

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA-AMERICAN WATER )  
COMPANY, INC. (“INDIANA AMERICAN”) AND THE )  
TOWN OF SHERIDAN, INDIANA (“SHERIDAN”) FOR )  
APPROVAL AND AUTHORIZATION OF: (A) THE )  
ACQUISITION BY INDIANA AMERICAN OF )  
SHERIDAN’S WATER UTILITY PROPERTY (THE )  
“SHERIDAN WATER SYSTEM”) AND OF SHERIDAN’S )  
SEWER UTILITY PROPERTY (THE “SHERIDAN SEWER )  
SYSTEM”) (COLLECTIVELY THE “SHERIDAN )  
SYSTEMS”) IN HAMILTON COUNTY, INDIANA IN )  
ACCORDANCE WITH A PURCHASE AGREEMENT )  
THEREFOR; (B) APPROVAL OF ACCOUNTING AND )  
RATE BASE TREATMENT; (C) APPROVAL OF THE )  
RATES AND CHARGES TO BE APPLIED TO THE )  
SHERIDAN WATER AND SEWER SYSTEMS AFTER )  
CLOSING; (D) APPROVAL OF APPLICATION OF )  
INDIANA AMERICAN’S MUNCIE SEWER RULES AND )  
REGULATIONS TO THE SHERIDAN WASTEWATER )  
SYSTEM, WITH CHANGES TO ALLOW ENFORCEMENT )  
OF AN INDUSTRIAL PRETREATMENT PROGRAM )  
 (“IPP”) AMONG OTHERS; (E) APPLICATION OF )  
INDIANA AMERICAN’S DEPRECIATION ACCRUAL )  
RATES TO SUCH ACQUIRED PROPERTIES; AND (F) )  
THE SUBJECTION OF THE ACQUIRED PROPERTIES TO )  
THE LIEN OF INDIANA AMERICAN’S MORTGAGE )  
INDENTURE )

CAUSE NO. 45050

OUCC SETTLEMENT TESTIMONY

OF

SCOTT BELL – PUBLIC’S EXHIBIT NO. 3

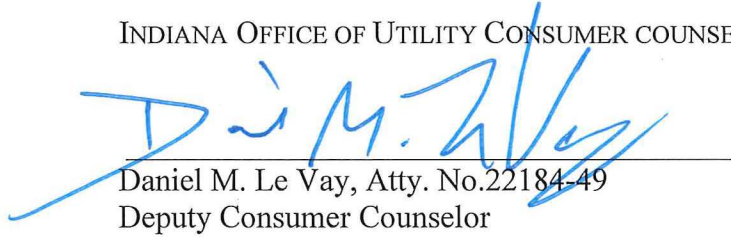
ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JULY 20, 2018

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Settlement Testimony of Scott Bell* has been served upon the following counsel of record in the captioned proceeding by electronic service on July 20, 2018.

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**SETTLEMENT TESTIMONY OF SCOTT A. BELL**  
**CAUSE NO. 45050**  
**INDIANA-AMERICAN WATER COMPANY, INC.**  
**TOWN OF SHERIDAN**

**I. INTRODUCTION**

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

2 A: My name is Scott A. Bell, 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 the  
6 Director of the Water/Wastewater Division. My qualifications and experience are set forth  
7 in Appendix A.

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

9 A: I read the Joint Petition and testimony filed by Indiana-American Water Company, Inc.  
10 ("Indiana American") and the Town of Sheridan, Indiana ("Sheridan") (collectively "Joint  
11 Petitioners"). I reviewed the testimony of OUCC witnesses Carl N. Seals and Margaret A.  
12 Stull. I have review OUCC discovery and Joint Petitioners' responses to that discovery.  
13 On May 17, 2018, along with OUCC Utility Analysts Carl Seals and James Parks, I visited  
14 and examined Sheridan's above-ground water and wastewater utility facilities in the  
15 company of representatives of the Indiana Department of Environmental Management  
16 ("IDEM"), Indiana American and Sheridan. With OUCC counsel, I also participated in  
17 settlement negotiations with Joint Petitioners' legal counsel and reviewed the Stipulation  
18 and Settlement Agreement entered into by the settling parties.

