

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 AND) CAUSE NO. 44855
CHARGES FOR WATER SERVICE, AND FOR)
APPROVAL OF A NEW SCHEDULE OF WATER)
RATES AND CHARGES)

SETTLEMENT TESTIMONY OF

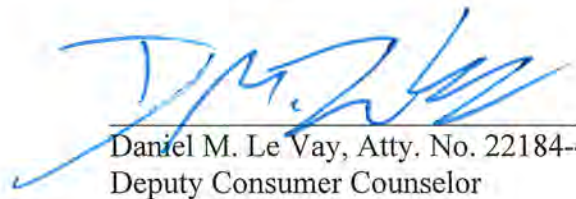
CARL N. SEALS – PUBLIC’S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JANUARY 6, 2017

Respectfully submitted,


Daniel M. Le Vay, Atty. No. 22184-49
Deputy Consumer Counselor

TESTIMONY OF CARL N. SEALS
CAUSE NO. 44855
CITY OF BLOOMINGTON

I. INTRODUCTION

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

2 A: My name is Carl N. Seals, and my business address is 115 West Washington Street, Suite
3 1500 South, Indianapolis, Indiana 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 Utility
6 Analyst in the Water/Wastewater Division. My qualifications and experience are set forth
7 in Appendix A.

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

9 A: Petitioner proposes to fund capital improvement projects through issuance of \$4.6 million
10 in revenue bonds and through recovery in rates of depreciation expense. I describe
11 generally the capital improvement projects the City of Bloomington (hereinafter
12 "Bloomington" or "Petitioner") proposes and explain why those projects should be
13 considered reasonable for purposes of financing approval.

14 **Q: What have you done to prepare your testimony?**

15 A: I reviewed Bloomington's Petition and the testimonies of Vic Kelson, Director of the City
16 of Bloomington Utilities Department, John Hamilton, the Mayor of Bloomington and
17 Timothy Mayer, a member of the City Council and the Utility Service Board, as well as
18 Petitioner's recent annual reports filed with the Indiana Utility Regulatory Commission
19 ("Commission" or "IURC"). I also wrote discovery requests and reviewed Petitioner's
20 responses. On November 22, 2016, I met with Mr. Kelson and Efrat Feferman, Assistant

Director of Finance, to discuss Petitioner's current operations and plans and visited several of Petitioner's above-ground water utility facilities, including their Monroe Reservoir intake facility and water treatment facility and several of their storage and booster facilities. I took pictures of those facilities, which I have includes as Attachment CNS-1. On November 29, 2016 I attended the Commission's field hearing at Tri-North Middle School. Finally, I reviewed comments the OUCC received from customers regarding this proposed rate increase, which I have attached to this testimony (Attachment CNS-2).

II. BLOOMINGTON'S WATER SYSTEM

Q: Please describe Bloomington's characteristics.

A: Bloomington provides municipal water service to approximately 24,980 non-resale customers in and around Bloomington, Indiana. Bloomington also serves nine resale customers listed in the table below.

Table 1-Resale Customers

Resale Customer	Connection Size	Contractual Availability (1,000 gals)
B & B Water Project, Inc.	4 in (2)	18,000/month
East Monroe Water Corp.	2 in, 4 in (2), 6 in (2)	18,000/month
Ellettsville Utilities	2 in, 8 in	46,000/month
Nashville Utilities	6 in	N/A
Ramp Creek Water Corp.	2 in	N/A
RHS Corp	2 in (2), 4 in (2)	N/A
Shady Side Water Corp.	1.5 in	700/month
Van Buren Water, Inc.	4 in (2), 6 in (3)	25,000/month
Washington Township Water Corp.	1.5 in, 2 in, 4 in (2), 6 in	25,000/month

The utility's IURC annual reports set forth some general operating statistics, which I have summarized in Table 2. In general, over the most recent five year period, both total water pumped and total water sold have generally decreased, even while the number of customers

has increased.

Table 2 – General Operating Statistics

A	B	C	D	E	F	G	H
Year	Customers	Total Pumped	System Usage	Total Available (C - D)	Total Sold	Gallons Lost (E - F)	Percent Lost (G / C)
2011	23,114	6,004,150	1,106,318	4,897,832	4,377,310	520,522	8.7%
2012	23,344	5,947,600	715,708	5,231,892	4,452,034	779,858	13.1%
2013	24,420	5,555,290	590,143	4,965,147	4,553,305	411,842	7.4%
2014	24,700	5,763,366	929,734	4,833,632	4,022,381	811,251	14.1%
2015	24,989	5,770,548	1,283,634	4,486,914	3,835,332	651,582	11.3%
All reported in 1,000 gallons							
"System" refers to system usage, e.g. backwash, flushing, firefighting, etc.							

