

OFFICIAL
EXHIBITS

PETITIONERS' EXHIBIT 1

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE
CITY OF VALPARAISO, INDIANA, AND
VALPARAISO CITY UTILITIES FOR
APPROVAL OF A REGULATORY ORDINANCE
ESTABLISHING A SERVICE TERRITORY FOR
THE CITY'S MUNICIPAL SEWER SYSTEM
PURSUANT TO IND. CODE CH. 8-1.5-6.

CAUSE NO. 45306

IURC
PETITIONER'S

EXHIBIT NO.

3-30-20

DATE

AT
REPORTER

DIRECT TESTIMONY

OF

STEVE POULOS

ON BEHALF OF PETITIONERS,

THE CITY OF VALPARAISO, INDIANA,
and VALPARAISO CITY UTILITIES

I.
Introduction

1
2
3 **1. Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
4 **ADDRESS.**

5 A. My name is Steve Poulos. I am the Utilities Director of Valparaiso City Utilities
6 ("VCU"), and my business address is 205 Billings Street, Valparaiso, IN 46383.

7 **2. Q. HOW LONG HAVE YOU BEEN THE UTILITIES DIRECTOR FOR VCU?**

8 A. I have been the Utilities Director for 7 years.

9 **3. Q. WHAT ARE YOUR RESPONSIBILITIES AS THE UTILITIES DIRECTOR**
10 **FOR VCU?**

11 A. As the Utilities Director, I am responsible for overseeing the day-to-day
12 management of all utilities for the City of Valparaiso ("Valparaiso"), including
13 Valparaiso's stormwater, water, and wastewater utilities. As is relevant to this case,
14 I am specifically responsible for overseeing the operations of VCU's wastewater
15 utility, including its service area, strategic planning for the growth and viability of
16 the utility, and the rates and charges the utility imposes on its customers. I report
17 to the Common Council for the City of Valparaiso ("Valparaiso Common
18 Council"); the Board of Directors for Valparaiso City Utilities ("VCU Board"); Bill
19 Oeding, the City Administrator; and John Costas, the current Valparaiso Mayor.

20 **4. Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
21 **QUALIFICATIONS.**

22 A. I am a graduate of Indiana University with a degree in biology with twenty-five
23 (25) years of progressive utilities experience. During my tenure, I have served as

1 the City's Laboratory Director, Water Quality Manager, Water Reclamation
2 Manager, Assistant Utilities Director, and currently as the Utilities Director. I
3 manage a 23 million dollar annual operating budget, plus a 15 million dollar five
4 year capital improvement plan. My experience includes managing a highly
5 professional leadership team, plant operations, managing rate increase
6 implementation, planning for and effecting the issuance of bonds, dealing with
7 multiple boards and councils, and providing thoughtful recommendations to all
8 stakeholders. During the last ten (10) years, I have developed and facilitated
9 strategic plans for the organization and provided oversight on major utility
10 expansion and rehabilitation projects. I currently serve on the Mayor's leadership
11 team and was appointed to the City of Valparaiso's Board of Works and Safety in
12 2017.

13 **5. Q. CAN YOU BRIEFLY DESCRIBE VALPARAISO'S WASTEWATER**
14 **UTILITY?**

15 A. Valparaiso's wastewater utility was established in 1953. As of today, the
16 wastewater utility serves a population of approximately 35,000 people and 13,000
17 accounts which include residential, commercial, and industrial customers. In 2004,
18 under the leadership of the newly elected Mayor Jon Costas, the water and
19 wastewater utilities were merged under the umbrella of a single utilities director
20 with the formal creation of the VCU Board. VCU's wastewater utility has (1) major
21 municipal wastewater treatment plant, over 225 miles of sewer mains, and 32
22 outlying sewage pump stations. The VCU wastewater utility employs 31

1 employees of which 8 are certified operators that can both operate and maintain the
2 treatment plant.