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

20 A: My testimony supports the approval of the Stipulation and Settlement Agreement entered

1 into between the OUCC and Joint Petitioners.

## 2 **II. RELIEF REQUESTED**

2 **Q: What relief did Joint Petitioners request?**

3 A: In the Joint Petition, filed on February 16, 2018, Joint Petitioners request the following  
4 authorization or approval from the Indiana Utility Regulatory Commission  
5 (“Commission”):

6 a) Joint Petitioners seek approval of the acquisition by Indiana American of certain  
7 water and wastewater utility assets currently owned by Sheridan in accordance with  
8 an asset purchase agreement (Joint Petitioners’ Attachment MP-2).

9 b) Joint Petitioners seek approval of the accounting and rate base treatments that will  
10 allow Indiana American to reflect as net original cost rate base the full purchase  
11 price plus transaction costs, including approval of Indiana American’s proposed  
12 accounting entry.

13 c) Joint Petitioners seek approval for Indiana American to charge Sheridan water  
14 customers its Area One rates as well as approval of Indiana American’s adoption  
15 of Sheridan’s wastewater rates and charges as of the closing date of this transaction.

16 d) Joint Petitioners also request approval of changes to Indiana American’s rates and  
17 regulations for wastewater service as reflected in Attachment MP—8 to allow for,  
18 among other things, enforcement of an industrial pretreatment program.

19 e) Joint Petitioners also seek authority for Indiana American to apply Indiana  
20 American’s existing depreciation accrual rates to the water and wastewater utility  
21 assets acquired from Sheridan.

1 f) Joint Petitioners seek authority for Indiana American to encumber the acquired  
2 water and wastewater utility assets, which will be subjected to the lien of Indiana  
3 American's Mortgage Indenture.

### III. STIPULATION AND SETTLEMENT AGREEMENT

4 **Q: Has the OUCC entered into a Stipulation and Settlement Agreement with Joint**  
5 **Petitioners?**

6 A: Yes. The OUCC and Joint Petitioners agree that the terms and conditions set forth in the  
7 Stipulation and Settlement Agreement represent a fair and reasonable resolution of all  
8 issues in this case.

9 **Q: What are the terms of the Stipulation and Settlement Agreement?**

10 A: The terms of the Stipulation and Settlement Agreement include the following:

- 11 1. Indiana American should be authorized to consummate the acquisition by Indiana  
12 American of the water and wastewater utility properties owned by Sheridan (the  
13 "Sheridan Water System" and "Sheridan Wastewater System," respectively)
- 14 2. On and after the closing, Indiana American should be permitted to, and will, apply the  
15 rules and regulations and rates and charges generally applicable to Indiana American's  
16 Area One rate group, as the same may be changed from time to time, for service to be  
17 provided by Indiana American in the areas currently served by the Sheridan Water  
18 System.
- 19 3. On and after the closing, Indiana American should be permitted to, and will, apply the  
20 metered sewer rates as the same have been adopted by the Sheridan Town Council as  
21 of the Closing Date, for service to be provided by Indiana American in the areas  
22 currently served by the Sheridan Wastewater System. Indiana American will apply the  
23 rules and regulations for wastewater service applicable to Indiana American's Muncie

1 Sewer Operation to the Sheridan Wastewater System, with the modifications described  
2 in Joint Petitioners' case-in-chief. Indiana American agrees that its Muncie and  
3 Somerset sewer rates will not be increased in Indiana American's next upcoming  
4 general rate case to bear the costs of the Sheridan Wastewater System or otherwise as  
5 a result of Indiana-American's acquisition of Sheridan's wastewater system.

