FILED
April 15, 2020
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE TOWN OF CEDAR LAKE, LAKE COUNTY, INDIANA, FOR APPROVAL TO ADJUST ITS RATES AND CHARGES AND ISSUE BONDS	)	**CAUSE NO. 45367**

PETITIONER'S DIRECT TESTIMONY AND EXHIBITS

Direct Testimony of Neil J Simstad, P.E.	Petitioner's Exhibit 6
Map of Service Area	Petitioner's Exhibit 7
Engineering Report	Petitioner's Exhibit 8
IDEM Permit	Petitioner's Exhibit 9
Water Quality Test for Water Wells	Petitioner's Exhibit 10
Cedar Lake Capital Asset Management Plan	Petitioner's Exhibit 11

Respectfully submitted,

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE TOWN OF CEDAR LAKE, LAKE COUNTY, INDIANA, FOR APPROVAL TO ADJUST ITS RATES AND CHARGES AND ISSUE BONDS	))))))	**CAUSE NO. _____**

VERIFIED DIRECT TESTIMONY AND EXHIBITS OF NEIL J SIMSTAD, P.E.

April 15, 2020

On behalf of Petitioner
Town of Cedar Lake, Lake County, Indiana

TOWN OF CEDAR LAKE, LAKE COUNTY, INDIANA

IURC CAUSE NO. _____

I. Introduction

1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Neil J Simstad. My business address is NIES Engineering, Inc., 2421 173rd Street, Hammond, Indiana.

2. Q. PLEASE TELL THE COMMISSION YOUR PROFESSION AND WITH WHOM YOU ARE EMPLOYED?

A. I am a registered professional engineer with, and a principal in, NIES Engineering, Inc. ("NIES Engineering"), a consulting engineering firm located in Hammond, Indiana.

3. Q. HOW LONG HAVE YOU BEEN EMPLOYED BY NIES ENGINEERING, INC.?

A. I have been with NIES Engineering since 1995.

4. Q. MR. SIMSTAD, PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL STATUS.

A. I hold a bachelor's degree in Civil Engineering from Purdue University. I am currently a registered professional engineer in the states of Indiana and Illinois and a member of the Water Environment Federation.

5. Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE?

A. Since beginning work with NIES Engineering in 1995, I have specialized in municipal civil engineering projects for potable water treatment and distribution and wastewater collection and treatment. I have also participated in a variety of local and regional transportation projects and have provided civil engineering services for commercial and residential subdivisions.

6. Q. PLEASE DESCRIBE THE TYPES OF UTILITY ORGANIZATIONS THAT YOUR FIRM REPRESENTS?

A. NIES Engineering, Inc. generally represents municipal sewer and water utilities, as well as some private and industrial clients. The bulk of our practice focuses on providing civil engineering survey, design, drafting, and construction observation services to municipal clients for a variety of projects, including streets and transportation, water, wastewater, parks, and commercial and industrial development.

7. Q. PLEASE DESCRIBE YOUR PERSONAL INVOLVEMENT IN THE VARIOUS PROJECTS CARRIED OUT BY YOUR FIRM.

A. I typically meet with our clients to determine the scope of their anticipated needs. Then, I generally provide design criteria and specifications and oversee the preparation of drawings of the facilities necessary to address the clients' needs. The scope of our projects ranges from gathering the basic preliminary data to preparation of engineering reports, supervision of construction, and ultimately,

construction observation. For this case in particular, my firm also evaluated the anticipated capital needs of the water utility over the next six (6) years and analyzed and identified the anticipated periodic maintenance on an annual basis.

8. Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE INDIANA UTILITY REGULATORY COMMISSION ("COMMISSION")?

A. Yes, I have. In fact, I recently testified on behalf of the Petitioner in Cause No. 45180.

9. Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CAUSE?

A. I am testifying on behalf of the Petitioner, the Town of Cedar Lake, Lake County, Indiana ("Cedar Lake") and its water utility.

10. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CAUSE?

A. The purpose of my testimony is three-fold. First, I will describe Cedar Lake's existing water service area and facilities. Second, I will discuss the anticipated capital improvements that should be made by the utility, both in the short and long-term. Third, I will explain the periodic maintenance needs of Cedar Lake's water utility.

