

**OFFICIAL
EXHIBITS**

**VERIFIED DIRECT TESTIMONY
OF
EDWARD T. RUTTER
CAUSE NO. 45533**

**IURC
INTERVENOR'S - WTWA**
EXHIBIT NO. 10-22-21
DATE REPORTER

Q1. Can you please state your name and business address?

A1. My name is Edward T. Rutter. My business address is 1776 North Meridian St., Suite 500, Indianapolis, Indiana.

Q2. By whom are you employed and in what capacity?

A2. I am employed with the firm of LWG CPAs and Advisors ("LWG") as a Manager.

Q3. Please briefly describe your educational and professional background, which you believe is relevant to your testimony here.

A3. I hold a Bachelor of Science degree in Business Administration from Drexel University. I joined LWG in May 2019. Prior to joining LWG, I was employed for more than six (6) years in the Resource Planning and Communications ("RPC") Division and the Natural Gas Division of the Indiana Office of Utility Consumer Counselor ("OUCC"), where I was promoted mid-employment to Chief Technical Advisor. Prior to my time at the OUCC, from 1980 to 2012, I was an independent consultant primarily working with utilities, investors, and regulators. From 1973 until 1980, I was a consultant for Associated Utility Services ("AUS"), primarily providing consulting services to utility regulatory commissions and various utilities generally in Delaware and Maryland. Prior to joining AUS, I was an accountant for South Jersey Industries and its subsidiaries, including South Jersey Gas Company.

Q4. Have you previously testified in any regulatory proceedings?

A4. Yes. I testified frequently before the Indiana Utility Regulatory Commission in my prior role with the OUCC. I have also provided testimony before utility regulatory commissions in Connecticut, Delaware, Florida, Georgia, Maryland, Michigan, New Jersey, New York, North Carolina, Ohio, Oklahoma, Virginia and Wisconsin. The subject of my testimony in these matters varied, including but not limited to: return on common equity; appropriate capital structure for ratemaking purposes; purchased gas adjustment clauses; rate base; operating expenses for ratemaking; tax allowance for ratemaking purposes; valuation of assets and equity; transmission, distribution and storage system improvement charge (“TDSIC”) plans; demand side management (“DSM”) plans and trackers; and revenue requirement development. I also testified on behalf the Internal Revenue Service (“IRS”) on the subject of economic viability in the U.S. Tax Court.

Q5. Who do you represent in this proceeding before the Indiana Utility Regulatory Commission (“IURC” or “Commission”)?

A.5 I represent Washington Township Waters Authority (“WTWA”) as a wholesale customer of Bloomington and an intervenor in this proceeding.

Q6. Have you prepared pre-filed direct testimony in this proceeding?

A6. I have prepared pre-filed direct testimony in this proceeding, WTWA Exhibit 1 and an accompanying Exhibit WTWA Exhibit 1A. Accompanying WTWA Exhibit 1A contains Bloomington’s responses to certain WTWA Data Requests which I used in preparation of my pre-filed direct testimony

Q7. What have you done to prepare to give testimony in this Cause?

A7. I reviewed The City of Bloomington, Indiana (“Bloomington” or “Petitioner”) Petition, filed with the Commission, Petitioner’s pre-filed direct testimony and response to data requests prepared WTWA as a wholesale customer of Bloomington and an intervenor in this proceeding, and the response to data requests presented by the other parties in this proceeding, the OUCC and Indiana University (“IU”). My document review is ongoing as additional information from Bloomington is still being received in the form of supplemental responses to previous submitted data requests and additional data requests.

Q8. What is the purpose of your testimony?

A8. On behalf of the WTWA, intervenor I describe my evaluation of Bloomington’s proposal and why in my experience much of it should be denied. Specifically, I address:

- Many of the revenue requirement elements in Bloomington’s proposal to increase its water rates are not supported by its filing and subsequent responses to the parties’ data requests. In many instances Bloomington has failed to show its proposed adjustments are necessary to utility operations and reasonable in mount. In most cases Bloomington’s data request responses only confirmed that failure.
- Bloomington has included in its cost recovery, costs associated with both a City of Bloomington solar lease and AMI meter lease but has not provided persuasive documentation of the benefits that would be realized by the water customers most particularly, WTWA.
- Bloomington’s cost of service study (“COSS”), included with its Petition and pre-filed direct testimony filed in support of its rate increase and tariff design is seriously flawed in many respects. Further and critically, the COSS does not

recognize the characteristics of WTWA and its available storage which can and will contribute to Bloomington's maximum day and maximum hour impact on the overall cost of service which forms a crucial part of Bloomington's COSS. In fact the filed COSS and subsequent excel filing was so flawed that none of the parties were able to review and analyze various scenarios that would allow their determination of the efficacy of the COSS and its impact on their customers.

