

FILED
June 9, 2023
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
THE CITY OF MARION, INDIANA FOR)
APPROVAL TO ISSUE BONDS AND) **CAUSE NO. 45838**
ADJUST ITS RATES AND CHARGES)

PUBLIC'S EXHIBIT NO. 2-S

SETTLEMENT TESTIMONY OF SHAWN DELLINGER

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

June 9, 2023

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Daniel M. Le Vay, Attorney No. 22184-49
Deputy Consumer Counselor
Thomas R. Harper, Attorney No. 16735-53
Deputy Consumer Counselor
OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
Email: dlevay@oucc.in.gov
thharper@oucc.in.gov

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the *Public's Exhibit No. 2-S OUCC's Settlement Testimony of Shawn Dellinger on behalf of the OUCC* was electronically served on the following parties of record on June 9, 2023.

Christopher Janak
Jacob T. Antrim
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
Email: JJanak@boselaw.com
JAntrim@boselaw.com



Daniel M. Le Vay
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile

SETTLEMENT TESTIMONY OF OUCC WITNESS SHAWN DELLINGER
CAUSE NO. 45838
CITY OF MARION, INDIANA

I. INTRODUCTION

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

2 A: My name is Shawn Dellinger, and my business address is 115 W. Washington St., Suite
3 1500 South, Indianapolis, IN 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as a Senior
6 Utility Analyst in the Water/Wastewater Division. My focus is on financing and other
7 financial matters. My educational background and experience are set forth in Appendix A.

8 **Q: What is the purpose of your testimony?**

9 A: The City of Marion, Indiana (“Petitioner” or “Marion”) and the OUCC (together the
10 “Settling Parties”) have entered into a Stipulation and Settlement Agreement
11 (“Settlement”) that resolves all the issues in this case. The purpose of my testimony, in
12 conjunction with OUCC witness Thomas Malan, is to support the terms of the Settlement
13 and explain why the Settlement is in the public interest. The focus of my settlement
14 testimony is specifically on the financing aspects of the settlement.

15 **Q: Please provide an overview of Marion’s request regarding financing in this case.**

16 A: Marion requests a debt authority of \$14.2 million. This is based upon two borrowings, one
17 in 2023 and one in 2025. The amount of debt service revenue requirement is different in
18 each Phase (or year) of the life of the proposed rates. The request is based on an open

1 market transaction where the debt service reserve funding is borrowed, and hence there is
2 no debt service reserve revenue requirement.

3 **Q: What did you do to form the opinions in your settlement testimony.**

4 A: I focused on the financing aspects of this case. I read Petitioner's prefiled testimony and
5 exhibits. I prepared discovery questions and reviewed Petitioner's responses. I was
6 prepared to file direct testimony on this cause, and I participated in settlement negotiations
7 with Petitioner.

8 **Q: Is the Settlement a product of negotiations among the Settling Parties?**

9 A: Yes. The Settlement represents a compromise reached in the settlement negotiation process,
10 with give and take by both parties in this proceeding. The Settling Parties devoted
11 considerable time and effort to evaluate the various settlement proposals ultimately resulting
12 in an agreement that affords Marion the ratemaking it requires while affording Marion's
13 customers the benefit of positions advocated by the OUCC. I believe the Commission
14 should view the agreement as resulting in a balanced settlement that is in the public
15 interest.

II. STIPULATION AND SETTLEMENT AGREEMENT

A. Debt Authorization

16 **Q: What is the debt authorization that was agreed to in the settlement?**

17 A: The Settling Parties agreed to an overall debt authorization of \$14,200,000. This
18 amount is consistent with the authorization requested in Petitioner's case.

19 **Q: Did Petitioner base the debt service revenue requirement on \$14,200,000 of debt in its
20 case?**

21 A: No. The debt service revenue requirement was based on \$11,700,000 of debt. Petitioner
22 based the revenue requirement on the assumption of an open market debt issuance with no

1 subsidization. The \$14,200,000 debt authorization request was \$2,500,000 greater than the
2 debt that the revenue requirement was based upon.