II. Relationship with Cedar Lake

11. Q. WHAT IS THE RELATIONSHIP OF YOU AND YOUR FIRM WITH CEDAR LAKE?

A. My firm and I have provided independent, professional engineering services to Cedar Lake since 2009.

12. Q. MR. SIMSTAD, CAN YOU DESCRIBE THE TYPES OF PROJECTS WITH WHICH YOU HAVE ASSISTED CEDAR LAKE SINCE 2009?

A. Yes, I can. My firm and I have provided professional water and sewer engineering services, as well as transportation, grant work, and general engineering assistance on an as-needed basis. A few examples of the type of work that we have provided to Cedar Lake is as follows:

- Review and prepare maps of sanitary sewer system, coordinate rehabilitation projects, and recommend prospective improvements;
- Assist in flow meter selection and provide hydraulic capacity analysis;
- Provide general engineering and construction oversight for Industrial Drive gravity sanitary sewer construction and lift station elimination project;
- Provide general engineering and construction oversight services for rehabilitation of sanitary sewer lift stations 1, 3, 6, 8, 10, and 11;
- Assist with force main and improvements to pumps numbers 2, 5, 8, 9, and 19;
- Prepare westside sanitary sewer interceptor study with design recommendations, prepare plans and specs for project, and obtain permits;

- Prepare capacity analysis study for Cedar Lake's wastewater treatment plant;
- Preparation of water system preliminary engineering report in 2010;
- Design, prepare plans and specs, and oversee construction of water main extensions along US 41 South, 129th Avenue, and the route to Hanover Central Middle School;
- Coordinate and provide engineering support for source of supply at Lakeside Development;
- Design, prepare plans and specifications, and obtain permits for proposed Krystal Oaks elevated water storage tank; and
- Prepare Robin's Nest Water Utility Capacity Analysis for Protection and Storage, dated July, 2015.

13. Q. MR. SIMSTAD, CAN YOU DESCRIBE YOUR PERSONAL EXPERIENCE OR ROLE IN WORKING WITH CEDAR LAKE ON THE VARIOUS ENGINEERING RELATED PROJECTS?

A. Generally speaking, my experience has been to review Cedar Lake's existing and prior projects, their impact and ability to serve the current and future needs of the utility, and provide recommendations to the policy makers. If and when Cedar Lake decides to proceed with construction of municipal improvements, I have generally been responsible for: (i) preparing the necessary reports/cost estimates, plans, and specifications; (ii) aiding in the bidding or quoting process for the

construction of new improvements; (iii) providing construction engineering; and (iv) working with the project inspectors to ensure that construction was completed in accordance with the plans and specifications.

For purposes of this case, I have reviewed Cedar Lake's existing facilities, the anticipated demand, and prepared a schedule of capital improvements that need to be made now and over the next six (6) years. In addition, I reviewed the ongoing periodic maintenance needs of the utility to determine what cost Cedar Lake would likely experience in operating and maintaining its new and existing facilities.

14. Q. BASED ON YOUR EXPERIENCE IN WORKING WITH CEDAR LAKE, ARE YOU FAMILIAR WITH CEDAR LAKE'S SYSTEM AND ITS ANTICIPATED OPERATIONAL, MAINTENANCE, AND CAPITAL NEEDS?

A. Yes, I am.

III. Overview of Cedar Lake's Service Area and Existing Facilities

15. Q. CAN YOU GENERALLY DESCRIBE CEDAR LAKE'S SERVICE AREA?

A. In 2009 and 2010, Cedar Lake purchased two (2) distinct water utilities, Utilities, Inc. and Robin's Nest Water Company, Inc. ("Robin's Nest"). Both prior to and after the acquisitions, the Utilities, Inc. facilities served the western half of Cedar Lake. Over the course of time, the area served by the Utilities, Inc. facilities

became known as the Westside District of the Cedar Lake Municipal Water Utility. Since acquiring the Utilities, Inc. facilities, Cedar Lake's customer base in the Westside District has more than doubled from 895 customers in 2011 to 1,842 customers at the end of 2019.

