Petitioner's Exhibit No. 2-R

INDIANA-AMERICAN WATER COMPANY, INC.

IURC CAUSE NO. 42351 DSIC-13

REBUTTAL TESTIMONY

OF

STACY S. HOFFMAN

SPONSORING ATTACHMENT SSH-R1

REBUTTAL TESTIMONY

OF

STACY S. HOFFMAN

CAUSE NO. 42351 DSIC-13

Q. Please state your name and business address.

A. My name is Stacy S. Hoffman. My business address is 153 North Emerson Avenue, Greenwood, Indiana 46143.

Q. By whom are you employed?

A. I am employed by Indiana-American Water Company, Inc. ("Indiana American" or "Company") as Director of Engineering.

Q. Are you the same Stacy S. Hoffman who provided direct testimony in this Cause?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to respond to statements and recommendations in the direct testimony of Carl N. Seals of the Indiana Office of Utility Consumer Counselor ("OUCC").

Q. What have you done to prepare for your testimony?

A. I have reviewed the testimony filed by Mr. Seals on behalf of the OUCC.

TRACKING AND REPORTING OF DSIC EXPENDITURES PER CUSTOMER AND BY DISTRICT

Q. Please summarize Mr. Seals' recommendation regarding tracking and reporting of DSIC expenditures per customer and by district.

A. Mr. Seals prepared a table to compare Indiana American's spending per customer on non-blanket DSIC eligible expenditures among the districts. He then recommends the Commission order Indiana American to track and report in each DSIC filing current and historical expenditures per customer by district.

Q. Does Mr. Seals recommend a disallowance of any of Indiana American's proposed DSIC expenditures?

A. No.

Q. How do you respond to Mr. Seals' recommendation?

A. I believe it is unnecessary and burdensome, since we already provide all of the information that is needed for anyone to review for historical trends or otherwise. The Commission has adopted rules governing what a petitioner must include in a DSIC filing. Indiana American already presents its non-blanket DSIC expenditures by district, which is what Mr. Seals relied upon to analyze the spend distribution in

this DSIC, and we submit this information in a sortable format (Excel). I agree with Mr. Seals that one cannot discern a trend from one DSIC case, and that investment dollars are not a precise indicator of the benefits received by customers in each district. As I described in my direct testimony, the Company employs its capital investment planning and prioritization modeling to determine which investments to make and at what time. However, if anyone wishes to compare across DSIC filings, they can do so using the same information that we would use, which is available through the Commission's electronic online services portal. If the Commission believes that additional filing information is required, such as the kind of tracking and reporting Mr. Seals recommends, I believe it would be most appropriate to accomplish that through amendment of its rules, not by ordering Petitioner alone to do so in the context of this case.

BENCHMARKING AND EVALUATING HYDRANT REPLACEMENT COSTS

Q. Please summarize Mr. Seals' recommendation regarding hydrant replacement costs.

A. Mr. Seals expressed concern that the average cost of hydrant replacements was high. He said he did an internet search for recent information about hydrant installation and hydrant replacement costs, looking at news articles, bid tabulations and reports. He said Indiana American's cost of hydrant replacement was the second highest of the ones he was able to locate in his search. He recommends that

Indiana American evaluate how it can better use its economies of scale to perform hydrant replacements at lower costs.

Q. How do you respond?

A. I disagree with several aspects of Mr. Seals' analysis of Indiana American's hydrant replacement costs. First, we already evaluate how we can achieve the replacement of all infrastructure at the lowest reasonable cost, and so I am not certain what he is recommending we be ordered to do that we are not already doing. Mr. Seals has not identified specific costs that he believes to be too high. Second, the category that Mr. Seals seeks to benchmark (blanket hydrant replacement) does not lend itself to the sort of benchmarking that he has attempted to do through his internet research.

Q. What do you mean that this category does not lend itself to the type of benchmarking that Mr. Seals has attempted?

A. Because one cannot readily compare total cost across blanket hydrant replacements as Mr. Seals has done without knowing the details of the various hydrant replacements. The numbers Mr. Seals used in his comparison do not appear to be directly comparable, for instance, as Indiana American's figures include replacement of hydrants, hydrant valves, hydrant laterals, and many other related costs which are charged to the same account, as noted in the Company's response to OUCC Data Request 5-14 (Attachment SSH-R1). The breakdown between

installation or replacement of hydrants, hydrant valves, and hydrant laterals for the figures given and used in Mr. Seals' analysis does not appear to be available from the information he provided. Mr. Seals' analysis does not identify details on what other costs may or may not be included in the numbers he found.