B. Debt Service Revenue Requirement

3 **Q: What is the debt service revenue requirement?**

4 A: There is a different debt service revenue requirement in each phase. This is due to there
5 being two bond issuances projected, and due to interest only and reduced principal payment
6 periods (wrapping) in the projected amortization schedules. The amount of the revenue
7 requirement for the proposed debt in each phase is as follows:

8	Phase 1	\$307,128
9	Phase 2	\$376,673
10	Phase 3	\$655,167
11	Phase 4	\$639,762
12	Phase 5	\$932,202

13 **Q: If borrowing takes place from the State Revolving Fund, how will the debt service**
14 **reserve funding be accounted for?**

15 A: The debt service reserve funding will be included as part of the debt service revenue
16 requirement.

17 **Q: Is the debt service revenue requirement subject to true-up?**

18 A: Yes. However, implementation of the true-up will be more limited than is typically the
19 case. Petitioner requested additional borrowing authority to address the potential of
20 increased costs, extended maturities, lower interest rates, or receipt of State Revolving
21 Fund ("SRF") grants. Within this context Petitioner will obtain the best financing terms
22 possible, and if Petitioner does qualify for reduced interest rates on an SRF program loan,

1 or extended maturities, or received grant funding for lead line programs, it will be able to
2 borrow up to \$14.2 million without needing to increase its rates to accommodate that level
3 of borrowing. Petitioner's level of borrowing up to that cap of \$14.2 million will be driven
4 by what its level of debt service revenue requirements can procure. As such, its debt service
5 revenue requirement as established in this case will serve as a de facto cap. In
6 acknowledgement of uncertainties than always arise with debt issuances, the individual
7 phases may have true-up amounts that will increase or decrease the total, although the
8 revenue requirement for Phase 5, which recovers in rates the total debt service revenue
9 requirement, will serve as a cap.

10 **Q: Is this in the ratepayers interest?**

11 A: Yes. This will allow stability and some certainty in the overall rate increase and allow
12 Petitioner to secure more debt financing if the terms are favorable. It also ensures that any
13 grants received (for instance, for lead service lines) ultimately benefit ratepayers through
14 the true-up procedures agreed to in the settlement. There are also protections embedded in
15 the settlement agreement that protect ratepayers if bonds are issued later than anticipated,
16 specifically by placing funds that are collected in rates before there is a corresponding cost
17 into restricted accounts that will ultimately reduce the level of borrowing.

18 **Q: What if Petitioner's ultimate debt service expense (Phase 5) is less than the authorized**
19 **debt service revenue requirement?**

20 A: Unless waived by the parties, if total debt service is less than anticipated in Phase 5, then
21 the revenue requirement will be reduced to reflect the actual costs resulting in lower rates
22 than contemplated in the settlement agreement schedules.

III. CONCLUSION

23 **Q: Is the Settlement in the public interest?**

1 A: Yes. The debt authorization will ensure that Marion will have the resources to fund the
2 projects they have deemed prudent over the next five years. The debt service revenue
3 requirement will ensure that more debt may be utilized if conditions are favorable and will
4 ensure that ratepayers may potentially participate in lowered costs either through lower
5 borrowing costs or more funding.

Appendix A

1 **Q: Please describe your educational background.**

2 A: I graduated from Indiana University with a degree in Biology, a minor in Economics and
3 a certificate from the Liberal Arts and Management Program (LAMP) which is an honors
4 certificate program through the Kelley School of Business and the College of Arts and
5 Sciences, at the time restricted to twenty-five (25) students per year. I received my MBA
6 from Indiana University with a concentration in finance. I am a member of Phi Beta Kappa
7 honor society for my undergraduate work and Beta Gamma Sigma honor society for my
8 master's program. I have been a member of Mensa for a number of years.

9 **Q: Please describe your work experience.**

10 A: My first jobs after graduating with my undergraduate degree were in New York in finance
11 at Grant's Interest Rate Observer, which is a financial newsletter and Lebenthal and Co.,
12 which was a municipal bond brokerage. I worked at and ultimately owned RCI Sales in
13 Indianapolis, which was a manufacturer representative/distributor in commercial and
14 institutional plumbing, for a number of years, leaving when I sold the company and merged
15 it into a competitor. After receiving my MBA, I worked at Amazon as a financial analyst
16 in their fulfillment division.

17 **Q: How long have you been at the OUCC?**

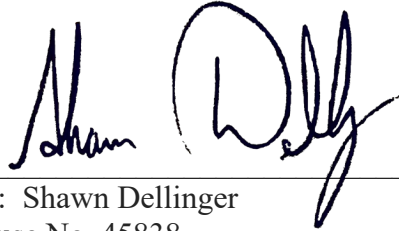
18 A: I have been in the Water/Wastewater Division since December 2019. I was a Utility
19 Analyst II until May 2022, when I was promoted to Senior Utility Analyst. My focus is
20 financial issues, such as financings, ROE's, capital structures, and the like.

21 **Q: Have you previously testified before the Indiana Utility Regulatory Commission**
22 **("Commission")?**

23 A: Yes, I have testified before the commission regarding various aspects of finance.

AFFIRMATION

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

A handwritten signature in black ink, appearing to read "Shawn Dellinger". The signature is written in a cursive style with a large, prominent "D".

By: Shawn Dellinger
Cause No. 45838
Office of Utility Consumer Counselor (OUCC)

Date: June 9, 2023