Bloomington relies on a 30 million gallon per day surface water treatment plant with intake located on Monroe Lake, approximately 420 miles of main, and eight water storage facilities totalling 21.5 million gallons (Table 3):

Table 3 – Bloomington Storage Facilities

Facility	Capacity (MG)	Year In Service	Manufacturer	Last Interior Coating	Last Exterior Coating
Monroe	5.3	1990	Preload Company		
South 1 MG	1.0	1967	Chicago Iron Works	1991	2015
South 3 MG	3.0	2001	Pittsburgh-Des Moines		
Southeast	2.0	2013	Preload Company		
East	1.5	1968	Chicago Iron Works	1989	1989
Redbud	4.7	1974	Chicago Iron Works	2015	2015
West	2.0	1966	Chicago Iron Works	2004	2004
Southwest	2.0	1996	Pittsburgh-Des Moines		2015

Q: What is Bloomington level of water loss?

A: As used in Petitioner's IURC annual reports, "water loss" is the difference between water Bloomington produced and the total amount of water either sold to customers, or used for firefighting, flushing mains, flushing sewers, street cleaning, backwashing, or other authorized consumption. Water loss may reasonably be attributed to leaks or inaccurate

1 measurement of consumption (i.e. slow meters). At values ranging from 7.4% to 14.1%
2 over the last five years, Bloomington appears to have acceptable control of its water loss.

III. CAPITAL IMPROVEMENT PROGRAM

3 **Q: Has Petitioner developed a Capital Improvement Plan?**

4 A: Yes. Mr. Kelson documented Petitioner's five-year Capital Improvement Plan
5 (Attachments VK-1 through VK-5). These attachments identify each project, provide a
6 brief description of each project, and set forth an estimated cost and completion date for
7 each project. In response to OUCC discovery, Bloomington estimated it will cost
8 \$36,052,400 to complete all the projects in its Capital Improvement Plan.

9 **Q: What types of projects does Bloomington include in its Capital Improvement Plan?**

10 A: Bloomington proposes source of supply, treatment and distribution projects to be
11 completed in the following three general categories:

- 12 1. Infrastructure replacement for greater capacity, for improved water quality and for
13 replacement of aging water mains;
- 14 2. Process improvements at the Monroe Water Treatment Plant for water quality
15 improvement and reduction of Disinfectant Byproducts;
- 16 3. Other major capital projects throughout CBU's water system.

17 **Q: Please discuss the first category and describe some of the major projects included.**

18 A: This category, which is to be funded in part by the issuance of water utility revenue bonds,
19 includes the replacement of mains greater than 75 years old over a 20-year period, a
20 "strategic replacement" of certain mains requiring relocation in conjunction with Monroe
21 County projects, and a portion of the first phase of a main replacement project on Fullerton
22 Pike. The initial use of the \$4.6 million revenue bonds will help "jump start" this program,

1 while remaining funds will come from utility revenues. While the plan to replace mains
2 greater than 75 years of age is still preliminary, it is intended to be a dynamic plan that
3 adapts to new information and changing circumstances. Inputs to this program will include
4 age, material, criticality of the main and corrosivity of the soil. Much of the 80 miles of
5 main that have been identified for replacement is made of unlined cast iron, some of which
6 may have lead joints and lead service connections. The utility indicated in response to
7 discovery that any service lines owned by CBU that are composed of galvanized or lead
8 pipe or that consist of damaged copper pipe will be replaced at the time that the mains are
9 replaced. Finally, in some cases Bloomington will replace mains with larger mains to better
10 serve customers.