- Regardless of whether the Commission determines Bloomington is entitled to some level of rate relief or not, the COSS and its inputs are so seriously flawed, and not conducive to corrective amendment, that it, and the resulting rate design, should not be approved. I recommend that any increase granted be an across the board increase and any future COSS be done correctly, recognize wholesale customer storage capability and employ a full year of AMI water sales data.

Q9. In your professional opinion is the proposal of Bloomington to increase its retail water rates just and reasonable as you understand it?

A9. Municipal utilities, such as Bloomington, are required to charge only "just and reasonable" rates. At the core of government regulation utility rates is the regulatory balancing of consumer and utility interests required to ensure rates are just and reasonable to both. If unjust and unreasonable rates are approved, then the process of utility - price regulation has failed. In my opinion, no rate proposal can be reasonably reviewed without attention to that critical regulatory purpose of balancing competing

utility / consumer interests to ensure the rate's result is fair to both. With rate proposals that have multiple facets, the level of one can be adjusted to counter balance another to ensure the end rate result is just and reasonable. If utility rate regulation were to become separated from that core social and economic balancing purpose, then there would not be regulation. Utilities could just download their data into a central government formulaic software system and out would come their approved rates, with no human review or consideration of the impact on consumers or fairness. I am grateful that we have utility regulators who apply that unique human ability to consider all factors and impacts in context and to judge what reasonable balance will be fair to both consumers and utilities. To me, just and reasonableness of rates is the core purpose, the mandate umbrella that covers regulatory rate review. That is why I consider it here.

Q10. What leads to your conclusion that Bloomington's rate proposal in this proceeding is not "just and reasonable"?

A10. First I look to the response of Bloomington to Washington Township Water Authority's Data Request No. 7-1:

Q-7-1 "Since the (1) year adjustment period following the test year used by Bloomington in this Cause is past and no longer prospective, for each proposed revenue and expense adjustment please provide the actual, current (after March 31, 2021) results for each of these adjustments."

"Response:

This analysis has not been completed.

The Data Request to the extent the Data Request requires a calculation or analysis that Bloomington has not performed and that objects to performing."

While I agree it requests that Bloomington perform an analysis that has not been filed, it demonstrates to me that Bloomington apparently does not care what its results were over the test year period and whether or not they exceeded expectations or underestimated the impact of their adjustments, which may be detrimental to its customers but appears to shift the burden of proof onto the parties and Commission to make that analysis. I object to having the burden put on WTWA to do what is the responsibility, as my experience tells me, of the Petitioner's to bear the burden of proof that their test year results are accurate and appropriate for adoption for setting new rates for the future.

The second point is that in response to several data request relative the AMI lease cost Bloomington responded that the AMI lease was just a financial lease and no prior analysis was done to identify the benefits, if any to the customers. There is no compelling evidence in the record that both the AMI meter purchase and subsequent lease would be beneficial to the water utility customers.

In addition to the fact as explained by Bloomington that the use of the AMI lease was financial in nature and not supported by any independent analysis of the benefits attributed to customers relative to the use of AMI meters. Bloomington appears to have been seriously behind on typical water utility meter replacements and decided on an immediate 100% deployment AMI meters without doing any studies. Typical Things that should have been done prior to proceeding with the purchase of AMI meters is the following:

1. Was the purchase of AMI meters and their subsequent cost for water utility customers justified?

2. What meter alternatives were reviewed and analyzed?
3. Why was a 100% replacement adopted as opposed to a phased in approach/
 - a. Was it because the City of Bloomington City contemplated a rate increase filing and they thought they could get customers to pay for the purchase in rates, possibly?
4. Was self-installation of the meters and the corresponding cost considered in reaching the decision to buy AMI meters?
5. What benefits of a Smart City were to be realized by Bloomington water customers' and how did a cost/benefit analysis figure into the decision?
6. Did the benefits of lease funding justify the use of a lease financing option?

The efficacy of the decision to implement is called into question. Without undertaking a reasonable review of the use of AMI meters for a water utility to begin with raises questions but to undertake their purchase without doing any responsible review of their purchase is not fair to the water customers and is unjust and unreasonable.

BLOMINGTON'S COST OF SERVICE STUDY IS FLAWED AND SHOULD NOT BE USED FOR ESTABLISHING RETAIL WATER RATES IN THIS PROCEEDING

Q11. Why in your opinion is the Petitioner's Cost of Service Study flawed and should not be considered in this proceeding?