3 **6. Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

4 A. No, I have not.

5 **7. Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. The purpose of my testimony is to support Valparaiso's request to be the exclusive
8 provider of wastewater service to the specific areas ("Valparaiso Service Area")
9 identified in City of Valparaiso Ordinance No. 27-2019 entitled "An Ordinance
10 Establishing the City of Valparaiso Wastewater Service Area and Regulating the
11 Furnishing of Wastewater Service Therein" ("Regulatory Ordinance").
12 Specifically, I will discuss the: (i) Regulatory Ordinance that has been adopted by
13 Valparaiso and its terms and conditions; (ii) ability of VCU to serve the Valparaiso
14 Service Area; (iii) ability of another utility to provide service in the Valparaiso
15 Service Area; (iv) rates and charges for service in the Valparaiso Service Area; (v)
16 present and future economic development opportunities in the Valparaiso Service
17 Area; and (vi) history of service in the Valparaiso Service Area.

18 **8. Q. HAVE YOU REVIEWED THE PETITION ("PETITION") THAT**
19 **INITIATED THIS CAUSE?**

20 A. Yes, I have.

1 9. Q. DO YOU BELIEVE THE PETITION ACCURATELY REPRESENTS THE
2 FACTS SURROUNDING VALPARAISO'S REQUESTED RELIEF IN THIS
3 CAUSE?

4 A. Yes, I believe the Petition accurately describes the facts leading up to the adoption
5 of the Regulatory Ordinance and Valparaiso's request for relief in this case.

6 II.
7 Regulatory Ordinance Generally

8 10. Q. MR. POULOS, CAN YOU PLEASE DESCRIBE THE REGULATORY
9 ORDINANCE?

10 A. Yes. The Regulatory Ordinance was adopted by the Valparaiso Common Council
11 on October 14, 2019, and it provides that Valparaiso has the exclusive authority to
12 provide wastewater service within a defined, specified territory that includes all
13 areas within the Valparaiso city limits and, as is relevant to this proceeding, a
14 defined territory located within four (4) miles of Valparaiso's corporate boundaries
15 (i.e. the Valparaiso Service Area). Although the Petition to Intervene and related
16 papers filed by a proposed intervenor state that Valparaiso is seeking to serve areas
17 up to ten (10) miles outside its municipal boundaries, the Valparaiso Service Area
18 (as described in the Regulatory Ordinance) is within four (4) miles of Valparaiso's
19 existing municipal limits. The Regulatory Ordinance provides that it is effective
20 upon approval by this Commission at which point Valparaiso will hold an exclusive
21 license to furnish wastewater service within the Valparaiso Service Area. A true
22 and accurate copy of the Regulatory Ordinance (including the documents attached
23 thereto) is attached to my testimony as Petitioners' Exhibit 2.

1 11. Q. **DOES VALPARAISO AND VCU HAVE ANY CHANGES TO THE**
2 **PROPOSED VALPARAISO SERVICE AREA?**

3 A. Yes, it does. After filing the petition in this case, Valparaiso and VCU were
4 contacted by Aqua Indiana, Inc. ("Aqua") regarding three (3) parcels of property
5 for which Aqua (or South Haven Sewage Works, Inc.) had previously been issued
6 a certificate of territorial authority ("CTA"). Although two of the three parcels
7 have been annexed by Valparaiso and the Aqua CTA is more than twelve (12) years
8 old, both Aqua and Valparaiso agreed that such parcels would be eliminated from
9 Valparaiso's exclusive service area. By eliminating it from the Valparaiso Service
10 Area, neither Valparaiso nor Aqua is precluded from serving these parcels at some
11 future date.

12 12. Q. **HAVE YOU HAD A NEW TERRITORIAL MAP PREPARED WHICH**
13 **REFLECTS THE AGREEMENT WITH AQUA?**

14 A. Yes, I have. Attached to my testimony as Petitioners' Exhibit 3 is a copy of the
15 modified map which removes the three (3) parcels from the Valparaiso Service
16 Area. All other boundaries of the Valparaiso Service Area remain unchanged.

