

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF COLUMBUS, )  
INDIANA, FOR (1) AUTHORITY TO ISSUE )  
BONDS, NOTES, OR OTHER OBLIGATIONS, )  
(2) AUTHORITY TO INCREASE ITS RATES ) CAUSE NO. 46173  
AND CHARGES FOR WATER SERVICE, AND )  
(3) APPROVAL OF NEW SCHEDULES OF )  
WATER RATES AND CHARGES. )

PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF JASON T. COMPTON

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 30, 2025

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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**SETTLEMENT TESTIMONY OF OUCC WITNESS JASON T. COMPTON  
CAUSE NO. 46173  
CITY OF COLUMBUS**

**I. INTRODUCTION**

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

2   A:   My name is Jason Compton, 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 and Wastewater Division. My qualifications and credentials are set  
7       forth in Appendix A attached to this testimony.

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

9   A:   The OUCC and the City of Columbus, by and through its municipal water utility,  
10       Columbus City Utilities (“Columbus” or “Petitioner”) have reached agreement on the  
11       issues raised in this rate case, which agreement is set forth in a Stipulation and Settlement  
12       Agreement (“Settlement Agreement”) submitted to the Indiana Utility Regulatory  
13       Commission (“Commission”) for approval. My testimony describes the terms of the  
14       Settlement Agreement. I recommend the Commission approve the proposed Settlement  
15       Agreement and I explain why approval of its terms is in the public interest.

16  **Q:   Do you sponsor any attachments, schedules, or workpapers in support of the**  
17  **Settlement Agreement?**

18  A:   Yes. I am cosponsoring Settling Parties’ Ex. 1, the Settlement Agreement inclusive of  
19       Settlement Attachment A - Settlement Schedules.

1 **Q: What review and analysis have you conducted to prepare your testimony?**

2 A: I reviewed the direct testimony of Douglas Baldessari, Ashley Getz, and Roger Kelso. I  
3 reviewed Petitioner's corresponding attachments and workpapers. I prepared discovery and  
4 reviewed Petitioner's responses. I conducted an onsite review along with Thomas Malan  
5 of the OUCC on February 11 and 12, 2025 at Petitioner's offices. Finally, I participated in  
6 settlement discussions with Petitioner and reviewed the Settlement Agreement.

## II. REQUESTED RELIEF

7 **Q: What was Petitioner's original proposal in this case?**

8 A: Petitioner proposed to increase its rates and charges to raise an additional \$3,725,027 in  
9 annual revenues, which is the equivalent of a 47.91% increase over current rates.  
10 Petitioner's proposed increase would take place over two phases based on a class cost-of-  
11 service study. Petitioner's increase stems from a new debt issuance to fund new projects,  
12 increases to depreciation expense, and increases to its operating and maintenance expenses.

13 **Q: What is the proposed rate increase under the Settlement Agreement?**

14 A: The Settlement Agreement stipulates an increase to Petitioner's rates and charges to raise  
15 an additional \$3,257,265, which is the equivalent of a 40.90% increase over current rates.  
16 The Settlement Agreement stipulates that this increase will take effect over three phases,  
17 with the possibility of a fourth phase, rather than two, which will help promote affordability  
18 and reduce rate shock.

19 **Q: What components of Petitioner's original proposal are being modified by the**  
20 **Settlement Agreement?**

21 A: The Settlement Agreement reflects the following modifications: (1) the increase will take  
22 effect over three or four phases rather than two, (2) a post-test year growth and a system  
23 delivery expense adjustment, (3) a partial amount of tap fee revenues as an offset, (4) a

1 revenue adjustment for a billing timing issue, (5) salaries and wages for proposed new  
2 employees will only be included in rates when the positions are filled, (6) a reduction to  
3 purchased power expense, (7) the cost of the tank maintenance contract for Deaver Road  
4 will be included in rates only when the contract has been signed, (8) Petitioner will  
5 complete a review of its assets and identify if any existing assets are no longer in service  
6 and should be retired from its books and records, (9) Petitioner will complete an additional  
7 life cycle cost analysis before finalizing its decision regarding onsite hypochlorite  
8 generation at its water treatment plant 2, (10) a reduction to depreciation expense in Phase  
9 I and future phases will only include depreciation for plant that is being used for the  
10 provision of water service, and (11) removes debt service reserve for existing debt in Phase  
11 III, adjusts the debt service reserve for new debt in Phase II, and slightly modifies debt  
12 service and debt service reserve for the new debt.