A11. First the COSS as filed in this proceeding does not allow the parties to be able to use various customer inputs in order to review and analyze the impact certain criteria may have on those parties. I attempted to see what impact storage may have on the end result, again that that effort was not allowed because of the various cell restraints contained within the COSS. Efforts to work with gallons used, various cost undertakings for instance using what

the impact might be on rate and class by inputting alternatives to the solar and AMI lease costs and examining potential viable alternative all efforts were thwarted by the inability to work with what was filed. The COSS model as presented and filed was not conducive to analysis and review of certain COSS inputs, for example capacity factors and demand allocators were not allowed to be tested because of the flaws in the COSS model.

The second and more problematic point is that some wholesale customers are being asked to bear the lease cost of the purchased AMI meters but not using more accurate AMI data inputs because of the timing of the COSS.

The third basic problem experienced by WTWA is that nowhere in the COSS has Bloomington recognized that some wholesale customers have storage facilities that would normally impact the usage on the maximum day and maximum hour of the system which may impact the rate charged or the institution of a sub rate recognizing the storage contribution

Q12. Does WTWA have available storage facilities?

A12. Yes, WTWA has several storage facilities available to it and Bloomington if the COSS would have acknowledged its existence. WTWA has available a 200,000 gallon water tower and a 350,000 gallon stand pipe. Usable water storage is approximately 300,000 gallons which was ignored in the preparation of the COSS. Any responsible COSS used to design retail tariff rates for all customers, including wholesale customers would have taken into consideration any available storage facilities

Bloomington has acknowledged that wholesale customer storage was not even looked at in preparing its COSS.

Q13. Did the COSS consider any capital contributions made by wholesale customers to Bloomington's water system?

A13. In response to WTWA data requests, Bloomington stated that such capital contributions should be considered in a COSS, but none were considered because none of Bloomington's wholesale customers made any capital contributions to Bloomington's system. Bloomington's COSS consultant also stated Bloomington provided that information to him.

Q14. Do you believe Bloomington's statements regarding wholesale customer capital contributions to be correct?

A14. No. In discussions with representatives of WTWA they indicate that WTWA made a contribution of \$150,000 on March 15, 2000 and on July 7, 1998, they also made a contribution of \$30,000. Both of those contributions were ignored in developing the COSS and the wholesale rate proposed to be charged to WTWA.

Q15. Do you know if other of Bloomington's wholesale customers' made capital contributions to Bloomington's water system?

A15. I do not. Given the nature of small water systems such capital contributions by wholesale customers are fairly common but Bloomington denies any capital contributions, including the contributions known to have been made by WTWA.

Q16. Does this conclude your direct testimony?

A16. At this time.

VERIFICATION

I affirm under the Penalties of perjury that the forgoing testimony is to the best of my knowledge true and accurate.

Ed T Rutter

7/30/2021

Name Edward T. Rutter

Date

Bloomington Data Request Response to WTWA No. 1-22

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 1

May 17, 2021

21454261.v2

Q-1-22: Did UFS examine the storage capacity of WTWA and verify how the availability

of the WTWA storage capacity impacts WTWA contribution to usage on average

day demands, peak day demands, and peak hour demands?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

The cost of service study identified the cost to serve wholesale customers.

All wholesale

customers were combined, and no specific analysis of individual wholesale customers

was performed

Bloomington Data Request Response to WTWA No. 1-31

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 1

May 17, 2021

21454261.v2

Q-1-31: In developing your COSS, did you use the AMI meter hourly usage data?

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

No. At the time of developing the cost of service study, Bloomington did not have a full year of AMI meter hourly usage data

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 1

May 17, 2021

21454261.v2

Q-1-31: In developing your COSS, did you use the AMI meter hourly usage data?

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

No. At the time of developing the cost of service study, Bloomington did not have a full year of AMI meter hourly usage data

Bloomington Data Request Response to WTWA No. 1-33

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 1

May 17, 2021

21454261.v2

Q-1-33: Did any of the wholesale customers make any contribution to the Bloomington system, by payments, the contribution of assets or otherwise, other than payment for water service?

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections. Bloomington further objects to this Data Request on the grounds that it is overly broad, unduly burdensome, and seeks the production of irrelevant information not proportional to the needs of this case.

Response:

No.

Bloomington Data Request Response to WTWA No. 1-34

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 1

May 17, 2021

21454261.v2

Q-1-34: Did your COSS take into account the contributions, referenced in Data Request

1.33, by each wholesale customer, including WTWA?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections. Bloomington further objects to this Data Request on the grounds that it

is overly broad, unduly burdensome, and seeks the production of irrelevant information not

proportional to the needs of this case.

Response:

Not applicable. As stated in response to Q-1-33, no contributions were made, so no

contributions could be "taken into account."

