

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF EAST )  
CHICAGO, INDIANA FOR AUTHORITY TO )  
ISSUE BONDS, NOTES, OR OTHER ) CAUSE NO. 45827  
OBLIGATIONS, FOR AUTHORITY TO )  
INCREASE ITS RATES AND CHARGES FOR )  
WATER SERVICE, AND FOR APPROVAL )  
OF NEW SCHEDULES OF WATER RATES )  
AND CHARGES. )

PUBLIC'S EXHIBIT NO. 1-S

TESTIMONY OF MARGARET A. STULL

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

May 3, 2023

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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**CERTIFICATE OF SERVICE**

This is to certify that a copy of the *Public's Exhibit No. 1-S OUCC's Testimony of Margaret A. Stull on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on May 3, 2023.

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**SETTLEMENT TESTIMONY OF OUCC WITNESS MARGARET A. STULL  
CAUSE NO. 45827  
CITY OF EAST CHICAGO, INDIANA**

**I. INTRODUCTION**

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

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,  
3 Suite 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  
6 a Chief Technical Advisor in the Water/Wastewater Division. My qualifications are  
7 set forth in Appendix A.

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

9 A: The City of East Chicago, Indiana (“Petitioner” or “East Chicago”), the East  
10 Chicago Industrial Group (“Industrial Group”), and the OUCC (together the  
11 “Settling Parties”) have entered into a Stipulation and Settlement Agreement  
12 (“Settlement”) that resolves all the issues in this case. The purpose of my testimony  
13 is to support the terms of the Settlement and explain why the Settlement is in the  
14 public interest.

15 **Q: Please provide an overview of East Chicago’s request in this case.**

16 A: East Chicago owns and operates a municipal water system in Lake County, Indiana,  
17 serving approximately 7,000 customers. In this case, East Chicago seeks authority  
18 to (1) increase rates and charges for water service by 102.22% overall, to be  
19 implemented in three phases in accordance with its proposed cost-of-service study  
20 and (2) issue \$24.72 million of bonds, notes, or other obligations.

1 **Q: Are you knowledgeable about the issues in this case?**

2 A: As a Chief Technical Advisor in the Water and Wastewater Division and case team  
3 manager, I have been actively involved in all aspects of this case. I read Petitioner's  
4 prefiled testimony and exhibits. I prepared discovery questions and reviewed  
5 Petitioner's responses. I conducted an on-site accounting review on February 21  
6 through February 23, 2023. Finally, I participated in settlement negotiations with  
7 Petitioner and the Industrial Group.

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  
10 process, with give and take by all parties in this proceeding – East Chicago, the East  
11 Chicago Industrial Group, and the OUCC. The Settling Parties devoted  
12 considerable time and effort to evaluate the various settlement proposals ultimately  
13 resulting in an agreement that affords East Chicago the ratemaking it requires while  
14 affording East Chicago's customers the benefit of positions advocated by the  
15 OUCC and the Industrial Group. I believe the Commission should view the  
16 agreement as resulting in a balanced settlement that is in the public interest. The  
17 Settlement was filed with the Commission on April 28, 2023.

## II. STIPULATION AND SETTLEMENT AGREEMENT

### A. Revenue Requirement and Rates

18 **Q: What are the terms of the settlement agreement related to East Chicago's**  
19 **request for increased rates and charges?**

20 A: The Settling Parties agreed to an overall revenue requirement of \$12,348,530,  
21 which is an overall increase of \$6,242,360 or 102.23% over test year revenues at

1 present rates. This increase will be implemented in three phases as proposed by  
 2 East Chicago. The Settling Parties further agree to shift \$500,000 of the total  
 3 revenue requirement from Phase 1 to Phase 2. Table 1 shows the agreed revenue  
 4 requirements and rate increases by phase.

5 **Q: When did the Settling Parties agree that each rate increase will take effect?**

6 **A:** The Phase 1 increase will take effect upon the issuance of a final order in this Cause.  
 7 Phase 2 rates would take effect on January 1, 2025, and Phase 3 rates would take  
 8 effect on January 1, 2026.