11 **Q: Please discuss the second category and describe some of the major projects included.**

12 A: The second category, which will be funded out of future Bloomington revenues, includes
13 projects that are critical to the utility's ongoing efforts to control Disinfectant Byproducts
14 resulting from the required disinfection process and its interaction with organic matter
15 contained in source and treated water. While Bloomington itself has not directly
16 experienced any problems with Disinfectant Byproduct levels, certain of its wholesale
17 customers have recorded Disinfectant Byproducts exceeding approved levels. While
18 recent, IDEM-approved projects¹ appear to have mitigated elevated levels in the near-term,
19 Bloomington continues to pursue alternative treatment methodologies to reduce the
20 presence of Disinfectant Byproducts, including projects to utilize ultraviolet disinfection

¹ Bloomington sought and received permission from the Indiana Department of Environmental Management in March 2016 to remove the hypochlorite feed from the primary rapid-mix in an effort to reduce disinfectant contact time. This has reduced the level of DBPs but has had other impacts that will need to be addressed.

1 and the feeding of chlorine dioxide to be generated onsite. This category also includes the
2 installation of a sodium chlorite feed system to reduce nitrification and a phosphate
3 chemical feed system to reduce lead leaching and copper corrosion.

4 **Q: Please discuss the third category and describe some of the major projects included.**

5 A: These are generally projects intended to replace or improve existing plant at the Monroe
6 Water Treatment facility. For example, the addition of an adjustable frequency drive to a
7 low-service pump at the intake facility will increase both reliability and better enable low-
8 service pump output to match the demands at the water treatment plant. Another project is
9 the replacement of an out-of-service drive that can no longer be maintained with an
10 adjustable frequency drive due to age and availability of parts. Other projects include
11 additional structural support of high-service pump number five, sludge press equipment
12 rehabilitation and the addition of a second drying bed to better manage the increased sludge
13 created by changes to the treatment processes.

14 **Q: Do you agree Bloomington's proposed Capital Improvement Plan is reasonable for**
15 **purposes of financing approval?**

16 A: Yes. The capital improvement projects proposed by Bloomington appear to be both
17 reasonable and necessary for the continued provision of reliable service. Therefore, I
18 consider these projects to support the requested financing and the settlement agreement.

19 **Q: Does this conclude your testimony?**

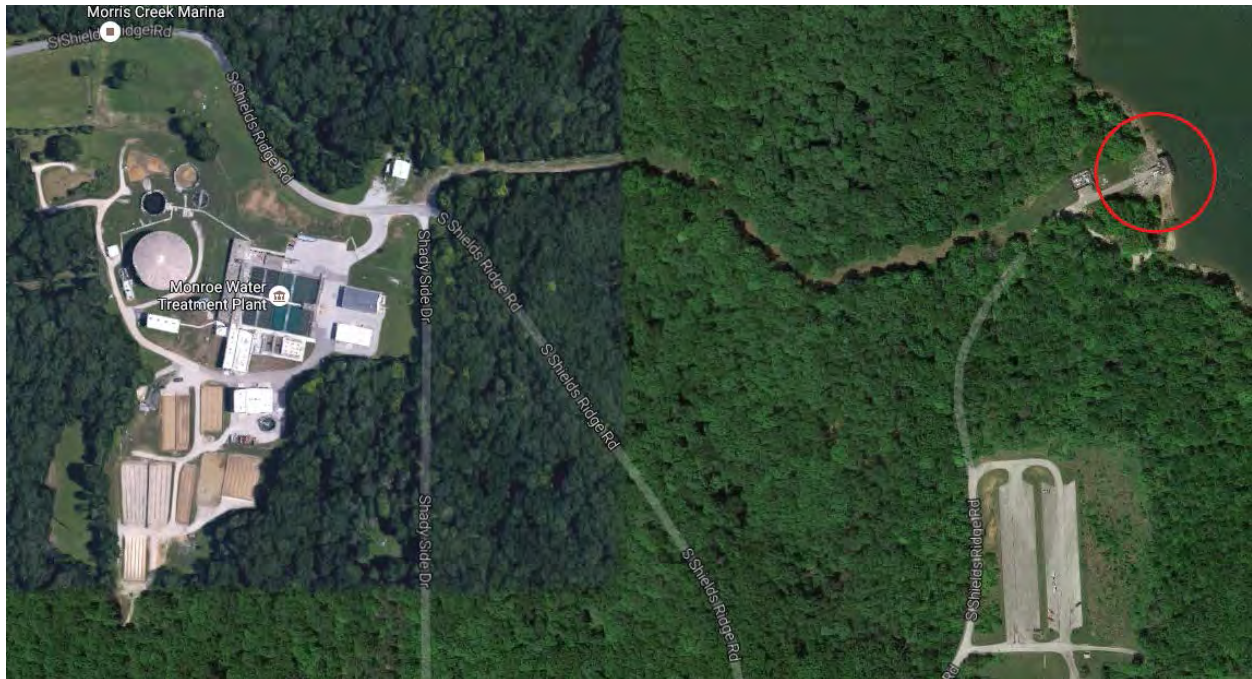
20 A: Yes.