The acquired Robin's Nest facilities have served the east side of Cedar Lake which is now known as the Eastside District of the Cedar Lake Municipal Water Utility. The Eastside District is much smaller than the Westside District and has not experienced the type of growth that Cedar Lake has experienced in its Westside District. In 2011, the Eastside District had 312 customers and it now has 320 customers (as of the end of 2019). At the time Cedar Lake acquired Robin's Nest, water service in the Eastside District was limited to two (2) different subdivisions, Krystal Oaks and Robin's Nest Subdivisions. In the last five (5) years, Cedar Lake has extended the existing facilities in Robin's Nest Subdivision to approximately forty-one (41) homes in a third development, Lakeside Subdivision. While there are a number of additional lots in the Lakeside Subdivision requesting service from Cedar Lake, Cedar Lake is currently without sufficient water production facilities to meet the entire demand in this area.

16. Q. HAS THE INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT ("IDEM") ISSUED AN ORDER RESTRICTING OR BANNING NEW CONNECTIONS IN THE EASTSIDE DISTRICT?

hypochlorite injection with a transmission and distribution system composed of 8", 10", 12", and 16" water mains.

The Eastside District has its own source of supply which consists of one (1) well site with two (2) wells, one treatment plant, as well as disinfection and high service pumping facilities. The production system in the Eastside District has a rated firm capacity of 280,000 gallons per day ("gpd").

19. Q. DO CEDAR LAKE'S FACILITIES LOCATED IN THE EASTSIDE AND WESTSIDE DISTRICTS BOTH HAVE SUFFICIENT CAPACITY TO PROVIDE POTABLE WATER AND FIRE PROTECTION SERVICE FOR THE FORESEEABLE FUTURE?

A. While certain improvements will need to be made in the Westside District, Cedar Lake's existing water supply in this area is sufficient for the foreseeable future to meet the anticipated demand. Cedar Lake's facilities in the Eastside District, however, do not have sufficient capacity. As I stated earlier (see Responses to Questions 15 and 16, pp. 6-8), there are a number of developers and property owners in the Eastside District that have requested potable water and fire protection service from Cedar Lake. At present, Cedar Lake only has sufficient water production capacity to serve a maximum of thirty-four (34) additional homes, and it does not have capacity to provide any fire protection service in this area. In order to meet the demand for potable water and fire protection service in this area, Cedar Lake must improve the facilities in its Eastside District.

A. No, IDEM has not issued a formal water ban that prohibits new connections in the Eastside District. However, Cedar Lake has refused to approve new subdivisions in the Eastside District until the new improvements proposed in this Cause are completed. At present, there are only thirteen (13) additional lots in the Lakeside Subdivision and one (1) in the Kyrstal Oaks Subdivision that can connect to Cedar Lake's water system and be developed. All other development proposed on the Eastside is on hold until the proposed capital improvements are constructed.

17. Q. HAVE YOU PREPARED A MAP WHICH DELINEATES CEDAR LAKE'S SERVICE AREA?

A. Yes, I have. For the Commission's convenience, I have attached as Petitioner's Exhibit 7 a copy of a map that depicts Cedar Lake's current service area. The area to the east of Cedar Lake is considered the Eastside District and that area west of Cedar Lake is considered to be the Westside District.

18. Q. MR. SIMSTAD, CAN YOU DESCRIBE CEDAR LAKE'S FACILITIES IN THE WESTSIDE AND EASTSIDE DISTRICTS?

A. Yes, I can. The Westside District is served by a 300,000 gallon elevated tank and two (2) well sites with four (4) total wells providing water to those facilities. The well capacity for the four (4) wells varies from 350 gallons per minute ("gpm") to 450 gpm with a production system rated firm capacity of 1 million gallons per day. In terms of treatment, Cedar Lake uses a disinfection system that is sodium

20. Q. HAVE YOU STUDIED THE ANTICIPATED DEMAND IN, AND THE CORRESPONDING FACILITIES NEEDED FOR, POTABLE WATER AND FIRE PROTECTION SERVICE IN THE EASTSIDE DISTRICT?

A. Yes, I have.

21. Q. HAVE THE RESULTS OF YOUR STUDY BEEN MEMORIALIZED IN A WRITTEN REPORT?

A. Yes, they have. I have attached to my testimony as Petitioner's Exhibit 8 is a July, 2015 engineering report entitled Robin's Nest Water Utility Capacity Analysis for Production and Storage. I have also included an updated, 2019 analysis of the existing facilities (collectively, "Engineering Report"). The purpose of the Engineering Report was to study the capacity of Cedar Lake's existing facilities in the Eastside District and to evaluate or model potential improvements that could be constructed to increase capacity and meet the anticipated demand for potable water and fire protection service in this area.