**Table 1: Agreed Revenue Requirement by Phase<sup>1</sup>**

		<b>East Chicago</b>	<b>Settlement</b>	<b>Difference</b>
<b><u>Phase 1</u></b>	Total Revenue Requirement	\$ 9,157,152	\$ 8,658,023	\$ (499,129)
	Net Revenue Increase Required	3,050,982	2,551,853	(499,129)
	Percentage Increase	49.97%	41.79%	-8.18%
<b><u>Phase 2</u></b>	Total Revenue Requirement	\$ 10,633,476	\$ 11,134,349	\$ 500,873
	Net Revenue Increase Required	1,476,324	2,476,326	1,000,002
	Percentage Increase	16.12%	28.60%	12.48%
<b><u>Phase 3</u></b>	Total Revenue Requirement	\$ 12,347,657	\$ 12,348,530	\$ 873
	Net Revenue Increase Required	1,714,181	1,214,181	(500,000)
	Percentage Increase	16.12%	10.90%	-5.22%
<b><u>Overall</u></b>	Total Revenue Requirement	\$ 12,347,657	\$ 12,348,530	\$ 873
	Net Revenue Increase Required	6,241,487	6,242,360	873
	Percentage Increase	102.22%	102.23%	0.01%

<sup>1</sup> See Attachment ALR S1-2.

**B. Debt Service Revenue Requirement:**

1 **Q: What are the terms of the settlement agreement related to East Chicago's**  
2 **request for borrowing authority?**

3 A: The terms of the Settlement related to borrowing authority are:

4 • East Chicago should be authorized to borrow the full \$24.72 million it requested  
5 in its case-in-chief (not including the BAN).

6 • East Chicago agrees not to wrap its Series B debt unless it is established that no  
7 interest, penalty, or cost would be assessed as a condition of the wrapping.

8 • East Chicago shall issue its debt within three months of the implementation of  
9 the final order in this Cause. If not issued within three months, East Chicago  
10 shall set aside an amount equal to the monthly revenue requirement for new  
11 debt service and debt service reserve and apply that amount to project costs so  
12 that East Chicago offsets its borrowing by the total amount set aside.

13 **Q: What did the Settling Parties agree regarding true-up of the debt service**  
14 **revenue requirement?**

15 A: The Settling parties agreed East Chicago will file a true-up report within 30 days  
16 of closing on any long-term debt issuance, explaining the terms of the loan, the  
17 balance borrowed, and the amount of debt service reserve. East Chicago's true-up  
18 report shall include (1) an itemized account of all issuance costs, (2) any bid  
19 tabulations on applicable projects, (3) quantification of its soft costs, (4) a revised  
20 tariff, (5) an amortization schedule, and (6) a calculation of the rate impact.

21 The Settling Parties further agreed the OUCC shall submit any objection to  
22 East Chicago's true-up filing within twenty-one (21) days. East Chicago shall  
23 respond to any objection within twenty-one (21) days and the OUCC shall reply in  
24 support of any objection within seven days. Although twenty-one (21) days may be  
25 considered more than a sufficient time within which to formulate any response in  
26 the unlikely event of an objection, evaluating whether to state an objection may

1 require some investigation and sharing of information among the parties. Further,  
2 the OUCC has no control over when East Chicago may file its true-up report. Key  
3 OUCC personnel, who would evaluate the true-up, may be engaged in contested  
4 hearings, immersed in preparing testimony in other cases or on leave during some  
5 or all of the response period. Twenty-one (21) days for the OUCC to frame its  
6 response ensures the OUCC will have adequate time to make a meaningful  
7 evaluation of the true-up. If the OUCC determines it has no objection sooner than  
8 twenty-one days allotted by the agreement, it may certainly do so.

9 **Q: Did the Settling Parties agree to any other debt true-up terms?**

10 A: Yes. The Settling Parties agreed that East Chicago will notify the OUCC of any  
11 grants, forgivable loans, or other subsidizations achieved and state any prospective  
12 effect on rates. The Parties also agreed that the revised rates need not be revised if  
13 all settling parties have stated in a writing filed with the Commission in this Cause  
14 that the change in rates indicated by the true-up report need not be implemented for  
15 lack of materiality or other reasons.

16 **Q: What did the Settling Parties agree as to lead service line funding?**

17 A: The Settling Parties agreed that if any lead service line grants are received after the  
18 true-up report, a report shall be filed with the Commission stating the amount of  
19 the grant or other subsidization. Any corresponding reduction in debt service will  
20 be allocated to critical capital needs.

