

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY WATER)	
UTILITY, INC., FOR AUTHORITY TO ISSUE)	
LONG TERM DEBT AND CHANGES TO ITS)	CAUSE NO. 44986
RATES, CHARGES AND TARIFF)	

PREFILED TESTIMONY OF
LARRY W. McINTOSH
PHASE II

ON BEHALF OF JACKSON COUNTY WATER UTILITY, INC.

**PRE-FILED TESTIMONY OF
LARRY W. MCINTOSH; PHASE II
ON BEHALF OF JACKSON COUNTY WATER UTILITY, INC.**

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

2 A. My name is Larry W. McIntosh. My business address is Jackson County Water
3 Utility, Inc., 1119 West Spring Street, Brownstown, Indiana.

4 2. **Q. Please explain your affiliation with Jackson County Water Utility, Inc.**
5 **(“Jackson County Water” or the “Petitioner”).**

6 A. I am the General Manager of Jackson County Water, which is the Petitioner in
7 this Cause.

8 3. **Q. Mr. McIntosh, what educational or operational experiences do you have**
9 **which you believe are relevant to the opinions you offer in this testimony?**

10 A. I graduated from Indiana University Southeast with a Bachelor of Science Degree
11 in Business in Accounting. I received an Associates of Science Degree in
12 Business Administration from Vincennes University. I have also attended courses
13 on Organizational Leadership and Supervision through the Purdue Statewide
14 Technology Program.

15 From 1999 to 2001, I worked for Indiana American Water Company in Seymour,
16 Indiana as a water plant operator. In 2001, I became the Superintendent of Stucker
17 Fork Conservancy District where I oversaw a 7 MGD surface water treatment
18 plant, a 3 MGD ground water treatment plant and a large water distribution
19 system.

20 The Stucker Fork system included approximately 950 miles of various size water
21 mains with service connections to approximately 7,600 retail and five wholesale

1 customers. I remained as Superintendent until 2004 when I became a staff
2 accountant for a large convenience store company. In 2006, I returned to Stucker
3 Fork Conservancy District as the utility's General Manager, where I served until
4 2012 before joining the Office of Utility Consumer Counselor.

5 As Superintendent and later as General Manager, I assisted Stucker Fork In the
6 installation, maintenance, and repair of water mains, water meters, hydrants,
7 valves, and pumping and treatment equipment. I also operated water treatment
8 plants, collected and analyzed samples, handled daily reporting, and supervised
9 several dozen employees.

10 I have obtained one wastewater and three water operator certifications from the
11 Indiana Department of Environmental Management (IDEM), including (i) Grade
12 WT5 Water Treatment Plant Operator, (ii) Grade WT3 Water Treatment Plant
13 Operator, (iii) Grade DSL Water Distribution System Operator, and (iv) Class A-
14 SO Wastewater Operator. Finally, I attended numerous training classes and
15 seminars conducted by the American Water Works Association (AWWA), the
16 Indiana Rural Water Association (IRWA), the Alliance of Indiana Rural Water
17 (AIRW) and IDEM.

18 4. **Q. Did you previously offer testimony in this Cause?**

19 A. Yes I provided testimony in Phase I describing the need for borrowing money
20 from the State Revolving Fund ("SRF") to finance a project to extend water to
21 property owners within Petitioner's service area.

22 5. **Q. Mr. McIntosh has the Board of Directors taken steps to close the loan with**
23 **the SRF?**

1 A. Yes, based on advice from counsel, our financial advisor, and engineer, the Board
2 has passed various resolutions to apply for funds, bid the project, select a
3 contractor, and authorize the officers of the Board to sign all closing documents.

4 6. Q. **Did the Board of Directors consider the revenue requirement and proposed**
5 **rate increase outlined by Mr. Ridlen in his testimony?**

6 A. Yes it did. Following discussion among the members of the Board, the Board
7 agreed with Mr. Ridlen's recommendation to seek an increase in rates.

8 7. Q. **Did the Petitioner provide any notice to the customers its serves about this**
9 **requested increase?**

10 A. Yes we did, we provided notice as part of the Phase I proceedings. We are also in
11 the process of providing additional notice to our customers through bill inserts
12 and legal notices to be published in the Crothersville Times, the Jackson County
13 Banner, and the Tribune, of this Phase II filing.

14 8. Q. **Mr. McIntosh, have you received any questions about this case from your**
15 **customers?**

16 A. We have received a few questions. Generally those customers were interested in
17 when the rate increase would occur.

18 9. Q. **When do you believe the rate increase will go into effect?**

19 A. I anticipate the increase will go into effect in February 2019, following the
20 Commission's Final Order in this Phase II.

1 10. Q. Did Petitioner also provide a separate notice to its customers and hold a
2 public hearing on the project for which Jackson County Water is borrowing
3 money from the SRF?

4 A. Yes we did. That public hearing was held November 17, 2017.

5 11. Q. Did you receive any calls after the public hearing?

6 A. Yes, a number of customers contacted us about the project.

7 12. Q. What was the nature of those customer contacts?