22. Q. IS THE ENGINEERING REPORT THE BASIS FOR THE CAPITAL IMPROVEMENTS PROPOSED IN THIS CAUSE?

A. Yes, the Engineering Report supports the need for the capital improvements associated with improving Cedar Lake's water production capacity and pressure in the Eastside District; however, there are other required capital improvements that are not necessarily related to water production and pressure that are not included within the Engineering Report.

23. Q. PLEASE IDENTIFY THE CURRENT AND PROJECTED WATER DEMANDS ON THE UTILITY.

A. The current demand in the Eastside District generally averages slightly less than 200 gallons per day per customer. Cedar Lake believes future development in the Eastside District could reach 150 new units in the near term and up to an additional 300 units over the intermediate term (i.e. next five (5) to seven (7) years). To be able to permit these new connections, Cedar Lake must be able to supply water at a rate of 0.87 gpm per additional residential user in order to meet the standards of the Indiana Department of Environmental Management ("IDEM") for peak hour and fire protection capacity. With an anticipated production of 500 gpm from the proposed additional source of supply and related improvements (as described below), Cedar Lake will be able to serve the 450 new connections mentioned above with reserve capacity for future development.

24. Q. IN YOUR PROFESSIONAL OPINION, SHOULD CEDAR LAKE MAKE CERTAIN IMPROVEMENTS TO ITS EXISTING FACILITIES TO ENSURE SAFE, ADEQUATE, AND RELIABLE SERVICE TO ITS CUSTOMERS?

A. Yes.

IV. Capital Improvements Proposed to be Funded with Long-Term Debt

25. Q. MR. SIMSTAD, HAVE YOU PROVIDED CEDAR LAKE WITH A LIST OF IMPROVEMENTS THAT WILL NEED TO BE MADE TO SERVE

THE GROWING DEMAND FOR POTABLE WATER AND FIRE PROTECTION SERVICE IN THE EASTSIDE DISTRICT?

A. Yes, I have. I would point the Commission to the Capital Improvements itemized on Schedule D-6 in Petitioner's Exhibit 13 (i.e. the Rate Report prepared by Ms. Sue Haase). Based on my knowledge of Cedar Lake's system and the growth anticipated by Cedar Lake, I believe the improvements listed in Ms. Haase's report will be necessary within the next eighteen (18) months to meet the growing demand for water in Cedar Lake's Eastside District.

26. Q. CAN YOU GENERALLY DESCRIBE THE PROPOSED CAPITAL IMPROVEMENTS AND THE NEED FOR THE SAME?

A. Yes, I can. The items listed on lines 6-9 on Schedule D-6 all relate to construction of the elevated tank and acquisition of an additional source of supply. The bulk of the cost of these improvements is the 250,000 gallon elevated tank ("250,000 Gallon Tank") which I have designed, prepared plans and specs for, and applied and received (from IDEM) a Permit for Public Water Supply Construction. (See Petitioner's Exhibit 9, IDEM Permit). The 250,000 Gallon Tank is necessary for Cedar Lake to have sufficient storage and provide the pressure necessary for fire protection service to customers in the Eastside District. (See, the guidelines set forth in the M31 Manual published by the American Water Works Association and the Guide for Determination of Needed Fire Flow published by the Indiana Service Office, Inc.). In order to have a sufficient source

of supply to fill the 250,000 Gallon Tank and meet the water production needs of the individual customers, Cedar Lake is proposing to acquire an existing source of supply from Paradise Cove, LLC, a landowner in Cedar Lake. The terms for and timing of acquisition of this potable water supply ("Paradise Cove Water Supply") is described in the prefiled direct testimony of Mr. Randell Niemeyer. In order to interconnect the Paradise Cove Water Supply with and operate the 250,000 Gallon Tank, Cedar Lake must also install a new water transmission main, high service pumps, motors, and controls (collectively, "Water Supply Improvements"). Upon completion of (and/or ownership of) the Water Supply Improvements, Cedar Lake will have a sufficient source of supply and pressure to meet peak and fire flow demand for customers in the Eastside District. The Water Supply Improvements will provide the additional benefit of supplementing the existing source of supply in the Eastside District and provide redundancy for customers in this area.

The second major improvement is listed on line 10 on Schedule D-6 of Petitioner's Exhibit 13, the Utopia Water Main Replacement Project ("Utopia Project"). The Utopia Project involves the replacement of approximately 1.5 miles of water main that was installed in approximately 1974 (to the best of Cedar Lake's knowledge). Unfortunately, the original Utopia water main (installed in 1974) was constructed of steel rather than the more typical cast iron or ductile iron pipe. Steel pipe typically does not provide the same corrosion resistance as

cast or ductile iron, and the steel pipe has now reached the end of its serviceable life and should be replaced. To date, Cedar Lake has experienced a number of breaks on this particular section of main; there are no as-builts for this main; and it has become very difficult to isolate main breaks so that Cedar Lake can repair the main breaks without causing a disruption in service for an inordinate number of customers.

27. Q. **DO YOU BELIEVE THE ACQUISITION OF THE PARADISE COVE WATER SUPPLY IS THE BEST OPTION FOR INCREASING WATER PRODUCTION CAPACITY IN THE EASTSIDE DISTRICT?**

A. Yes, I do. While Cedar Lake could pursue drilling its own wells and installing new facilities, the Paradise Cove Water Supply has a proven history of producing safe, reliable water and it is located at or near the anticipated growth in the Eastside District.

I would also note that before settling on the acquisition of the Paradise Cove Water Supply, a fractured trace analysis was performed by a reputable well driller, Peerless Midwest. Peerless Midwest identified several locations in and around Cedar Lake that had geological formations which appeared conducive to producing a viable water supply. A test well was installed in one such location and a suitable amount of water supply was available at this location, but the water quality was less than desirable in that the water contained hydrogen sulfide. Cedar Lake determined that in order to utilize this location for a source of supply,

Cedar Lake would be required to install a treatment facility at an estimated cost of $1,000,000 and the annual operation of such facility would be more expensive than simply using the Paradise Cove Water Supply.

Cedar Lake also considered drilling additional test wells but was concerned about the cost of drilling such wells, negotiating access rights, and the professional costs associated with such tasks. Equally concerning was the fact that even if Cedar Lake were able to locate a different source of supply with a quality and quantity similar to the Paradise Cove Water Supply, Cedar Lake could easily spend an amount constructing the new well (and treatment) facilities that is equal to or more than the cost of simply acquiring and improving the Paradise Cove Water Supply.

Considering the cost and uncertainty associated with locating and developing a new source of supply (as well as the central location of the Paradise Cove Water Supply), I believe the Paradise Cove Water Supply is the best option for meeting the increasing demand for water in the Eastside District.

28. Q. HAVE YOU OR CEDAR LAKE PERFORMED ANY STUDIES TO DETERMINE WHETHER THE CHEMISTRY OF THE PARADISE COVER WATER SUPPLY IS COMPATIBLE WITH CEDAR LAKE'S EXISTING SOURCE OF SUPPLY IN THE EASTSIDE DISTRICT?

A. Yes, Cedar Lake has performed water quality tests for its existing supply, as well as the Paradise Cove Water Supply. For the Commission's reference, a copy of the water quality test for the existing supply and the Paradise Cove Water Supply are attached as Petitioner's Exhibit 10. These tests demonstrate that the chemistry of the two (2) different water supplies are compatible and can be mixed and used as redundant source of supplies.

29. Q. IN YOUR PROFESSIONAL OPINION, ARE THE CAPITAL IMPROVEMENTS NEEDED BY CEDAR LAKE TO ENSURE SAFE AND ADEQUATE SERVICE TO ITS CURRENT AND FUTURE CUSTOMERS?

A. Yes, they are.

30. Q. DO YOU BELIEVE THAT ISSUANCE OF BONDS IS A VIABLE FUNDING SOURCE FOR THE CAPITAL IMPROVEMENTS?

A. Yes, I do. While I am not a financial advisor, I understand that the market for the issuance of long-term debt is competitive at this time. These favorable borrowing conditions should allow Cedar Lake to make the improvements necessary to provide safe, adequate service while at the same time keeping or maintaining rates as low as possible for its rate paying customers.

