

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE AMENDED PETITION)
OF EASTERN BARTHOLOMEW WATER)
CORPORATION, OF TAYLORSVILLE, INDIANA,)
(1) FOR THE AUTHORITY TO ISSUE LONG TERM)
BONDS, NOTES OR OTHER EVIDENCE OF)
INDEBTEDNESS, (2) FOR AUTHORITY TO)
ENCUMBER ITS FRANCHISE, WORKS AND)
SYSTEM IN CONNECTION WITH SUCH)
BORROWING, (3) FOR A CERTIFICATE OF)
AUTHORITY TO ISSUE LONG TERM DEBT,)
(4) FOR AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE, (5) FOR)
APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES FOR WATER SERVICE AND, (6))
FOR APPROVAL OF AN AMENDMENT TO ITS)
WATER SUPPLY CONTRACT WITH THE TOWN)
OF HOPE, INDIANA)

FILED

July 18, 2017

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 44903

EASTERN BARTHOLOMEW WATER CORPORATION'S
SUBMISSION OF
THE VERIFIED SETTLEMENT TESTIMONY AND EXHIBIT
OF DONALD SMITH, JR.

Comes now Eastern Bartholomew Water Corporation, by counsel, and submits the
Verified Settlement Testimony and Exhibit of Donald Smith, Jr.

Respectfully submitted,

/s/ Peter Campbell King
Peter Campbell King, Attorney for
Eastern Bartholomew Water Corporation

/s/ Mark W. Cooper
Mark W. Cooper, Attorney for
Eastern Bartholomew Water Corporation

Certificate of Service

I certify that a copy of the foregoing Submission has been, on the 18th day of July, 2017,
electronically served upon the following:

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**Verified Settlement Testimony of Donald Smith, Jr.
on Behalf of Eastern Bartholomew Water Corporation**

Q1. Please state your name and place of employment.

A1. My name is Donald Smith, Jr., and I am employed as the Superintendent of Eastern Bartholomew Water Corporation (“Petitioner”).

Q2. Are you the same Donald Smith, Jr. who previously submitted Verified Direct Testimony on behalf of the Petitioner in this Cause?

A2. Yes.

Q3. What is the purpose of this Settlement Testimony?

A3. The Petitioner and the Indiana Office of Utility Consumer Counselor (“OUCC”) have reached agreement on all matters pertinent to this Cause and the purpose of this Settlement Testimony is to explain several aspects of the Parties’ agreement.

Q4. Please explain the process which resulted in the Parties reaching agreement in this Cause.

A4. After submission of Petitioner’s case-in-chief, the OUCC conducted a very thorough, if not exhaustive, review of Petitioner’s financial situation, operational situation and Petitioner’s request in this Cause. The OUCC Technical Staff made several visits to Petitioner’s office and facilities, and submitted several hundred Data Requests along with numerous informal information requests. OUCC counsel had extensive and detailed discussions with Petitioner’s counsel sharing the preliminary results of the audit, inspections and investigations conducted by the OUCC Accountant, Engineer and Economist. Thereafter, several weeks of discussions ensued involving the Petitioner’s counsel, staff and consultants, and the OUCC Technical Staff. The OUCC proposed several adjustments and cost saving alternatives which Petitioner believes to be workable. These discussions ultimately resulted in agreement on the issues in this Cause.

Q5. As Petitioner’s Superintendent, what is your opinion of the agreement reached by Petitioner and the OUCC?

A5. The negotiations with the OUCC caused Petitioner to review its request in this Cause, particularly the proposed Capital Improvement Project (“CIP”) and Extension and

Replacement (“E&R”) Plan, and reduce costs as much as possible. I believe the resulting agreement will allow Petitioner to continue to provide reasonably adequate service at a reasonable cost.

Q6. Did the agreement result in any changes to Petitioner’s proposed CIP?

A6. Yes.

Q7. Please describe those changes.

A7. There were two notable changes to the CIP. There were reductions to the size of the proposed maintenance building and clearwell tank associated with the new water treatment plant.

Q8. Please explain the changes to the proposed maintenance building.

A8. The maintenance building, as originally proposed, provided for five (5) equipment bays, staff meeting rooms and general storage. The cost of that building as set forth in the PER was approximately \$520,000. However, Petitioner was advised by its Engineer that with recent cost increases, that building would now cost nearly \$570,000.

Petitioner has an existing unheated pole barn which it uses as a maintenance building. The existing building has been only marginally serviceable at best, and has become increasingly unsuitable.

The current storage facility is unheated, which provides significant operations issues during the winter. The building stores a boring and vac machine, both of which require water to use; the machines will freeze in the winter time if not drained after each use. Draining these machines is necessary during winter time, requiring additional hours of service by personnel after use. This task is made especially difficult during late winter night hours when EBWC personnel are called out for emergency work. This equipment should be properly stored in a heated storage facility, which is the type building the Petitioner has agreed to build pursuant to the settlement agreement with the OUCC.