8 A. Generally the comments were all supportive of the project. I believe they had read
9 about the project proposal in the newspaper. In some cases we received calls from
10 individuals who lived in areas not part of this project but who wanted to know if
11 they would also be included in order to have access to Petitioner's water. For
12 those individuals, we indicated that we would need to complete this project first.

13 13. Q. Mr. McIntosh, does this proposed project require Petitioner to add any new
14 wells or treatment facilities?

15 A. No. In fact the new project will allow us to better utilize the capacity we currently
16 have in our existing facilities, including water tanks.

17 14. Q. Is the approval of borrowing long term debt to fund construction of mains
18 into unserved portions of Petitioner's service area, and then raising rates to
19 all customers, an approach Petitioner has previously used?

20 A. Yes. I believe that is the approach Jackson County Water has always used. I
21 reviewed the last three cases for Jackson County Water (44461, 43289, 41203).
22 All of those cases involved borrowing long term debt to make improvements and

1 then increasing rates to all customers to repay that debt. I also discussed this
2 approach with the Board, some of whom have served for decades. They
3 confirmed this is the approach the Petitioner has always used and designed to use
4 here.

5 15. **Q. Can you describe the current Board and its role with Jackson County**
6 **Water?**

7 A. The Board of Directors for Jackson County Water was established by the Articles
8 of Incorporation. The Board is responsible for managing the affairs of Jackson
9 County Water. Our Board has been actively involved in the management of the
10 Petitioner. In this instance, the Board reviewed Jackson County Water's current
11 financial situation, considered the additional operating expenses, and ultimately
12 made decisions in favor of seeking a rate increase in Phase II of this Cause as
13 outlined in Mr. Ridlen's testimony and exhibits. The current Board consists of
14 nine members elected by the membership of the Petitioner. Each of the Board
15 members is elected for a three-year term. The terms themselves are staggered. The
16 current Board members have been elected and in a number of instances re-elected
17 to their positions. I believe the consistency of the Board members indicates that
18 our customers are satisfied with the management and direction of Jackson County
19 Water.

20 16. **Q. Mr. McIntosh are the Board members also customers of the Petitioner and**
21 **therefore will see their water bills increase?**

22 A. Yes.

1 17. Q. Mr. McIntosh is the Petitioner proposing any change in its non-recurring
2 charges?

3 A. No. The Board considered a system development charge as recommended by Mr.
4 Kaufman in his Phase I testimony. However the Board concluded that such a
5 charge is unnecessary at this time for a variety of reasons. The consensus of the
6 Board was that Jackson County Water has always funded improvements by
7 borrowing money and changing rates to repay those funds or using existing funds
8 created for extensions and replacements included in the revenue requirement.
9 They also considered that both existing property owners and future property
10 owners will benefit by the project, will help repay the borrowed funds, and also
11 will fund future extensions or improvements which will help future customers.
12 They also recognized that Jackson County Water has capacity in its current
13 facilities that essentially was designed for these new customers. Thus after
14 considering the establishment of a system development charge, they decided not
15 to add that type of charge at this time.

16 18. Q. Did the Board consider any changes in the language of Petitioner's Rules and
17 Regulations outlined in its tariff?

18 A. Yes the Board believes the current tap fee can create a burden for some
19 customers. It discussed allowing the tap fee to be paid in installments if requested
20 by our customers.

21 19. Q. Have you prepared that change in language in your current tariff?

22 A. No, I have not. I believed it was a better approach to raise this idea with the
23 Commission first. If the Commission agrees with Jackson County Water that tap

1 fees could be paid in installments, then we would add that concept in the
2 compliance tariff that we would file at the conclusion of this case. Obviously we
3 would provide copy of that compliance tariff to the OUCC as part of our filing.

4 20. **Q. Why did the Board consider that the current tap fee could create a burden**
5 **for some of its customers?**

6 A. That conclusion was reached after a few customers asked if they could pay the tap
7 fee in installments.

8 21. **Q. Over what period of time is Petitioner considering authorizing the payment**
9 **of installments?**

10 A. The Board believes that if a customer pays \$600 at the time of the tap, the cost of
11 materials would be covered. Thereafter, the customer could enter an agreement
12 for payment of the remaining tap fee on a monthly basis over 36 months. That
13 monthly charge would be added to the customer's monthly bill for water service.

14 22. **Q. Would those customers who use this installment payment, pay all other rates**
15 **and charges of the Petitioner?**

16 A. Yes they would.
17

18 23. **Q. Mr. McIntosh do you believe the proposed rate increase in Phase II is**
19 **reasonable?**

20 A. Based on the needs of Jackson County Water, I believe this proposed rate increase
21 is very reasonable.

22 24. **Q. Does this conclude your prefiled direct testimony in this Phase 2 proceeding?**

1 A. Yes it does.

2

VERIFICATION

I affirm under the penalties of perjury that the foregoing Prefiled Direct Testimony is true to the best of my knowledge, information and belief as of the date here filed.


Larry W. McIntosh

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record by electronic mail this 27th day of July, 2018:

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