13 **Q: Do you believe the Settlement Agreement reached between the OUCC and Columbus**  
14 **is in the public interest?**

15 **A:** Yes. The Settlement Agreement reflects compromise between the OUCC and Columbus  
16 and resolves the disputed issues in this proceeding, avoiding expenditure of the time and  
17 resources of the parties to litigate contested issues. It also promotes certainty of what is  
18 being included in the revenue requirement. The Settlement Agreement acknowledges the  
19 investment that is required by Petitioner to continue maintaining its system and providing  
20 quality water service to its ratepayers. The Settlement Agreement successfully  
21 accomplishes improved affordability by reducing Petitioner's rate increase and reducing  
22 rate shock by aligning Petitioner's phased increase with Petitioner's anticipated investment  
23 timeline. Finally, the Settlement Agreement acknowledges expected increases in

1       Petitioner's operating and maintenance expenses while ensuring that those expenses are  
2       not included in rates until those additional costs are being incurred.

### III. REVENUE TERMS

3       **Q:     What overall revenue adjustment did Petitioner originally propose?**

4       A:     Petitioner's proposed adjustments consisted of several normalization adjustments totaling  
5       an increase of \$561,780 to test year revenues of \$7,212,737 for *pro forma* operating  
6       revenues of \$7,774,517.

7       **Q:     How does the Settlement Agreement differ from Petitioner's proposal?**

8       A:     The Settlement Agreement accepts Petitioner's normalization adjustments. However, the  
9       Settlement Agreement includes additional adjustments for post-test year growth totaling  
10      \$34,499. It also includes a \$130,289 adjustment to revenues to address a billing adjustment  
11      that was included in the cost-of-service study but not included in the calculation of the  
12      revenue increase. Finally, it includes a revenue offset for tap fees to resolve issues of  
13      potential double recovery of \$50,547. These terms assist in reducing the overall revenue  
14      increase to be implemented in this case.

15      **Q:     Why are these modifications to revenues a term of the Settlement Agreement?**

16      A:     These modifications are included in the Settlement Agreement to ensure that Petitioner's  
17      revenues adequately represent what Petitioner is expected to collect in revenues to calculate  
18      an appropriate revenue increase in this case. The test-year adjustment reflects growth in  
19      Petitioner's test year that was not being incorporated in Petitioner's case in chief and the  
20      timing adjustment correctly adjusts Petitioner's test-year revenues to what was collected.  
21      As a result, these terms are in the public interest because they more accurately reflect  
22      Petitioner's revenues and assist in reducing the required increase.

1 **Q: What level of operating revenue does the Settlement Agreement stipulate?**

2 A: The Settlement Agreement stipulates an increase of \$726,567 to test year operating  
3 revenues of \$7,236,859 for a *pro forma* total operating revenue of \$7,963,426.<sup>1</sup>

#### IV. OPERATING EXPENSE TERMS

4 **Q: What operating expense adjustments did Petitioner originally propose?**

5 A: Petitioner proposed several operating expense adjustments that increase test year  
6 expenditures of \$5,243,707 by \$434,891, resulting in *pro forma* operating expense of  
7 \$5,678,598.<sup>2</sup> Petitioner's operating and maintenance expense adjustments included  
8 adjustments to: (1) Salaries and Wages, (2) FICA, (3) Pension, (4) Health Insurance, (5)  
9 General Liability Insurance, (6) Contractual Services, (7) Purchased Power, (8) Periodic  
10 Maintenance, (9) Materials and Supplies, and (10) Non-Recurring items.

11 **Q: How does the Settlement Agreement differ from Petitioner's proposal?**

12 A: The Settlement Agreement accepts all of Petitioner's adjustments except purchased power  
13 and delays the inclusion of certain expenses to a later Phase. The Settlement Agreement  
14 also includes an additional adjustment for system delivery expense associated with the  
15 revenue adjustment for post-test year growth.

16 **Q: Why are these modifications necessary and in the public interest?**

17 A: The purchased power term accurately reflects Petitioner's expected purchased power  
18 expense by including adjustments to Petitioner's electric power provider's various trackers  
19 during the adjustment period (2024). It also updates the base rate increase for Duke Energy  
20 from the 12% that was originally proposed to the 7.29% overall rate increase that was

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<sup>1</sup> The Settlement incorporates late payment fees as revenues subject to increase rather than a revenue offset. This results in an increase to test year revenues of \$24,122 as compared to Petitioner's case-in-chief.