IV. APPENDIX A

QUALIFICATIONS

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

2 **A:** In 1981 I graduated from Purdue University, where I received a Bachelor of Science degree
3 in Industrial Management with a minor in Engineering. I was recruited by the Union
4 Pacific, where I served as mechanical and maintenance supervisor and industrial engineer
5 in both local and corporate settings. I then served as Industrial Engineer for a molded-
6 rubber parts manufacturer before joining the Indiana Utility Regulatory Commission
7 ("IURC") as Engineer, Supervisor and Analyst for more than ten years. It was during my
8 tenure at the IURC that I received my Master's degree from Indiana University. After the
9 IURC, I worked at Indiana-American Water Company, managing their Shelbyville
10 operations for eight years, and later served as Director of Regulatory Compliance and
11 Contract Management for Veolia Water Indianapolis. I joined Citizens Energy Group as
12 Rate & Regulatory Analyst following the October 2011 transfer of the Indianapolis water
13 utility and joined the Office of Utility Consumer Counselor in April of 2016.



Treatment plant and intake facility (circled in red) overview



Intake structure exterior on Monroe Reservoir



Intake structure interior showing low service pumps



Exterior view treatment plant showing settling basins



Sodium hypochlorite storage room showing storage and day tank



Interior view treatment plant - fluoride storage room



Interior view treatment plant - pipe gallery



Filter room



Interior view - transfer pump station



Exterior view of facility showing sludge drying bed (foreground), 5 MG prestressed concrete finished water storage and 0.25 MG wash water tank



East 1.5 MG storage tank



Southeast (Harrell Road) 2 MG storage tank



Southeast (Harrell Road) booster station



Redbud Tank – 4.7 MG – Refurbished with proceeds from previous Cause



South 1 MG storage tank – located at office site



Partial view, South 3 MG storage tank showing repairs for rust



South booster station serving South 1 MG and 3 MG storage tanks

Lane, Lyndsey

From: SJDC LLC <hadleybend@yahoo.com>
Sent: Thursday, December 01, 2016 9:47 AM
To: UCC Consumer Info
Subject: Bloomington CBU Water Rate Increase

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

To Whom It May Concern:

I am writing to express my concern regarding the proposed 22% water increase by CBU in Bloomington. First, there is a reason no one showed up for the IURC public meeting on 11/29/16. We all know it was a waste of time to voice our concerns with our local government officials. It is interesting to read the average monthly water cost for the entire state. But is this really telling the true story of cost for water in Bloomington. They fail to publicize the following:

- 1) We have Lake Monroe as water source. This unique situation allows for the most low cost procurement of drinking water in the state. Comparing this cost to the state average is pure propaganda for legitimizing a rate hike.
- 2) We just had a major improvement in our water delivery system that was designed to significantly increase the volume of water delivered to city residents. Our local government (both city & county) have plan depts. that have adopted strict restriction policies for growth. Therefore reducing need for such a large request for rate increase.
- 3) Our local government officials are using the Flint, Michigan water contamination issue as a scare tactic to sway both the IURC and local population there is a need for much more infrastructure improvements than is actually needed. Our water system coming from Lake Monroe surface water in no way compares to the river water used by Flint Michigan to provide water to residents. Or the mistakes made by utility personnel pertaining to water cost and quality.
- 4) The truth is, ask for the ridiculous amount (22%), so that you really get what you need. This age old ploy of governing to increase revenue for both public services and taxes has worked for years. This is exactly the situation we have on this issue.

Speaking from experience gained by being on a local rural water board, I can attest to the wastefulness of utility depts. Using OPM (other people's money) is always a simple task. Luxuries are not what rate increases should be about. When the IURC grants rate increases, it should be solely for the true and actual needs of the public. Increases should not be granted for the singular reason that the particular entity requesting the rate increase says it is needed. Request should be verified. The

requested amount is always padded. The entity should be required to run a tight ship and not enjoy the luxuries of additional unneeded revenue. Again OPM.