Bloomington Data Request Response to WTWA No. 2-2

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 2

May 17, 2021

5

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Q-2-2: On page 3, lines 7 through 9, you indicate that the Smart Meter Contract

provides for cost savings and other benefits through the use and installation of

the smart meter equipment over the term of the contract for Bloomington's water

utility and wastewater utility. Does the Smart Meter Contract provide benefits to the wholesale customers that the Smart Meters do not?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections. Bloomington further objects to this Data Request on the grounds that

this request assumes facts not in evidence.

Response:

Yes. The Smart Meter Contract allowed Bloomington to complete the meter changeout

more rapidly (approximately within a year), rather than engage in a long, drawn-out process

over several years. The faster roll-out allowed Bloomington to quickly realize benefits of

the AMI meter program as described in Mr. Underwood's testimony.

Moreover, the

concentrated efforts to roll out AMI smart meters likely resulted in greater efficiencies in

AMI meter deployment through concentrated and focused efforts in contrast to a diluted

roll-out taking place over several years.

Bloomington Data Request Response to WTWA No. 2-4

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 2

May 17, 2021

7

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Q-2-4: Is the allocation of AMI meter costs to the wholesale customers supported by

cost savings and benefits to those wholesale customers derived from the installation of AMI meters?

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

Bloomington determined that all customers would receive an AMI meter no matter their

customer classification. The cost savings and benefits derived from the installation of the

AMI meters accrue to Bloomington and all of its customers by allowing Bloomington to

accurately measure consumption and overall system efficiency, to improve accuracy from

the newer meters, and to provide additional customer engagement via the customer portal.

Moreover, wholesale customers are not allocated any meter cost in the wholesale

volumetric rate. Wholesale customers are allocated a meter cost based on the number and

size of meters serving them.

A. Please provide any cost benefit analysis to support the answer to the above

question.

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

No formal cost benefit analysis was performed for wholesale customers.

Bloomington Data Request Response to WTWA No. 4-13

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 4

May 20, 2021

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Q-4-13: On page 17, lines 21 to 23, and page 18, lines 1 to 5 you discuss the use of AMI

meters and that you do not have a full year of AMI data. However, it appears that

prior to the close of the record in this Cause you should have one (1) full year of

AMI data. Do you have plans to augment or modify your COSS, using updated

AMI data, prior to the close of the record in this Cause?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

No.

A. Even if you had no current plans to update your COSS, would you be willing to do so?

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

No. Any update would use information that would be outside of the period for fixed,

known and measurable adjustments to test year results.

Bloomington Data Request Response to WTWA No. 5-10

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 5 -10

May 24, 2021

21467514.v1

Q-5-10: For Witnesses Kelson and/or Beauchamp. Are AMI meters important to being able to more accurately perform future Cost of Service Studies ("COSS")? Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

Yes.

A. Please explain why.

Objection: Bloomington objects to the Data Request on the basis of the foregoing general objections.

Response:

AMI meters are important to being able to more accurately perform future cost of service studies because Bloomington will have more data to identify peak demands and variability of demand. The AMI technology would also aid in the collection and validation of data.

Bloomington Data Request Response to WTWA 6-7

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 6

June 21, 2021

21512612.v1

Q-6-8: Mr. Beauchamp responded that none of Bloomington's wholesale customers

made any contributions to the Bloomington system, by payments, the contribution of assets, or otherwise, other than payment for water service.

How

does he know this?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

Information was provided by Bloomington.

A. What was done to verify that information?

B. If such contributions had been made by any wholesale customer, should those

contributions have been "taken into account" in the COSS?

C. If so, how?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

A. The information was discussed with Bloomington staff.

B. Yes.

C. Certain asset accounts would change that would affect the allocation of existing

debt service and indirect overhead cost allocations.

Bloomington Data Request Response to WTWA NO. 6-8

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 6

June 21, 2021

21512612.v1

Q-6-7: In developing the COSS, would Mr. Beauchamp have used AMI meter hourly

usage data if it had been available?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

Yes.

A. Why?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections.

Response:

AMI data allows for more accuracy in developing class peaking factors

Bloomington Data Request Response to WTWA 6-24

IURC Cause No. 45533

Bloomington's Responses to Washington Township's DR 6

June 21, 2021

21512612.v1

Q-6-24: In Response to Data Request 2-11, Bloomington provided the total estimated

purchased power savings in 2020 for the waterworks. What are the savings to the

water utility net of allocated Solar Energy Contract costs?

Objection: Bloomington objects to the Data Request on the basis of the foregoing

general objections. Bloomington further objects to this Data Request as overly broad,

unduly burdensome, compound, vague, ambiguous, and seeks the production of irrelevant

information not proportional to the needs of this case.

Response:

The savings to the water utility are not known at this time. As Bloomington provided in

response to Washington Township DR 2-11, at present all figures are currently estimates.

Accordingly, the actual savings net of allocated costs is unknown at present.