<sup>2</sup> Total operating expense excludes depreciation expense.

1 approved by the Commission in its order for Cause No. 46038. This results in a slight  
2 reduction in the purchased power expense included in the revenue requirement. The  
3 adjustment for system delivery expense is necessary to acknowledge that while revenues  
4 will increase because of new customers, so will expenses to serve those new customers.  
5 The system delivery expense adjustment serves to provide Petitioner with additional  
6 revenues to service those customers.

7 **Q: What level of operating expense does the Settlement Agreement stipulate?**

8 A: The Settlement Agreement stipulates an increase of \$409,312 to test year operating  
9 expenses of \$5,243,707 for a *pro forma* total operating expense of \$5,653,019.<sup>3</sup>

#### V. DEPRECIATION TERMS

10 **Q: Did Petitioner request depreciation expenses, rather than extensions and**  
11 **replacements, in its proposed revenue requirement?**

12 A: Yes. Petitioner proposed it be allowed to recover \$1,341,602 in its Phase I rates, which is  
13 based on Petitioner's depreciable utility plant in service as of December 31, 2023 and its  
14 construction work-in-progress as of December 31, 2023. Petitioner proposed that it be  
15 allowed to recover \$1,934,122 for its Phase II rates which is based on 2% of its Phase I  
16 valuation of depreciable utility plant in service plus an additional \$29,626,000 for the new  
17 projects being placed in service.

18 **Q: Does the Settlement Agreement make any modifications to Petitioner's original**  
19 **depreciation expense request?**

20 A: Yes. First, the Settlement Agreement extends Petitioner's proposed rate increase over  
21 additional phases and aligns it with the anticipated project timelines to ensure Petitioner is

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<sup>3</sup> Total operating expense excludes depreciation expense.

1 not recovering depreciation expense on an asset before it has been placed in service.  
2 Second, the Settlement Agreement establishes that Petitioner will conduct a review of its  
3 asset listing(s) and ensure that any assets that have been removed from service are also  
4 removed from the valuation of its depreciable utility plant in service via a compliance  
5 filing. This will ensure that Petitioner is receiving depreciation expense only for assets that  
6 are still providing water service to ratepayers. Lastly, the Settlement Agreement establishes  
7 an estimated reduction to the Phase I depreciation expense to address construction work-  
8 in-progress that may not yet be in service and to address any overvaluation of utility plant  
9 in service that results from Petitioner's review of asset retirements.

10 **Q: Please explain what you mean when you say the Settlement Agreement aligns the rate**  
11 **increases with Petitioner's anticipated project timelines.**

12 A: First, the Settlement Agreement adds a Phase III to Petitioner's proposed two-phase  
13 increase. Petitioner's timeline for its projects anticipates that some of the projects it seeks  
14 depreciation for will not be in service until the end of 2027. Petitioner's Phase II rates were  
15 anticipated to go into effect at the beginning of 2027. As a result, Petitioner would have  
16 begun recovering depreciation in rates before it began recording depreciation for some of  
17 its assets if it were left as Petitioner proposed. Second, to the extent any of Petitioner's  
18 debt-funded projects may be delayed and not completed by the end of 2027, the Settlement  
19 Agreement incorporates a potential Phase IV, should Petitioner require it, for Petitioner to  
20 update its depreciation expense *only* for debt-funded<sup>4</sup> projects that were not completed by  
21 the end of 2027.

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<sup>4</sup> Projects funded by the proposed \$29,975,000 of financing authority.



1 **Q: Why are the modifications to Petitioner's depreciation expense in the public interest?**

2 A: The Settlement Agreement spreads the required increase for depreciation over an additional  
3 phase to assist with affordability and reduce rate shock. These modifications also ensure  
4 that Petitioner does not recover depreciation for assets before it has begun recording  
5 depreciation for those assets by aligning its phased increases with its planned project  
6 timelines.

## VI. FINANCING TERMS

7 **Q: Did Petitioner request Commission authority to issue new financing?**

8 A: Yes. Petitioner proposed it be authorized to issue \$29,975,000 of long-term debt to fund  
9 the array of capital projects it presents in its capital asset management plan. Petitioner plans  
10 to use the financing to fund main and lead service line replacements, various upgrades to  
11 its water treatment plants, and to raise tanks 1 and 2. Petitioner proposed that it be allowed  
12 to recover \$2,254,753 (in Phase II) in annual debt service and \$450,951 in annual debt  
13 service reserve in connection with that authority.

14 **Q: How does the Settlement Agreement modify Petitioner's proposed financing?**

15 A: The Settlement Agreement accepts Petitioner's proposed financing authority of  
16 \$29,975,000 and recognizes Petitioner's need for investment in its system to continue  
17 providing reliable and quality potable water to its ratepayers. The Settlement Agreement  
18 adjusts Petitioner's debt service amortization schedule by reducing the initial principal  
19 payment on January 1, 2027 to \$1,000 and increasing it slightly throughout the remaining  
20 maturities. This results in a slight increase to annual debt service of \$34,777 in Phase II. It  
21 also results in a slight increase in the debt service reserve because the maximum payment  
22 increases. As a result, the Settlement Agreement proposes Petitioner be allowed to recover

1 \$2,289,530 in debt service and \$457,906 in debt service reserve in connection with the new  
2 financing.

3 **Q: Why does the Settlement Agreement remove the debt service reserve for outstanding**  
4 **debt in Phase III?**

5 A: Petitioner's current outstanding debt service reserve will be fully funded by the end of its  
6 Phase II rates. By extending Petitioner's rate increase to include a third phase, estimated to  
7 take effect in 2027, it eliminated the continued collection of debt service reserve for  
8 Petitioner's current debt and any further adjustments to Petitioner's tariff to address this  
9 situation. As a result, the Settlement Agreement removes the full amount of Petitioner's  
10 required funding for its outstanding debt service reserve in its Phase III rates.

11 **Q: Why are these modifications to Petitioner's financing in the public interest?**

12 A: First, it removes the burden on ratepayers to continue funding a debt service reserve for an  
13 outstanding debt that will be fully funded by the end of Petitioner's Phase II rates. This  
14 results in a reduction to the revenue requirement, lowers rates, and promotes affordability.  
15 Secondly, the modification to the proposed financing ensures that Petitioner will  
16 adequately receive and recover the funds necessary to finance its planned projects to  
17 continue providing safe and reliable potable drinking water to its customers. By enabling  
18 Petitioner to acquire the funds required to proactively manage its utility plant, it reduces  
19 future costs that may arise from emergent circumstances and assists with providing quality  
20 services.

**VII. CONCLUSION**

1   **Q:   Please summarize your recommendations for the Commission.**

2   A:   I recommend the Commission find the Settlement is in the public interest and approve the  
3       Settlement Agreement in its entirety.

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

5   A:   Yes.

**APPENDIX A TO TESTIMONY OF**  
**OUCC WITNESS JASON T. COMPTON**

1   **Q:   Describe your educational background and experience.**

2   A:   I graduated from Indiana University Bloomington with a Bachelor of Science in  
3       Accounting in May 2022 and a Master of Science in Accounting with Data and Analytics  
4       in May 2023. Throughout my undergraduate education, I worked as an undergraduate  
5       instructor for Indiana University Bloomington, teaching the lab portion of a web  
6       development and data analytics class, CSCI-A110. From May 2022 through August 2022,  
7       I worked as a Staff Accounting Intern for Greystone Property Management Company  
8       where I was responsible for completing daily bank reconciliations, truing up accruals, and  
9       preparing monthly financial reports for nine properties. In May 2023, I began my  
10      employment with the Indiana Office of Utility Consumer Counselor (“OUCC”) as a Utility  
11      Analyst in the Water and Wastewater Division. My current responsibilities include  
12      reviewing accounting adjustments to expenses and revenues, verifying revenue  
13      requirements, and performing data analyses for proposed models. In May 2024, I attended  
14      the National Association of Utility Regulatory Commissioners’ Spring 2024 Rate School.

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

16   A:   Yes. I have testified before the Commission in general rate cases, distribution system  
17      improvement charges (DSIC), special contracts, and small utility filings.

**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 "Jason Compton". The signature is written in black ink on a white background.

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By: Jason T. Compton, Utility Analyst

Cause No. 46173

Office of Utility Consumer Counselor (OUCC)

Date: April 30, 2025

## **CERTIFICATE OF SERVICE**

This is to certify that a copy of the *Public's Exhibit No. 1-S - OUCC's Settlement Testimony of Jason T. Compton on behalf of the OUCC* has been served upon the following counsel of record in the above captioned proceeding by electronic service on April 30, 2025.

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