31. Q. HOW MUCH DO YOU ANTICIPATE THAT CEDAR LAKE WILL SEEK TO BORROW?

A. I have prepared an estimated list of the costs of the Capital Improvements and provided a list of the same to Cedar Lake's financial advisor, Ms. Haase. Ms. Haase, in turn, has included the cost of these Capital Improvements, along with all other soft costs and contingencies, in her Rate Report. I anticipate that Cedar Lake will seek funding for a total amount of $3,900,000.00 in order to complete the Capital Improvements.

32. Q. DO YOU BELIEVE THE COST ESTIMATES FOR THE CAPITAL IMPROVEMENTS IDENTIFIED ON LINES 6-10 OF SCHEDULE D-6 OF PETITIONER'S EXHIBIT 13 ARE REASONABLE?

A. Yes, I do. I provided those cost estimates to Ms. Haase for inclusion in her Rate Report. Based on my professional experience in working with similar types of projects over the last twenty-five (25) years, I believe the amounts are a reasonable estimate of what Cedar Lake will incur to construct those particular improvements.

V. Capital Improvement Plan (to be Funded in Rates)

33. Q. MR. SIMSTAD, HAVE YOU ALSO IDENTIFIED A SERIES OF CAPITAL IMPROVEMENTS WHICH SHOULD OCCUR OVER THE NEXT SIX (6) YEARS?

A. Yes, I have. I prepared a list of capital improvements and provided a copy of this list to Cedar Lake's financial advisor, Ms. Haase. Ms. Haase has, in turn, included my list of capital improvements to be funded through rates over the next

six (6) years ("Capital Improvement Plan") (see Schedules G-1 and G-2 on pages 22 and 23 of Petitioner's Exhibit 13). On Schedule G-1, line 001, I have included a 85 kilowatt generator in the Capital Improvement Plan. This generator will be installed at the Parrish pump station. The Parrish pump station currently has no backup generator which could lead to a disruption of water service for numerous customers during a power outage (absent the new generator).

In addition, I have outlined five (5) different improvements identified on lines 101-105 on Schedule G-2 of Petitioner's Exhibit 13. These five (5) items are assets that will, over the next six (6) years, need to be replaced to ensure that Cedar Lake is able to provide safe, continuous, uninterrupted service to its customers.

34. Q. HAVE YOU PREPARED AN EXHIBIT WHICH IDENTIFIES ALL OF CEDAR LAKE'S EXISTING AND TO-BE-INSTALLED CAPITAL ASSETS?

a. Yes, I have. Please find attached to my testimony as Petitioner's Exhibit 11 a copy of a list of all of Cedar Lake's existing and anticipated capital assets, their location, the anticipated date of replacement, installation, or maintenance, and the estimated cost of each replacement, installation, or maintenance task. In the first column entitled New Assets (lines 001-004), I have included the assets anticipated to be installed by Cedar Lake from now until 2028. All the items, except for the 85 kilowatt generator in line 001, will be funded with long-term

debt. I understand that Ms. Haase has included the generator as part of the Capital Improvement Plan which will be funded through monthly user rates. Columns 2 and 3 are entitled Existing Asset Continuous Replacement Costs (lines 101-105) and Existing Asset Event Replacement Costs (lines 201-257). These two columns, along with the 85 kilowatt generator installation in line 001, form the basis for the Capital Improvement Plan. Finally, the fourth column lists the anticipated periodic maintenance expense for maintaining Cedar Lake's capital assets over the next forty (40) years. The expenses identified in this column have been included on page 10 of Ms. Haase's Rate Report.

35. Q. CAN YOU PLEASE EXPLAIN THE PROCESS BY WHICH CEDAR LAKE IDENTIFIED THE CAPITAL IMPROVEMENTS THAT WOULD NEED TO BE MADE?

A. Yes. NIES Engineering had a series of meetings with Cedar Lake management and the Public Works staff to identify and then generate a complete database of Cedar Lake's municipal water assets and their estimated date of installation. Once the database was created, we prepared the Capital Improvement Plan that included a schedule for timely replacement of the listed assets. In determining the estimated cost of replacement, we used Cedar Lake's past experience in purchasing such items, as well as our experience with other clients.