Moreover, Petitioner’s backhoe does not fit in the current storage facility, and cold weather creates reliability problems in its operation, including the development of icing and difficulty in starting the backhoe. A heated storage facility will eliminate these operational

issues and, therefore, lead to efficiencies of the services and production by employees of Petitioner.

The location of the current storage facility across the railroad tracks has also now become a tremendous safety and access issue. As previously noted, the rail traffic has increased in speed, frequency and length as a result of the upgrade to the track that has occurred beginning in the spring of 2017 to the present. The new storage facility will be located on the same side of the tracks as the rest of Petitioner's facilities, removing the need to cross the tracks. This will lead to increased safety in light of the increased number and speed of the trains, especially at night.

Lastly, the current storage facility does not have rooms capable for the Petitioner to conduct operational meetings and safety meetings with its field personnel. The new storage facility will have such capability, which will enhance the safety and operational aspects of the Petitioner's field operations.

The existing building is no longer serviceable as a maintenance building, as it does not provide adequate heated storage for critical equipment. The staff meeting room is necessary to conduct employee training and hold OSHA required safety meetings.

The OUCC was concerned that the proposed maintenance building was unnecessarily large and too expensive. Petitioner proposed to reduce the size of the building to just provide storage for the most critical weather-sensitive equipment and minimal meeting space. Petitioner simplified the design to reduce costs. Petitioner also looked to local comparable buildings to get lower "local pricing."

Based on its research, Petitioner believes it can build a serviceable maintenance building for \$300,000. Petitioner and the OUCC have agreed to cap the cost of the proposed maintenance building at \$300,000. If unforeseen circumstances arise which make it impossible to build a serviceable maintenance building for \$300,000, Petitioner will not build the proposed maintenance building and will not borrow the funds earmarked for the proposed maintenance building.

Q9. Please explain the agreement regarding the clearwell storage tank associated with the proposed water treatment plant.

A9. The Petitioner and the OUCC were in agreement on the immediate need for, and the reasonableness of the cost for, the water treatment plant as detailed in the PER. The PER

proposed a 750,000 gallon clearwell storage tank at the proposed water treatment plant. The OUCC questioned the need for a tank this large. The OUCC believed there was sufficient storage elsewhere on Petitioner's system. The OUCC also believed Petitioner's customer growth projections to be somewhat high, thus militating in favor of a smaller tank.

The PER estimated the cost of the originally proposed 750,000 gallon tank at \$803,000. Petitioner's Engineer advised Petitioner that an updated price on the 750,000 gallon tank is \$912,700 and the current price of a 500,000 gallon tank is \$747,000. A copy of Kent Elliott, P.E.'s email is attached as Exhibit 6-A.

Petitioner and OUCC agreed on the use of a 500,000 gallon reinforced concrete clearwell storage tank at a cost of \$747,000. Petitioner believes this size tank will be adequate for its needs for a 15-20 year time frame.

Q10. Did Petitioner and the OUCC agree to revisions to Petitioner's proposed E&R Plan?

A10. Yes.

Q11. Please identify those revisions.

A11. Petitioner and the OUCC agreed to revisions which result in cost reductions to Petitioner's proposed Hartsville Looping Project, to include a portion of the Schaefer Lake Main project, to include General Infrastructure Replacements and to exclude capitalized labor.

Q12. Please describe the Hartsville Looping Project and the agreed revisions.

A12. The Hartsville Looping Project is a proposed eight inch main which will loop Petitioner's mains serving the Hartsville area. The Hartsville area has had consistent pressure problems. There are also frequent main breaks in that area because of difficult soil conditions. Petitioner believes that the Hartsville Loop is necessary to resolve the pressure problems and mitigate outages during main repairs. The remaining section of the Hartsville Looping main is approximately five (5) miles long and will cost \$750,000 to complete.

There was concern that Petitioner could not complete a project of this size within the five (5) years proposed by Petitioner's E&R Plan given Petitioner's other projects. Petitioner agreed that completion of the Hartsville Looping Project within five (5) years was optimistic. Petitioner

and the OUCC agreed to include half of the cost of the proposed Hartsville Looping Project in Petitioner's Five (5) Year E&R Plan.

Q13. Please explain the inclusion of the Schaefer Main Project in Petitioner's E&R Plan.

A13. Petitioner had for some time planned to install a main to serve the area in and around a large development called Schaefer Lake. Petitioner had thought this project would be completed this Spring and did not include it in its prospective E&R Plan. However, this project is only approximately 90% complete. Petitioner does not have funds on hand to complete the Schaefer Lake Main project.

The OUCC and Petitioner have agreed to include the \$75,000 necessary to complete the Schaefer Lake Main project in Petitioner's Five (5) Year E&R Plan.

Q14. Please explain the inclusion of the General Infrastructure Replacements in Petitioner's E&R Plan.

A14. The Parties looked to Petitioner's historic E&R replacements and agreed to an amount approximating a historic average. The Parties agreed \$237,750 for inclusion in Petitioner's Five (5) Year E&R Plan. Petitioner believes this amount is sufficient to accomplish general infrastructure replacements necessary in the five (5) year timeframe.