**C. Other Settlement Terms:**

1 **Q: What are other settlement terms did the Parties agree to?**

2 A: The Settling Parties agreed to the following additional terms:

3 • East Chicago will continue annual leak detection studies and prudently begin  
4 implementing recommendations.

5 • East Chicago will develop and maintain an Asset Management Plan and will  
6 provide the OUCC a copy of the plan along with any subsequent major updates.  
7 East Chicago will include a note of its progress in developing its Asset  
8 Management Plan, describe any updates and implementation, including capital  
9 improvements made in the reported year, as part of its IURC annual reports.

10 • East Chicago will keep a record of its main breaks, including date, location,  
11 size, and main material, as well as estimated water loss and description of root  
12 cause and report such information in its IURC annual reports.

13 • East Chicago will re-evaluate its decision to replace its water storage tank and  
14 will consider less expensive, but potentially equally effective. East Chicago,  
15 however, maintains discretion as to whether or not to replace the water storage  
16 tank as planned and/or to implement a referenced alternative.

**1. CONCLUSION**

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

18 A: Yes. The rates and charges resulting from the Settlement, along with the phased in  
19 approach to implementing the rates, lessens the impact of East Chicago's rate  
20 request while enhancing East Chicago's ability to construct much-needed  
21 improvements, maintain in its assets to ensure a useful life of those assets, and  
22 secure revenues it needs to continue to provide safe and reliable service. The  
23 Settlement is consistent with the General Assembly's affordability policy in Indiana  
24 Code § 8-1-2-0.5. In addition, a phased-in approach will mitigate against rate shock.  
25 The Settlement is a reasonable compromise between the positions of the Settling



1 Parties, is in the public interest, and should be approved. The terms of the  
2 Settlement demonstrate the give and take of settlement negotiations in resolving  
3 multiple contested issues in a manner acceptable to all Settling Parties. The  
4 Settlement reduces the risk and expense of litigation of multiple issues. The  
5 Settlement also eliminates the need for all parties, as well as the Commission, to  
6 expend the time and personnel resources needed to produce an order addressing  
7 contested issues. Therefore, taken as a whole, the OUCC considers the Settlement  
8 to be in the public interest.

9 **Q: Do you recommend the Commission approve the terms of the Settlement?**

10 A: Yes. I recommend the Commission find the Settlement is in the public interest and  
11 approve its terms without change.

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

A: Yes.

**APPENDIX A - QUALIFICATIONS**

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

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with  
3 a Bachelor of Science degree in Accounting. From 1982 to 1985, I held the position  
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to  
5 2001, I worked for Enron in various positions of increasing responsibility and  
6 authority. I began in gas pipeline accounting, was promoted to a position in  
7 financial reporting and planning for both the gas pipeline group and the  
8 international group, and finally was promoted to a position providing accounting  
9 support for infrastructure projects in Central and South America. In 2002, I moved  
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August  
11 2003, I accepted a utility analyst position with the OUCC. I was promoted to Senior  
12 Utility Analyst in 2011. In 2018, I was promoted to my current position as Chief  
13 Technical Advisor.

14 Since joining the OUCC I have attended the National Association of  
15 Regulatory Utility Commissioners (“NARUC”) Eastern Utility Rate School in  
16 Clearwater Beach, Florida, and the Institute of Public Utilities’ Advanced  
17 Regulatory Studies Program in East Lansing, Michigan. I have also attended several  
18 American Water Works Association and Indiana Rural Water Association  
19 conferences as well as the National Association of Utility Consumer Advocates  
20 (“NASUCA”) Water Committee Forums. I have participated in the NASUCA  
21 Water Committee and the NASUCA Tax and Accounting Committee, including  
22 serving as chair for the Tax and Accounting Committee from 2016 – 2021.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**  
2 **Commission?**

3 A: Yes. I have testified before the Commission as an accounting witness in various  
4 causes involving water, wastewater, electric, and gas utilities.

5 **Q: Have you held any professional licenses?**

6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of  
7 Texas until I moved to Indiana in 2002.

**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 cursive script that reads "Margaret A. Stull". The signature is written in black ink and is positioned above a horizontal line.

By: Margaret A. Stull  
Cause No. 45827  
Office of Utility Consumer Counselor (OUCC)

Date: May 3, 2023