36. Q. ARE THE ITEMS IN THE CAPITAL IMPROVEMENT PLAN NECESSARY FOR CEDAR LAKE TO PROVIDE SAFE, ADEQUATE SERVICE TO ITS CUSTOMERS?

A. Yes. The items included in the Capital Improvement Plan are essential to the operation of Cedar Lake's water system. If such items are not replaced, I believe that such assets would eventually fail and could cause widespread disruption and/or a large unanticipated cost to effect emergency replacements.

37. Q. ARE THE ESTIMATED COSTS FOR EACH OF THE ITEMS ON THE CAPITAL IMPROVEMENT PLAN REASONABLE, IN YOUR PROFESSIONAL OPINION?

A. As I stated above, I have based the estimates on our firm's experience in working with similar types of projects, as well as the costs that Cedar Lake has previously incurred for similar or identical tasks. The estimates for Cedar Lake are indeed reasonable and should be consistent with what Cedar Lake experiences when the projects are to be completed.

VI. Periodic Maintenance

38. Q. WHAT RELIEF IS CEDAR LAKE SEEKING IN THIS CASE?

A. In addition to seeking authority to incur long-term indebtedness, Cedar Lake is seeking to adjust its rates and charges.

39. Q. IN SUPPORT OF ITS REQUEST TO ADJUST ITS RATES AND CHARGES, IS CEDAR LAKE INCLUDING EXPENSES OR AMOUNTS FOR PERIODIC MAINTENANCE?

A. Yes, it is. The details of the individual components of Cedar Lake's revenue requirements are discussed in much greater detail in the prefiled testimony and exhibit of Ms. Haase.

40. Q. DO YOU AGREE WITH THE PERIODIC MAINTENANCE ITEMS AND AMOUNTS SET FORTH IN MS. HAASE'S PREFILED TESTIMONY AND EXHIBITS?

A. Yes, I do. I have reviewed the periodic maintenance items and amounts contained on page 10 of Ms. Haase's Rate Report, and it is my opinion that these items and amounts are consistent with the expenses that Cedar Lake will incur.

41. Q. CAN YOU EXPLAIN THE PROCESS BY WHICH YOU AND CEDAR LAKE DETERMINED AN APPROPRIATE AMOUNT FOR PERIODIC MAINTENANCE EXPENSE?

A. Yes, I can. NIES Engineering was tasked with reviewing the periodic maintenance expenses to determine if such amounts were an accurate reflection of what Cedar Lake either had experienced or would experience upon completion of all of its proposed capital improvements. I, along with other members of NIES Engineering and Cedar Lake's operational staff, reviewed each of the individual expenses. In reviewing these expenses, we looked at the costs that Cedar Lake

had incurred for these actual expense items to verify the amounts for some of the maintenance items. NIES also relied on its recent experience in working with clients that performed similar types of periodic maintenance. I then used this information to estimate the amount of maintenance expense that Cedar Lake could expect to incur on a prospective basis, prepared an exhibit that summarized and detailed each item of periodic maintenance and the estimated cost, and then discussed the exhibit with Cedar Lake. After these discussions, I incorporated everyone's comments, finalized the exhibit detailing the periodic maintenance expenses, and then sent a final draft of the list of periodic maintenance expenses to Ms. Haase for inclusion on page 10 of her Rate Report.

42. Q. DO YOU BELIEVE THE AMOUNTS FOR PERIODIC MAINTENANCE ARE APPROPRIATE AND REASONABLE?

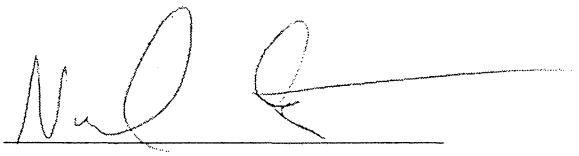
A. Yes, I do. After review and research, it is my opinion that the items and amounts detailed in the Rate Report are an accurate reflection of the type and amount of expenses that Cedar Lake will experience for periodic maintenance.

43. Q. MR. SIMSTAD, DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

VERIFICATION

I, Neil J Simstad, P.E., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information, and belief.

Signed: 

Printed Neil J Simstad, P.E.

Date: April 15, 2020

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following counsel of record via electronic mail this 15th day of April, 2020:

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