Lastly, consider the effect of utility increases on the residents. Both home owners and renters are burdened. An increase of 22% is significant. It doesn't matter what the state average is. One must review and consider the facts of such a low cost system that delivers water to residents. Why is oil cheaper in Texas and the middle east? Why is seafood less expensive on the coastal areas? It is because of availability and savings in the delivery cost. It is that simple for water cost in Bloomington, In. Please consider the above facts when adjusting the water rate increase.

Sincerely,

Joedy Dillard
9450 S. Strain Ridge Road
Bloomington, IN 47401

812-325-5914

Lane, Lyndsey

From: Peter <p-elliott@att.net>
Sent: Thursday, December 01, 2016 8:27 AM
To: UCC Consumer Info
Subject: Rate increase-CBU customer-Bloomington

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Sent from [Mail](#) for Windows 10

Good Morning, My name is Peter Elliott. I've lived here @ 1000 N Orris Dr. for almost 25 years. I'm now a widower and disabled with @ 13yr. old grandson @ home. I receive only my disability income. More importantly is how conservative we have been. Rarely, even with my wife and 2 step kids, have we used more than 1 unit of H2O. And for the past 10+ years I've used way less of the 5000 gallon allotment . I'd say often 3000 or less. Meaning someone else benefits and I must still pay base rate. Everyone is raising rates. And the very poor homeowners, elderly, disabled, grandparents raising kids on fixed incomes, all of us suffer. To say the money will go to infrastructure is hard to swallow. Case in point; years ago my street was to have the storm drain re-routed to stop flooding of the street. CBU came out and spent weeks getting everything marked and ready to go. Then lo and behold nothing. Nobody ever came back. The infrastructure fix was dead. A fellow I know @ CBU came and told me the money went instead to the Moat looking pond between N Walnut And College Ave. The mayors' pet project to make Bloomington look better for incoming folks to town. And perhaps to the Big Dig downtown. Whoever wasted that money earmarked for our area by Tri-North Middle School left us prone to flooding still. There should be help to the folks that use very little of our world's most important resource. Not RATE HIKES. I had hoped to attend the meeting @ Tri-North, but can't walk that 100yds. To the school on and back home again. No can I sit or stand @ meetings without great discomfort. I don't think this is fair anymore than the coming tax on trash. Which we only use 1 can every 2wks. And the idea of our property taxes going up sooner rather than later. Which was alluded to by the current mayor last week. Thank You. 812-964-3556

Lane, Lyndsey

From: J Pansare <pansarejb@hotmail.com>
Sent: Thursday, December 01, 2016 9:48 PM
To: UCC Consumer Info
Subject: Increase in Water Bill Hike

Follow Up Flag: Follow up
Flag Status: Flagged

Categories: KMH - to be entered

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Dear Sir/ Madam:

I would like to know what has been the Percentage increase in water bill from 2001 to 2016 (Including Sewer and waste water charges) in Bloomington, IN.

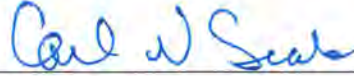
When I first moved to Bloomington in 2001, the water bill was reasonable but there have been several increases over the years and believe me I have not received the same percentage increase in my pay. So, please tell me how much will be the Total increase in water bill if you include this increase.

Thank you

J B Pansare

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Carl N. Seals
Indiana Office of Utility Consumer Counselor

January 6, 2017
Date

Cause No. 44855
City of Bloomington, IN
Bloomington Municipal Water

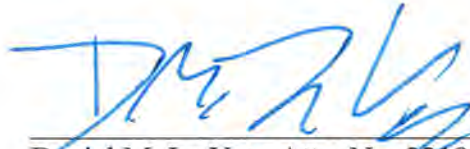
CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Settlement Testimony of Carl N. Seals: Public's Exhibit No. 2* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 6, 2017.

David T. McGimpsey
BINGHAM GREENEBAUM DOLL LLP
212 W. 6th Street
Jasper, Indiana 47546
dmcgimpsey@bgdlegal.com

Michael T. Griffiths
BINGHAM GREENEBAUM DOLL LLP
10 W. Market Street, Suite 2700
Indianapolis, Indiana 46204
mgriffiths@bgdlegal.com

Mark W. Cooper
1449 North College Avenue
Indianapolis, Indiana 46202
attymcooper@indy.rr.com



Daniel M. Le Vay, Atty. No. 22184-49
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