OFFICIAL
EXHIBITS

FILED
January 3, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF CROSSROADS UTILITIES, LLC ("CROSSROADS") AND LMH UTILITIES CORP. ("LMH") FOR APPROVAL AND AUTHORIZATION OF: (A) THE ACQUISITION BY CROSSROADS OF LMH'S WASTEWATER UTILITY PROPERTY (THE "LMH SYSTEM") IN DEARBORN COUNTY, INDIANA PURSUANT TO THE PURCHASE AGREEMENT THEREFOR; (B) APPROVAL OF ACCOUNTING AND RATE BASE TREATMENT; (C) APPROVAL OF THE APPLICATION OF LMH'S EXISTING RATES AND CHARGES AFTER CLOSING; (D) APPROVAL OF CROSSROADS' RULES AND REGULATIONS FOLLOWING CLOSING; (E) APPLICATION OF LMH'S DEPRECIATION ACCRUAL RATES TO SUCH ACQUIRED PROPERTIES; AND (F) THE APPROVAL OF THE TRANSFER OF LMH'S CERTIFICATE OF TERRITORIAL AUTHORITY TO CROSSROADS. CROSSROADS.	)	**CAUSE NO. 45833**

IURC
JOINT PETITIONERS'
EXHIBIT NO. 3
5-4-23 AT
DATE REPORTER

VERIFIED PRE-FILED DIRECT TESTIMONY OF GARY M. VERDOUW

SUBMITTED ON BEHALF OF

CROSSROADS UTILITIES, LLC

January 3, 2023

I. WITNESS BACKGROUND

Q. Please state your name and business address.

A. My name is Gary M. VerDouw, and my business address is 1268 Emerald Gardens Drive, Saint Peters, Missouri 63376.

Q. By whom are you employed and in what capacity?

A. I am the Owner/CEO of VerDouw Regulatory Services LLC. I am an independent rate and utility regulatory consultant. I have been hired in this Cause by Crossroads Utilities, LLC ("Crossroads") to support the accounting and ratemaking treatment proposed by Crossroads relative to its planned acquisition of LMH Utilities Corporation's ("LMH") wastewater utility property.

Q. Please summarize your educational and professional qualifications.

A. I graduated from the University of Mary in Bismarck, North Dakota in 1981 with a Bachelor of Science degree in Business Administration. I returned to the University of Mary and completed a second major in Accounting in May of 1988. I have over 40 years of utility experience, working with gas, electric, and water/wastewater utilities throughout my career. I have attended the Utility Rate Seminar sponsored by the National Association of Regulatory Utility Commissioners ("NARUC") Water Committee and have participated in various continuing education programs sponsored by my former employers. I am also a member of the American Water Works Association, the Indiana Section AWWA, and the Missouri Section AWWA.

Q. Please outline your business experience.

A. I began my employment in February of 1981 when I was hired as Reconciliation and Funds Administrator for the North Dakota State Treasurer's Office. In December 1981 I was hired as a Field Accountant for ANG Coal Gasification Company, which was constructing North America's first commercial scale coal gasification project near Beulah, North Dakota. While employed with ANG, I was promoted and brought on as the project's first permanent hire for its 80-person accounting team and promoted to Accounts Payable Supervisor in 1982. I was again promoted to Cash Manager in 1984, where I oversaw daily cash management of over $1.5 billion in secured debt and over $400 million in daily cash balances. In 1988 I was hired as Business Manager for Capital Electric Cooperative, Inc., which is in Bismarck, North Dakota. My responsibilities there included the supervision and oversight of all accounting, finance, billing, budget, insurance, human resources, cash management, rate studies, and other functions for a growing electric distribution cooperative that currently serves approximately 22,000 consumers. In 2005 I accepted the position of Senior Financial Analyst – Rates and Regulations with American Water Service Company in their Saint Louis, Missouri office. In this role I assisted in the preparation of utility filings in American Water Company's operations in the states of Indiana, Ohio, Illinois, and Missouri. I was promoted to Manager of Rates and Regulation in 2008, where I was responsible for all rate and regulatory issues for American Water operations in the states of Indiana, Ohio, and Michigan. I was promoted to Director of Rates – Eastern Division in 2011, where I was responsible for rates and rate issues for American Water operations located in the states of Indiana, Ohio, Michigan, Kentucky, Tennessee, Virginia,

West Virginia, Maryland, and New York. In November of 2011, I was named Director of Rates for American Water's newly created Central Division, where I was responsible for rate and regulatory issues for American Water operations in the states of Indiana, Ohio, Michigan, Kentucky, Tennessee, Illinois, Iowa, and Missouri. In 2016, I was named Director of Rates and Regulatory for Indiana and Michigan American Water, where I was responsible for all rate and regulatory issues for American Water operations in the states of Indiana and Michigan. In 2018 I accepted the position of Director of Business Services for Greenville Water in Greenville, South Carolina, the largest water utility in South Carolina. In this role, I was responsible for leading fifty-eight employees serving in the Billing, Customer Service, and Field Services (metering) Departments, ensuring prompt billing and delivery of excellent water and customer service to Greenville Water's 185,000 accounts serving over 500,000 residents of the South Carolina Upstate. I retired from my position at Greenville Water in April 2021, at which time I formed VerDouw Regulatory Services LLC, where I am Owner/CEO. In my current role, I provide utility and regulatory consulting services to various utility clients, including Crossroads Utilities, LLC.