Q15. Please explain the Parties agreement to exclude capitalized labor from Petitioner's E&R Plan.

A15. OUCC Witness Stull addresses this issue in her Settlement Testimony.

Q16. Did Petitioner and the OUCC reach any agreements which revised any of Petitioner's Operation and Maintenance ("O&M") costs?

A16. Yes. There are several instances in which Petitioner agreed to the OUCC's proposed O&M adjustments. I will explain some of the agreed O&M adjustments and Ms. Stull of the OUCC will explain others.

Q17. Please explain your first agreed O&M adjustment.

A17. Over the last few years, Petitioner has lost several employees. Petitioner has replaced them, but needs to add one more employee. Petitioner has planned to hire this new employee for nearly a year but has not had suitable applicants. The OUCC objected to the inclusion of the costs for this employee since the position had been unfilled for so long. The Petitioner and the OUCC agreed to eliminate the cost of the proposed employee, which is \$23,561, from Petitioner's O&M expenses.

Q18. During the settlement negotiations, did the Petitioner and the members of the OUCC technical and legal staff evaluate other of Petitioner's pro forma O&M expenses?

Q18. Yes.

Q19. Did the Parties come to an agreement on certain expenses involved in the negotiations?

Q17. Yes.

Q19. What other matters were involved, Mr. Smith?

Q18. Another matter involved the issue of well cleaning and well pump maintenance. The Petitioner previously requested in its original filing the amount of \$30,000, \$15,000 each year for two years. After a review of Petitioner's maintenance records, the Petitioner has determined that the OUCC proposal of \$20,000 per year, or a decrease of \$10,000 per year, is acceptable to the Petitioner. With this reduced amount, the Petitioner still believes it will be able to carry out the necessary well cleaning and well pump maintenance.

The Parties next addressed the high service pump, motor and automatic pump control valve maintenance. The amount the Petitioner originally requested was \$3,918 annually. After a review of Petitioner's past maintenance records, the Petitioner has determined that the OUCC proposal of \$2,612 is acceptable to the Petitioner. With this reduced amount, the Petitioner still believes it will be able to carry out the necessary high service pump, motor and automatic pump control valve maintenance.

The Parties next addressed the filter media replacement for the new water treatment plant. The amount Petitioner originally requested was \$18,000 annually. Although Petitioner has no historic experience with the new water treatment plant, it is known the ground water which Petitioner pumps tends to promote filter media longevity. After a review of the historic timing of

the required filter media replacement, the Petitioner has determined that the OUCC proposal of \$9,000, or a decrease of \$9,000, is acceptable to the Petitioner. With this reduced amount, the Petitioner still believes it will be able to carry out the necessary filter media replacement.

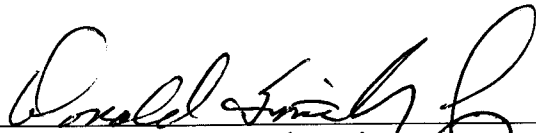
The Parties also considered Detention Tank and Aerator Maintenance. The OUCC after reviewing Petitioner's maintenance records proposed to exclude Detention Tank and Aerator Maintenance expense. Petitioner's records showed, with its existing water treatment plants, maintenance on these items was infrequently required and when the work was required, Petitioner's own staff successfully did the work. Petitioner agreed with the OUCC's proposal to exclude this expense. Petitioner believes its staff will be able to carry out detention tank and aerator maintenance when required.

Q20. Does this conclude your Verified Settlement Testimony?

A20. 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.



Donnie Smith, Jr., Superintendent
Eastern Bartholomew Water Corporation

From: [Kent S. Elliott](#)
Sent: Tuesday, July 11, 2017 2:08 PM
To: [Donnie Smith](#)
Cc: [Peter King](#) ; [Mark W. Cooper](#) ; ['Doug Baldessari'](#) ; [Andre Riley](#) ; [Kent S. Elliott](#)
Subject: 13305 - EBWC Clearwell

Donnie:

I have evaluated the costs for the 750,000 gallon clearwell water storage tank. The construction cost for the proposed 750,000 gallon prestressed spirally wound concrete ground storage tank has increased from an estimated amount of \$803,000 in the original Preliminary Engineering Report, to an estimated construction cost of \$912,700 today with the design completed, including the required site work.

Due to the anticipated cost increase, I evaluated the proposed construction cost and engineering design if we reduced the size of the clearwell to 500,000 gallons. The estimated construction cost currently for a 500,000 gallon prestressed spirally wound concrete tank is \$747,000. I have evaluated the hydraulics and engineering design for EBWC's proposed new water treatment plant and overall distribution system demand. In my professional engineering opinion, a 500,000 gallon clearwell is an adequate size to meet the needs of EBWC's demands, at a minimum, for the 20-year design life of the proposed new water treatment.

It is my recommendation that we reduce the size of the clearwell ground tank from 750,000 gallons to 500,000 gallons, which will keep us within the Preliminary Engineering Report construction cost budget.

Please let me know if you have any questions or concerns regarding this matter.

Thank you:

Kent S. Elliott, P.E.

Project Manager

Banning Engineering PC

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