17 **III.**
18 **Ability of VCU to Serve the Valparaiso Service Area**

19 13. Q. **WHY DID VALPARAISO ADOPT THE REGULATORY ORDINANCE?**

20 A. In 2015, the Damon Run Conservancy District ("Damon Run") and Valparaiso
21 began to discuss ways in which Valparaiso could assist Damon Run in providing
22 sewer utility service to Damon Run's customers. The initial discussions involved
23 entering into an interlocal agreement that would allow VCU to provide the day to

1 day operations, maintenance, customer service, and accounting for Damon Run,
2 and eventually evolved into an agreement for Valparaiso to acquire and operate
3 Damon Run's wastewater utility system once Damon Run's bonds became callable.
4 The Regulatory Ordinance is necessary to protect Valparaiso's investment in
5 Damon Run by providing VCU with the exclusive authority to provide sewer utility
6 service to Damon Run's customers and other nearby properties.

7 Around this same time, VCU began the preparation of a formalized engineering
8 master plan ("Master Plan") which considered the feasibility of expanding sewer
9 utility service to customers outside of Valparaiso's corporate boundaries and
10 interconnecting the Damon Run customers to Valparaiso's existing facilities (see
11 Petitioners' Exhibit 13, relevant excerpts from the Master Plan attached to prefiled
12 Testimony of A. Kenning). The Regulatory Ordinance is also necessary to provide
13 Valparaiso and VCU with the exclusive authority to invest in new facilities that can
14 be used to provide sewer utility service to the customers and areas identified in the
15 Master Plan.

16 **14. Q. HOW DOES VALPARAISO PLAN TO SERVE THE DAMON RUN**
17 **SERVICE AREA?**

18 A. The Damon Run sewer utility system is a collection-only system of pump stations,
19 force mains, and gravity sewers. Damon Run collects sewage from its customers
20 and conveys that sewage to an interconnection point with the sanitary sewer utility
21 system owned by the City of Portage, Indiana ("Portage"). Since its inception,
22 Damon Run has contracted with Portage for the wholesale treatment of Damon

1 Run's sewage. Valparaiso, Damon Run, and Portage recently agreed to and
2 executed an assignment of the Portage wastewater services agreement to
3 Valparaiso. The executed assignment, officially titled "Second Addendum to
4 Wastewater Treatment Agreement Between the Portage Water Reclamation Board
5 and the Damon Run Conservancy District", is attached to my testimony as
6 Petitioners' Exhibit 4 (along with the underlying Agreements) (collectively,
7 "Portage Agreement"). The assignment of the Portage Agreement will allow VCU
8 to provide continuous, uninterrupted service to Damon Run's customers after
9 closing on the transaction. At least for the short term, Valparaiso intends to
10 continue to operate the Damon Run sewer utility system as a stand-alone collection
11 system and utilize Portage for the wholesale treatment of sewage.

12 **15. Q. DOES VCU PLAN TO CONNECT THE DAMON RUN SEWER**
13 **COLLECTION SYSTEM TO VALPARAISO'S EXISTING FACILITIES**
14 **AT SOME POINT IN THE FUTURE?**

15 A. Yes. As noted on pages 28 and 61 of the Master Plan (i.e. Petitioners' Exhibit 13),
16 Valparaiso has plans to extend a sewage transmission main from its existing
17 facilities to interconnect with the Damon Run Service Area. At this point, VCU
18 anticipates completing the interconnection within the next ten (10) years. These
19 plans could be expedited depending on the pace of development in the southern half
20 of the Valparaiso Service Area. Once Valparaiso interconnects Damon Run to its
21 existing facilities, Valparaiso will be able to treat Damon Run's sewage and avoid
22 the treatment expense from Portage. Valparaiso can then pass along the savings by

1 offering the Damon Run customers more competitive rates. In order to truly
2 maximize the savings and make this sewer main extension project financially and
3 technically feasible, Valparaiso needs to be able to serve those customers between
4 its existing facilities and Damon Run (i.e. along the route of new main extension).