Q. Are there other issues with the type of benchmarking Mr. Seals is recommending?

A. Mr. Seals included hydrant installation cost in his comparison, and the hydrant installation costs are not comparable to blanket hydrant replacement cost. The cost of replacing an existing hydrant, hydrant valve, and lateral can be much more costly than installing a new hydrant with a new main. As explained in the Company's response to OUCC Data Request 5-14 (Attachment SSH-R1), when replacing an existing hydrant, existing infrastructure, utilities, paving, traffic control, and safety requirements can be significant and variable. For example, costs related to work around existing infrastructure and other utilities, and cost for paving restoration can be extensive related to hydrant and lateral replacements, and are expected to be significantly higher than *installing* a new hydrant off of a new main being installed in unencumbered right-of-way outside of paving. In the latter case, even the lower restoration costs could be charged to the new main installation rather than to the new hydrant installation. A further significant difference is whether a hydrant, valve and lateral are replaced as part of a water main project or as a stand-alone hydrant replacement on an existing main. Blanket hydrant replacements are replacements

on existing water mains. This can materially affect the apparent hydrant cost for items such as mobilization, traffic control, restoration, dewatering, and other work. At least one of the examples Mr. Seals cites is for replacing a hydrant as part of a water main extension or replacement project, not as hydrant replacement on an existing main.

Q. What is your ultimate position with respect to Mr. Seals' recommendations?

A. I do not think either of Mr. Seals' recommendations warrant becoming the subject of an order in this Cause. If the Commission requires more from Petitioner in its case-in-chief, an amendment to its DSIC rules would be needed.

Q. Does this conclude your rebuttal testimony?

A. Yes.

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VERIFICATION

I, Stacy S. Hoffman, Director of Engineering for Indiana-American Water Co., Inc., affirm under penalties of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Stacy S. Hoffman

OUCC DR 5-14

DATA REQUEST
Indiana-American Water Company, Inc.

Cause No. 42351 DSIC-13

Information Requested:

In response to OUCC DR 2-31, Petitioner stated that the dollar amount of hydrants replaced (NARUC Account 335) for each calendar year 2020 and 2021 was $4,360,603 and $4,556,705. Dividing these dollar amounts by the number of hydrants replaced (OUCC DR 2-32) in 2020 (340) and 2021 (304) yields per-hydrant replacement costs of $12,825 (2020) and $14,989 (2021).

a. How does Indiana American's Hydrant replacement cost compare with costs incurred by the industry?
b. How does Indiana American's Hydrant replacement cost compare with costs incurred by other American Water division?
c. What caused Indiana American's cost per hydrant to increase from 2020 to 2021 by more than 16%?
d. Please describe Indiana American's efforts to decrease hydrant costs.

Objection:

Petitioner objects to the Request on the grounds and to the extent the request seeks a compilation, analysis or study that Petitioner has not performed and to which Petitioner objects to performing.

Information Provided:

Subject to and without waiver of the foregoing objections, Petitioner responds as follows:

a. The Company does not have industry costs readily available. The costs in account 335 include costs for installation of hydrants, hydrant laterals of varying lengths, related hydrant or lateral valves, and restoration and other related costs. Existing infrastructure, utilities, paving, groundwater table, traffic control, and safety requirements can also be significant and variable. For example, the work can often include extensive paving and other restoration costs. Because of these factors, hydrant replacement costs are variable and are expected to be significantly higher than the cost of installing a new hydrant with a new main installation in an unencumbered right-of-way.

b. The Company does not have other American Water division costs readily available. Refer to Petitioner's reply to part a., of this DR.

c. The Company has not studied why the calculated unit costs appear to have increased from 2020 to 2021. As explained Company's reply to part a., the work and scope involved in hydrant replacements can be extensive and variable, which can result in varying costs from year to year.

d. The Company ensures work is performed appropriately to complete all work associated with hydrant replacements safely, according to Company and city requirements, and that subsurfaces, and disturbed paving and other surfaces are restored effectively. Safe, quality work reduced risks and related costs that could result from unsafe, substandard work. Refer to part a. of this reply regarding the variable and extensive scope of work that is part of hydrant replacement work. The Company also purchases hydrants under its national supply contract.