Q. Have you testified before any regulatory agencies with respect to regulatory matters?

A. Yes. I have testified in numerous regulatory proceedings before the Indiana Utility Regulatory Commission ("IURC", or "Commission"), the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, the Tennessee Public Utility Commission, the Iowa Utilities Board, the Missouri Public Service Commission, and the Illinois

Commerce Commission. A list of regulatory work provided is included in **Attachment GMV-1**.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this Cause?

A. I have been engaged by Crossroads to review and support the accounting and ratemaking treatment proposed by Crossroads relative to its intended purchase and acquisition of LMH's wastewater utility system and associated assets. I will present the proposed journal entry that would be made upon closing of the LMH acquisition. I will describe the rates that will be charged following the closing. I will also describe the planned application of LMH's depreciation accrual rates once the acquisition by Crossroads is complete. I will also sponsor **Attachment GMV-1** through **Attachment GMV-4** in support of this testimony.

Q. Are there others that are testifying on behalf of Crossroads as well?

A. Yes. June Tucker, the Chief Financial Officer for LMH, is testifying to provide background on LMH, the reasons for the sale of LMH to Crossroads, and to support Commission approved of the proposed transfer of the LMH utility to Crossroads. Michael Myers, who is the President and Board Member of Crossroads Utilities, LLC, will provide an overview of Crossroads and their technical and managerial abilities, in addition to providing an overview of the Asset Purchase Agreement, cost differential and supporting appraisals, necessary near-term improvements to the LMH System, and public interest considerations

in Crossroad's acquisition of LMH. Zach Tucker, who is the Operations Manager for Envirolink of Indiana, LLC ("Envirolink Indiana"), will testify regarding LMH's current and historic operation state. Finally, Chris Lagaly, who is Operations Manager for Indiana operations for Envirolink, Inc. ("Envirolink"), will testify regarding LMH's current operation state as well as future plans for needs and improvements to LMH's system that Crossroads will be addressing relative to its acquisition of LMH.

Q. Are you sponsoring any attachments to your testimony?

A. Yes, I am sponsoring the following attachments:

Attachment GMV-1	Curriculum Vitae - Gary M. VerDouw
Attachment GMV-2	Incidental Expenses and Other Costs of Acquisition
Attachment GMV-3	Journal entry proposed for acquisition of LMH
Attachment GMV-4	Effect on Revenue of Acquiring LMH Utilities

Q. Were all attachments prepared by you or under your direction and supervision?

A. Yes.

III. ACCOUNTING TREATMENT

Q. What is the original cost rate base amount proposed by Crossroads Utility, LLC relative to the purchase of LMH Utilities Corporation?

A. Based on the Asset Purchase Agreement that is included as **Attachment MM-8** to the testimony of Crossroads witness Michael Myers, the purchase price in the agreement is

$1,712,173. Assuming $360,000 of incidental expenses and other costs of the acquisition, the original cost rate base for the LMH acquisition by Crossroads would be $ 2,072,173.

Q. Are the total incidental expenses and other costs of acquisition totaling $360,000 a fixed and known total?

A. Not entirely. Certain expenses, such as appraisal costs, are completed and are fully known and measurable. Other incidental expenses and other costs are not yet fully completed and, as such, an estimate is made for those items. The estimate of $360,000 in incidental expenses and other costs to be included in rate base is a reasonable proxy of costs to be recorded in this acquisition. Upon approval and completion of this acquisition, it is Crossroad's intention to book only actual incurred incidental expenses and other costs of acquisition in the final journal entry to calculate rate base. I have included **Attachment GMV-2**, which lists the total incidental expenses and other costs of acquisition by category that are included with this acquisition.

Q. Is this proposed purchase price reasonable per the statues that govern utility acquisitions in Indiana?

A. Yes, the proposed purchase price is considered reasonable under the statutes that govern utility acquisition in Indiana. IC 8-1-30.3-5(c)(2) states that if the acquisition is not made under IC 8-1.5-2-6.1 (acquisition of non-municipal systems, such as LMH Utilities), to the extent that the purchase price does not exceed the appraised value as determined under Section 5.5 of this chapter, the purchase price is considered reasonable for purposes of Subsection (d) and any resulting costs differential is considered reasonable. Under IC 8-1-