5 16. Q. DOES VCU CURRENTLY HAVE SUFFICIENT MANPOWER TO
6 PROVIDE WASTEWATER SERVICE IN THE VALPARAISO SERVICE
7 AREA.

8 A. Yes, it does. VCU has a very large, talented workforce, which includes 68 total
9 employees that are mechanical and electrical experts, certified wastewater
10 operators, customer service experts, field divisions, and a financial department.
11 VCU has \$55 million of sewer assets that the VCU currently uses to provide sewer
12 service to 35,000 people in and around the Valparaiso Service Area. For the
13 foreseeable future, VCU believes it can serve the Valparaiso Service Area,
14 including the Damon Run customers, without adding any new employees. In this
15 way, both the Damon Run and VCU customers should receive a long-term benefit
16 from the expansion of VCU's service territory in that VCU should be able to
17 achieve greater economies of scale, decrease the costs per customer, and offer more
18 competitive rates over time.

19 17. Q. DO YOU KNOW OF OTHER PROSPECTIVE CUSTOMERS
20 REQUESTING SEWER SERVICE IN THE VALPARAISO SERVICE
21 AREA?

1 A. There have been inquiries from existing developments within the proposed service
2 area that would like to entertain the opportunity of connecting to VCU's anticipated
3 facilities in the Valparaiso Service Area. These developments are currently served
4 by their own semi-public wastewater treatment plants.

5 18. **Q. DOES VCU HAVE THE TECHNICAL, FINANCIAL, AND MANAGERIAL**
6 **CAPABILITY TO PROVIDE SEWER UTILITY SERVICE IN THE**
7 **VALPARAISO SERVICE AREA?**

8 A. Yes. As discussed above, VCU has an experienced staff of highly trained leadership
9 team, certified wastewater system operators, supervisors, and employees. Without
10 a doubt, VCU has the technical, financial, and managerial capacity to serve the
11 Valparaiso Service Area. At present, Valparaiso currently serves over 2,000
12 customers outside the corporate limits of Valparaiso. In my opinion, the expansion
13 of facilities and service to the Valparaiso Service Area is a logical extension of the
14 service already provided to VCU's existing inside and outside City customers.

15 19. **Q. IN YOUR OPINION, IS THE APPROVAL OF THE REGULATORY**
16 **ORDINANCE IN THE PUBLIC INTEREST?**

17 A. Yes. VCU has a long history of providing safe, affordable sewer utility service to
18 residences and business in and around Valparaiso. The approval of the Regulatory
19 Ordinance would provide Valparaiso with the protection it needs to: (i) acquire
20 Damon Run's sewer utility system assets and provide service to the customers in
21 this area at a reduced rate; and (ii) extend service to other residents and businesses
22 consistent with the Master Plan.

IV.

Ability of Another Utility to Provide Service in the Valparaiso Service Area

20. Q. MR. POULOS, CAN YOU DESCRIBE WHETHER ANY OTHER UTILITIES ARE CAPABLE OF PROVIDING WASTEWATER SERVICE WITHIN THE VALPARAISO SERVICE AREA?

A. Currently, VCU and Damon Run are currently the only wastewater providers within the Valparaiso Service Area. I do understand, however, that the Town of Chesterton, Indiana ("Chesterton"), received approximately \$740,000 in financial assistance from Porter County in 2012 to assist in paying for the cost to extend a gravity sewer on the west side of Highway 49 and a 0% loan from the Indiana State Revolving Fund Loan Program loan in 2015 to construct a pump station and a force main to serve two (2) developments just north of Highway 6 along Meridian Road (i.e. Fox Chase Farms and Whispering Sands). In recognition that Chesterton is already serving these two (2) developments, we have excluded such developments from the Valparaiso Service Area. VCU has also tried to exclude those areas currently served by the Valparaiso Lakes Conservancy District ("VLACD") (Valparaiso provides wholesale wastewater treatment service to the VLACD), Portage, and Aqua

21. Q. HAVE YOU OR YOUR ENGINEERS REVIEWED CHESTERTON'S EXISTING FACILITIES TO DETERMINE WHETHER SUCH FACILITIES COULD REALISTICALLY SERVE THE VALPARAISO SERVICE AREA?

1 A. Despite our good faith efforts, we have been unable to establish a dialogue with the
2 Town of Chesterton, Indiana ("Chesterton"), regarding the outstanding issues. We
3 understand, however, that Chesterton's existing facilities serving the Whispering
4 Sands and Fox Chase Farms developments are only able to serve approximately
5 sixty (60) additional EDUs at this time. Accordingly, Chesterton is not in a position
6 to serve the Valparaiso Service Area at this time.

7 22. Q. DO YOU BELIEVE THAT VALPARAISO IS IN THE BEST POSITION TO
8 SERVE THE VALPARAISO SERVICE AREA?

9 A. Yes, I do.

V.

Rates and Charges for Service Provided in the Valparaiso Service Area

12 23. Q. MR. POULOS, ARE YOU FAMILIAR WITH VALPARAISO'S RATES
13 AND CHARGES FOR WASTEWATER SERVICE?

14 A. Yes, I am. As the Director of Utilities, I am intimately familiar with Valparaiso's
15 rates and charges, as well as Valparaiso's billing and collection practices.

16 24. Q. WHAT IS VALPARAISO'S CURRENT SEWER RATE SCHEDULE FOR
17 CUSTOMERS SERVICED BY VCU'S EXISTING FACILITIES?

18 A. Valparaiso has two (2) different sewer rate ordinances, one for those customers
19 served by the VCU facilities and a second for the Damon Run service area.
20 Valparaiso's current sewer rate ordinance for the VCU portion of its facilities,
21 Ordinance No. 28-2013, is attached to my testimony as Petitioners' Exhibit 5.
22 Ordinance No. 28-2013 was adopted by the Valparaiso Common Council on

1 November 25, 2013. As Petitioners' Exhibit 5 reflects, a typical single family
2 customer using 5,000 gallons per month is charged approximately \$47.79 per
3 month for wastewater service. These rates and charges will apply to all customers
4 within the Valparaiso Service Area that are serviced by VCU's existing facilities.

5 **25. Q. CAN YOU BRIEFLY EXPLAIN THE DAMON RUN TRANSACTION?**

6 A. Yes, I can. On November 14, 2019, Damon Run, VCU, and Valparaiso executed
7 an Asset Transfer Agreement. For the Commission's convenience, a copy of the
8 Asset Transfer Agreement is attached as Petitioners' Exhibit 6 ("Asset Transfer
9 Agreement"). The Asset Transfer Agreement generally provides that at closing
10 Damon Run will transfer any and all of its sewer assets, including its existing
11 agreements, accounts receivable, and cash equivalents, to VCU and Valparaiso. In
12 return, Valparaiso will pay Damon Run \$4,633,036, all of which will be used to
13 refund a portion of Damon Run's outstanding indebtedness. In addition, VCU is
14 accepting assignments of the out-of-territory sewer and water customers from
15 Damon Run and has agreed to collect certain water payments (i.e. payments in lieu
16 of property taxes or "PILOTs") from the out-of-town water customers and deliver
17 the proceeds to Damon Run. Damon Run, in turn, will use the collected water
18 PILOTs to make payments on its water bonds.

19 **26. Q. HOW DOES VALPARAISO INTEND TO FINANCE THE DAMON RUN**
20 **ACQUISITION?**

21 A. Valparaiso intends to issue tax exempt, sewer revenue bonds. Based on recent
22 calculations prepared by its financial advisor, John Julien with Baker Tilly

1 Municipal Advisors, LLC, VCU anticipates being able to issue bonds at a much
2 lower interest rate than Damon Run is currently paying. While the bond issuance
3 has not yet occurred, Standard and Poors gave Valparaiso a very strong, upgraded
4 rating of AA- which reflects Valparaiso's financial strength and confirms that
5 Valparaiso should be able to issue debt at a lower interest rate. Once the bonds are
6 issued, the proceeds will be used to pay off Damon Run's existing, higher interest
7 rate indebtedness and Damon Run will, in turn, be able to refinance the remaining
8 portion of its indebtedness (that has been allocated to its water assets) at a much
9 lower interest rate. As a result, the Damon Run customers will see lower overall
10 water and sewer rates/taxes on a going-forward basis.

11 **27. Q. HAS VALPARAISO ADOPTED ORDINANCES AUTHORIZING THE**
12 **DAMON RUN ACQUISITION?**

13 A. Yes, it has. Valparaiso has adopted two (2) different ordinances authorizing the
14 Damon Run transaction. On October 14, 2019, the Valparaiso Common Council
15 adopted Ordinance No. 22-2019 which authorized the acquisition of, and the
16 completion of improvements to, the Damon Run system. A copy of Ordinance No.
17 22-2019 is attached to my testimony as Petitioners' Exhibit 7. On October 28, 2019,
18 the Valparaiso Common Council adopted Ordinance No. 24-2019 which authorized
19 the: (i) acquisition of the Damon Run sewer system; and (ii) issuance of bonds to
20 finance the costs of acquiring and making improvements to the Damon Run system
21 ("Bond Ordinance"). For the Commission's convenience, I am attaching a copy of
22 the Bond Ordinance to my testimony as Petitioners' Exhibit 8.

1 **28. Q. DID VALPARAISO PUBLISH NOTICE OF THE ADOPTION OF EITHER**
2 **ORDINANCE AUTHORIZING THE DAMON RUN ACQUISITION?**

3 A. Yes. Please find attached as Petitioners' Exhibit 9 a copy of the Publisher's
4 Affidavit demonstrating that the ordinance authorizing the Damon Run acquisition
5 was published. While I am not an attorney, I understand that interested parties had
6 twenty (20) days after the publication to challenge the proposed acquisition. No
7 challenges were filed.

8 **29. Q. HAS VALPARAISO ADOPTED A SEWER RATE ORDINANCE FOR THE**
9 **DAMON RUN SERVICE AREA?**

10 A. Yes. The sewer rate ordinance for the Damon Run service area, Ordinance No. 25-
11 2019, is attached to my testimony as Petitioners' Exhibit 10. As I stated earlier,
12 these rates and charges apply only to those customers served by the Damon Run
13 facilities.

14 **30. Q. DID THE VALPARAISO COMMON COUNCIL HOLD A PUBLIC**
15 **HEARING BEFORE ADOPTING ORDINANCE NO. 25-2019?**

16 A. Yes, it did. The Valparaiso Common Council held a public hearing on October 28,
17 2019.

18 **31. Q. DID ANY INDIVIDUAL OR ENTITY OPPOSE THE DAMON RUN**
19 **TRANSACTION OR THE PROPOSED RATES AT THE OCTOBER 28,**
20 **2019 HEARING?**

21 A. No, they did not. Representatives from Chesterton, Damon Run, and the general
22 public attended, but the only testimony at the hearing was in favor of the proposed

1 transaction and the rates. Rex Richards, the President of the Greater Valparaiso
2 Chamber of Commerce, testified in favor of the transaction and presented a
3 resolution supporting the same. A copy of the Resolution is attached to my
4 testimony as Petitioners' Exhibit 11. At the October 28, 2019 hearing, a Damon
5 Run customer also testified in support of the transaction and stated that a survey of
6 the Damon Run customers had been completed and the customers were very
7 supportive of the proposed acquisition.

8 **32. Q. HAS VCU ALSO HELD PUBLIC MEETINGS WITH THE DAMON RUN**
9 **CUSTOMERS?**

10 A. Yes. In addition to the October 28, 2019 public hearing, VCU held two (2) public
11 meetings for the Damon Run customers. Approximately 100 customers attended
12 the public meetings to discuss the proposed transaction, the timing of the transition,
13 how the transition would occur, and the anticipated rates and charges that the
14 customers could anticipate over the next twenty (20) years. Generally speaking,
15 the Damon Run customers have been very supportive of the proposed acquisition.

16 **33. Q. WILL THE DAMON RUN TRANSACTION RESULT IN ANY SAVINGS**
17 **FOR THE DAMON RUN CUSTOMERS?**

18 A. Yes, it will. The total net savings for the average residential Damon Run Customer
19 utilizing 5000 gallons per month would result in an average net savings of a
20 approximately \$1,100 per year.

21 **34. Q. DOES APPROVAL OF THE REGULATORY ORDINANCE IMPACT THE**
22 **POTENTIAL FUTURE SAVINGS FOR THE DAMON RUN CUSTOMERS?**

1 A. Yes, it does. Chesterton's regulatory ordinance is not entirely clear, but it appears
2 that Chesterton is not seeking to serve any of the customers currently served by
3 Damon Run, including the out-of-territory customers (i.e. a hospital, school, and
4 county park). If some of the Damon Run's current customers (e.g. any of the out-
5 of-territory customers) were served by Chesterton or another provider (other than
6 VCU), then the anticipated savings for the Damon Run customers would dissipate.
7 Chesterton's ordinance does seek to serve all of the areas immediately surrounding
8 Damon Run and all territory from Damon Run's existing service area to
9 Valparaiso's northern municipal boundary. If Chesterton's ordinance was
10 approved (and Valparaiso's ordinance was not approved), Valparaiso would be
11 effectively prevented from completing a future main extension that would
12 interconnect the Damon Run service area to Valparaiso's existing facilities or any
13 other main extensions outside of the existing service territories for Damon Run and
14 VCU.

15 **35. Q. WHY IS THIS IMPORTANT?**

16 A. For almost five (5) years, Valparaiso, VCU, and Damon Run have worked together
17 extensively on a plan to bring both immediate and long-term relief to Damon Run's
18 customers and to ensure that both present and future Damon Run customers receive
19 high quality sewer service. The proposed Regulatory Ordinance (and the
20 Valparaiso Service Area) is one part of that larger plan along with the Master Plan.
21 The creation of the Valparaiso Service Area will allow Valparaiso and VCU to
22 complete the necessary improvements (including the main extension between the

existing VCU and Damon Run service areas) so that VCU can provide additional long-term rate relief once the two (2) service areas are interconnected.

36. **Q. DOES VCU ANTICIPATE REDUCING THE DAMON RUN RATES ONCE VCU INTERCONNECTS DAMON RUN TO VALPARAISO'S EXISTING FACILITIES?**

A. Yes, that is the hope. It is also our hope that with the addition of new customers, Valparaiso and VCU can achieve economies of scale that will drive down the cost per customer and allow VCU to offer more competitive rates for all VCU customers in the Valparaiso Service Area. Ultimately, once the Damon Run service area is interconnected with Valparaiso's existing facilities and Damon Run's sewer bonds are paid in full (i.e. in twenty (20) years), VCU anticipates that the Damon Run customers would pay the same rates and charges as VCU's existing customers (i.e. presently \$47.79 per month).