6 4. While the parties disagreed over the methodology for calculating the 1% threshold for  
7 the notice requirement in Section 30.3-5(d)(2), in light of the ratemaking commitments  
8 made in this stipulation, all parties stipulate that that notice requirement was not  
9 triggered in this proceeding.

10 5. Based upon the particular facts of this Cause, and for purposes of settlement only, the  
11 parties agree that upon closing of the acquisition, Indiana American will book as net  
12 original cost rate base an amount equal to the full purchase price, plus incidental  
13 expenses and other costs of acquisition, excluding appraisal costs of \$16,062.35. For  
14 settlement purposes only, Indiana American agrees it will remove the \$16,062.35 for  
15 appraisal costs from the amount to be included in rate base. The journal entry shall be  
16 as reflected in Attachment GPR-1, as modified by the terms of this Stipulation and  
17 Settlement Agreement.

18 6. Indiana American agrees to file with the Commission whatever agreement is ultimately  
19 reached with the Indiana Department of Environmental Management ("IDEM") post-  
20 closing with respect to necessary improvements to the Sheridan Wastewater System.

21 7. Following the closing, Indiana American should be permitted to, and will, apply its  
22 depreciation accrual rates approved by the Commission in Cause No. 44992 to the

1 properties comprising the Sheridan Water and Wastewater Systems and to encumber  
2 the properties comprising the Sheridan Water and Wastewater Systems with the lien of  
3 Indiana American's mortgage indenture.

4 **Q: Is the Settlement supported by the evidence filed in this Cause?**

5 A: Yes. Moreover, Joint Petitioners and the OUCC stipulated in the Settlement Agreement  
6 that "all evidence that has been filed in this Cause with respect to the relief provided herein  
7 is admissible in evidence and that such evidence constitutes a sufficient evidentiary basis  
8 for a Commission Order approving this Stipulation."

9 **Q: Do you believe that approval of the Stipulation and Settlement Agreement is in the**  
10 **public interest?**

11 A: Yes. The Stipulation and Settlement Agreement is a reasonable compromise that  
12 appropriately addresses the issues raised by the OUCC in its case.

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

14 A: Yes.



**APPENDIX A**

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

3 A: I have a Bachelor of Science degree in Industrial Management, with a minor in Industrial  
4 Engineering from Purdue University. I began working for the Indiana Utility Regulatory  
5 Commission ("Commission") in 1988 as a Staff Engineer. In 1990, I transferred to the  
6 OUCC at the time of the reorganization of the Commission and the OUCC. In 1999, I was  
7 promoted to the position of Assistant Director and in 2005 I was promoted to the position  
8 of Director of the Water / Wastewater Division. During my term as Director, I have served  
9 on the Water Shortage Task Force, created by SEA 369 in the 2006 General Assembly and  
10 the Water Resources Task Force, created by HEA 1224 in the 2009 General Assembly. I  
11 am a member of the American Water Works Association ("AWWA") and have attended  
12 numerous utility related seminars and workshops including the Western Utility Rate  
13 Seminar sponsored by the National Association of Regulatory Utility Commissioners  
14 ("NARUC"). I also completed additional coursework regarding water and wastewater  
15 treatment at Indiana University-Purdue University at Indianapolis ("IUPUI").

16 **Q: Have you previously testified before the Commission?**

17 A: Yes. I have testified in many causes relating to telecommunications, natural gas, electric,  
18 water, and wastewater utilities. During the past eighteen (18) years, I have testified  
19 exclusively on water and wastewater utility issues. Some of those issues included the  
20 reasonableness of cost of service studies, rate design, fair value, Replacement Cost New  
21 Less Depreciation ("RCNLD") studies, engineering-related operation and maintenance  
22 expenses, capital improvement projects, non-revenue water and water conservation.

AFFIRMATION

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

Scott A Bell

By: Scott Bell  
Cause No. 45050  
Indiana Office of  
Utility Consumer Counselor

07/20/18

Date: