

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE PETITION)
OF BLOOMINGTON, INDIANA, FOR)
AUTHORITY TO ISSUE BONDS, NOTES,)
OR OTHER OBLIGATIONS, FOR)
AUTHORITY TO INCREASE ITS RATES) **CAUSE NO. 44855**
AND CHARGES FOR WATER SERVICE,)
AND FOR APPROVAL OF A NEW)
SCHEDULE OF WATER RATES AND)
CHARGES)**

PETITIONER'S EXHIBIT 5

Settlement Testimony of Vic Kelson

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**VERIFIED SETTLEMENT TESTIMONY OF VIC KELSON
ON BEHALF OF THE CITY OF BLOOMINGTON, INDIANA**

Cause No. 44855

INTRODUCTION

1 **Q. Please state your name, occupation and business address.**

2 A. My name is Vic Kelson. I am the Director of the City of Bloomington Utilities
3 Department ("Bloomington"). My business address is 600 E. Miller Dr.,
4 Bloomington, IN 47401.

5
6 **Q. Are you the same Vic Kelson that previously testified in this Cause?**

7 A. Yes, I am.

8
9 **Q. What is the purpose of your settlement testimony?**

10 A. My testimony is in support of Joint Settlement and Stipulation Agreement (the
11 "Settlement") reached amongst the parties to this Cause.

12
13 **Q. Have you reviewed the Settlement?**

14 A. Yes, I have.

15
16 **Q. Do you believe the Settlement is reasonable and in the public interest?**

1 A. Yes. By settling, the parties will avoid costly and expensive litigation over a
2 relatively small percentage of the proposed rate increase. Bloomington requested
3 a 22% across-the-board increase and has agreed to settle for a 20.15% across-the-
4 board increase. The difference between Bloomington's case-in-chief request and
5 the settled increase is made up of a number of minor adjustments, so Bloomington
6 would have had to spend a significant amount of resources arguing over a number
7 of relatively minor adjustments making up the difference, as contrasted with one
8 major adjustment that constituted the difference.

9 Bloomington also believes that as a result of the Settlement, the likelihood of a
10 Commission Order approving the proposed rate increase will be issued earlier
11 than it would in a litigated scenario. Receiving approval earlier will enable
12 Bloomington to issue the proposed bonds earlier, which in turn will allow
13 Bloomington begin implementation of its long-term main replacement program
14 sooner than if the case were fully litigated. This has the benefit of also allowing
15 Bloomington to take advantage of the greatest part of the 2017 construction
16 season for the first year of the main replacement program. Settling also minimizes
17 the regulatory lag associated with seeking a new schedule of rates and charges, so
18 that Bloomington can realize revenues from the increase in rates and charges as
19 close as possible to the test year and adjustment period.

20 Implementing the rate increase earlier also will allow Bloomington to move
21 forward on other capital projects that I described in my case-in-chief testimony.

22 Those projects will allow Bloomington to continue process improvements to

1 improve handling of disinfection byproducts in Bloomington's system and to
2 continue to upgrade and improve Bloomington's infrastructure.

3 Bloomington, the OUCC, and Washington Township Water Authority each agree
4 these projects are reasonable and necessary.

5 Finally, I believe that the Settlement is a reasonable resolution of the issues in this
6 Cause. For the foregoing reasons, I believe the Settlement is reasonable and in the
7 public interest.

8

9 **Q. Please discuss the provisions of the Settlement pertaining to a cost of service
10 study by Bloomington in anticipation of Bloomington's next rate case.**

11 A. As Mayor Hamilton previously testified, Bloomington is interested in pursuing a
12 general lifeline rate in its next rate case. If Bloomington pursues such a rate
13 design, Bloomington wants to be as inclusive as possible during the process, so
14 that conflict over the rate design is minimized in Bloomington's next rate case.
15 The Settlement lays out a framework for communication concerning the process
16 so that parties can have input at appropriate stages of the cost of service and rate
17 design work. I believe this arrangement may not entirely avoid or eliminate
18 conflict, but it will minimize the potential for conflict over rate design in
19 Bloomington's next rate case. Therefore, I believe the Settlement to be reasonable
20 and in the public interest.

21

22 **Q. Does this conclude your settlement testimony at this time?**

23 A. Yes. It does.

Verification

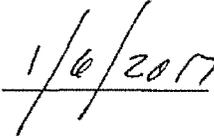
I hereby verify under the penalties for perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Signature:



Vic Kelson

Dated:



1/6/2017