VI.
Present and Future Economic Development in the Valparaiso Service Area

37. **Q. HOW WOULD THE APPROVAL OF THE VALPARAISO SERVICE AREA ENCOURAGE ECONOMIC DEVELOPMENT IN THIS AREA?**

A. Upon approval of the Regulatory Ordinance, developers inside the Valparaiso Service Area will have clear direction that VCU will provide them with sewer service. This direction will provide greater certainty to the development community on developing property which should, in turn, encourage economic growth. In addition, VCU will have a clearly defined area to plan for and anticipate growth. As a municipality, annexation is not always an option for expanding

1 municipal services. With the Valparaiso Service Area, VCU will be able to
2 effectively plan for the expansion of service outside its boundaries, to encourage
3 development near Valparaiso, and to expand its utility and infrastructure in a
4 planned way that can benefit both existing VCU and Damon Run customers.
5 Finally, as I mentioned above, the approval of the Regulatory Ordinance will allow
6 VCU to construct a future main extension, interconnect Damon Run to VCU's
7 existing facilities, and offer more competitive rates to all customers, including
8 potential economic development projects in the Valparaiso Service Area. For all
9 these reasons, the Valparaiso Service Area will support present economic growth
10 while also encouraging future economic development.

11 **38. Q. DOES THE LOCAL CHAMBER OF COMMERCE SUPPORT THE**
12 **PROPOSED DAMON RUN ACQUISITION (AND CREATION OF THE**
13 **VALPARAISO SERVICE AREA)?**

14 A. Yes. As I testified earlier, the Greater Valparaiso Chamber of Commerce
15 ("Chamber of Commerce") testified and provided a resolution supporting the
16 Damon Run acquisition and the creation of the Valparaiso Service Area. The
17 Resolution presented by the Chamber of Commerce, Petitioners' Exhibit 11, states,
18 in pertinent part:

19 Whereas, the purchase of the Damon Run sanitary sewage
20 system by Valparaiso City Utilities will enable the City of
21 Valparaiso to foster orderly growth of additional development
22 along the State Road 49 and US Highway 6 corridor; and

23 Whereas, Valparaiso businesses will more readily benefit from
24 orderly growth in that portion of Porter County through business
25 connections and sales of goods and services;
26

1
2 The Chamber of Commerce's Resolution contemplates that VCU would be the
3 sanitary sewer provider in the Valparaiso Service Area and concludes that VCU's
4 service would be positive for and support economic development in this area.

5 **VII.**
6 **History of Service in the Valparaiso Service Area**

7 **39. Q. CAN YOU DESCRIBE THE HISTORY OF SERVICE IN THE**
8 **VALPARAISO SERVICE AREA?**

9 A. Yes, I can. As I testified earlier, VCU and Damon Run are the only two (2) utilities
10 that have been providing service within the Valparaiso Service Area. Rather than
11 adopting an ordinance and requesting approval of a service area that overlaps with
12 numerous other utilities, Valparaiso has attempted to target only those areas that
13 are not served by other utilities and can be easily served from the existing Damon
14 Run and VCU facilities. The Master Plan details how these extensions might occur.
15 Considering that: (i) Valparaiso and Damon Run are the only two (2) entities
16 serving in the area; (ii) VCU has developed a detailed plan (i.e. Master Plan) to
17 serve the entire area; and (iii) the VCU and Damon Run facilities can most easily
18 be extended to the new customers in this area, I believe the Valparaiso Service Area
19 should be approved.

20 **VIII.**
21 **Conclusion**

22 **40. Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes.

VERIFICATION

I affirm under the penalties of perjury that the foregoing testimony is true to the best of my knowledge, information, and belief as of the date here filed.


A handwritten signature in cursive script, appearing to read "Steve Poulos", written over a horizontal line.

Steve Poulos

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing "Direct Testimony of Steve Poulos" was served upon the following by electronic mail this 26th day of November, 2019:

Indiana Office of the Utility Consumer Counselor
PNC Center, Suite 1500 South
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