per 1,000 Gallons)</u>		
Residential	\$ 3.11	\$ 3.74
Commercial, Governmental, Interdepartmental	2.63	3.16
Industrial	2.43	2.92
Indiana University - Master Metered	1.97	2.37
Indiana University - Non-Master Metered	2.63	3.16
Irrigation	2.85	3.42
<u>Contract Sales for Resale Monthly Usage Charge</u> <u>(Per 1,000 Gallons)</u>		
	\$ 1.99	\$ 2.39
<u>Monthly Service Charge (in addition to</u> <u>Monthly Usage Charge)</u>		
5/8 inch meter	\$ 4.91	\$ 5.90
3/4 inch meter	6.55	7.87
1 inch meter	8.82	10.60
1 1/2 inch meter	15.32	18.41
2 inch meter	21.82	26.22
3 inch meter	50.43	60.59
4 inch meter	82.93	99.64
6 inch meter	164.19	197.28
8 inch meter	245.45	294.91
10 inch meter	326.70	392.53

(1) Present Rates and Charges were approved by the Indiana Utility Regulatory Commission on March 2, 2011, and effective November 28, 2011.

(2) Reflects the twenty and fifteen hundredths percent (20.15%) rate increase as proposed by the OUCC on December 14, 2016.

BLOOMINGTON MUNICIPAL WATER UTILITY
 Bloomington, Indiana

Schedule of Present and Proposed Rates and Charges

	<u>Present Rates (1)</u>	<u>Proposed Rates (2)</u>	
<u>Monthly Public Fire Protection Charge - Inside City</u> <u>(excluding Indiana University - Master Metered)</u>			
5/8 inch meter	\$ 1.63	\$ 1.96	
3/4 inch meter	2.44	2.93	
1 inch meter	4.07	4.89	
1 1/2 inch meter	8.15	9.79	
2 inch meter	13.03	15.66	
3 inch meter	28.51	34.26	
4 inch meter	48.87	58.72	
6 inch meter	101.84	122.36	
8 inch meter	146.64	176.19	
10 inch meter	236.24	283.85	
 <u>Monthly Public Fire Protection Charge - Outside City</u> <u>(excluding Indiana University - Master Metered)</u>			
5/8 inch meter	\$ 2.73	\$ 3.28	
3/4 inch meter	4.11	4.94	
1 inch meter	6.85	8.23	
1 1/2 inch meter	13.67	16.42	
2 inch meter	21.90	26.31	
3 inch meter	47.89	57.54	
4 inch meter	82.07	98.61	
6 inch meter	170.99	205.45	
8 inch meter	246.21	295.82	
10 inch meter	396.69	476.63	
 <u>Monthly Fire Protection Charge -</u> <u>Indiana University - Master Metered</u>			
	\$1,494.63	\$1,795.82	
 <u>Monthly Private Fire Protection Charge (per connection)</u>			
4 inch line or smaller	<u>Monthly</u> \$ 8.21	<u>Annual</u> \$ 98.52	\$ 118.37
6 inch line	22.82	273.84	329.02
8 inch line	46.77	561.24	674.34
10 inch line	81.91	982.92	1,180.99
12 inch line	129.14	1,549.68	1,861.96

(1) Present Rates and Charges were approved by the Indiana Utility Regulatory Commission on March 2, 2011 and effective November 28, 2011.

(2) Reflects the twenty and fifteen hundredths percent (20.15%) rate increase as proposed by the OUCC on December 14, 2016.