30.3-5.5, three independent appraisers must be appointed to determine the just and true value of the utility assets to be acquired. One of the three independent appraisers must be a registered professional engineer; one must be a licensed real estate appraiser; and the third is either an engineer or a real estate appraiser. It is the results of these three appraisals that determine the just and true value of the utility assets to be acquired. In this case, Crossroads secured three (3) appraisals performed by qualified and disinterested appraisers as defined by IC 8-1-30.3-5.5, including one appraisal by an engineer registered under IC 25-31 and two appraisals performed by general appraisers licensed under IC 25-34.1-8. The appraisers are disinterested as required by the statute because their fees for the appraisal services were fixed before the individuals performed the appraisals; none of the appraisers are employees of any party to the acquisition; none of the appraisers are state or municipal or employees; and none of the appraisers have affiliated interests to the parties to the acquisition. Copies of the appraisals performed are included as **Attachment MM-9** to the testimony of Crossroads witness Michael Myers. The LMH System appraised at approximately $12 million according to Banning Engineering; and at $4 million according to William R. Schreiner and Lloyd W. Stoner. The proposed purchase price of $1,712,173 offered by Crossroads in this Cause certainly does not exceed the appraised value, and as such the purchase price is deemed reasonable.

Q. Is the proposed price the result of an arm's length negotiation between the buyer and seller?

A. Yes, it is. The price for LMH Utilities Corporation was established though arms-length negotiations between two unrelated parties and reflects an acquisition price that is approximately $2.3 million ***lower*** than the value of the assets as determined by two of statutory required appraisal of the system assets, and $10.4 million ***lower*** than the value of the highest appraisal calculated for the LMH assets.

Q. Does the purchase price include a "cost differential" as defined in IC 8-1-30.3-1?

A. Yes, the purchase price for the acquisition includes a "cost differential" as that term is defined in IC 8-1-30.3-1. As part of the conditions to closing under the Asset Purchase Agreement, which is more fully described in Crossroads witness Michael Myer's testimony, the Joint Petitioners in this cause are seeking an Order from the Commission that the full purchase price of $1,712,173, plus incidental expenses and other costs of acquisition estimated at $360,000, including the cost differential, shall be included in Crossroad's rate base for ratemaking purposes in general rate cases. Based upon the journal entry proposed in **Attachment GMV-3**, the investor-supplied original cost rate base for LMH would be equal to the full purchase price plus the incidental expenses and other costs of acquisition totaling $2,072,173, which is less than the appraised value of the acquired property.

Q. Mr. VerDouw, how do you know that there is a "cost differential" as part of this proposed acquisition?

A. There will essentially always be a cost differential in transactions such as this acquisition where the purchase price is derived from something other than original cost, as it is in the

case of Crossroad's proposed acquisition of LMH. Unless the purchase price is based on original cost figures, there will be a difference. In this case, the acquisition price of $1,712,173 that is part of the Asset Purchase Agreement included as **Attachment MM-8** in this Cause is not based on original cost figures per the books and records of LMH. As such, there will be a cost differential for this transaction.

Q. Are you able to calculate the "cost differential" for this acquisition?

A. Although the statues included in IC 8-1-30.3-1 through IC 8-1-30.3-6 define "cost differential", the calculation is not required for the Commission to grant the relief sought by Joint Petitioners in this Cause. In the case of LMH, there are multiple ways to calculate the cost differential for this acquisition. For instance, if data from LMH's IURC Annual Report for Investor-Owned Wastewater for the year ended December 31, 2021, is used, LMH's Total Net Utility Plant (Rate Base) as shown on Page F-1(a) is $3,813,826. The difference between the original cost rate base requested in this Petition ($2,072,173) and the Rate Base included in LMH's Annual Report to the Commission as of December 31, 2021 ($3,813,826) is -$1,741,653, which could be considered the amount of the "cost differential" (in this case, a negative cost differential) in this acquisition. Even though LMH is showing this net asset total on their books, the IURC disallowed the recovery of various assets in LMH's rate case docketed as Cause No. 43431. In LMH's most recent rate case docketed as Cause No. 45307-U and approved on July 29, 2020, the IURC approved an original cost rate base as of December 31, 2018, of $1,180,507. The difference between the original cost rate base requested in this Petition ($2,072,173) and the Rate

Base approved in LMH rate case docketed as Cause No. 45307-U ($1,180,507) is $891,666, which could be considered the amount of the "cost differential" in this acquisition. Although the actual calculation of any cost differential is not required by statute, I believe the calculation of a cost differential of $891,666 using the approved original cost rate base in Cause No. 45307-U would be most appropriate to use.

Q. Is the Commission's ability to grant the relief sought by the Joint Petitioners in this Cause affected by the fact that there is no one definitive way to calculate the "cost differential" based upon the records available with respect to LMH Utilities?

A. No. The fact that the "cost differential" could be calculated in various ways shows that an accurate calculation of any cost differential could be disputed. All that is required is that there ***be*** a "cost differential", not that the precise amount of that cost differential be calculated or otherwise known. The only requirement that even mentions the "cost differential" is Section 30.3-5(d)(8), which requires that the cost differential be added to the utility company's rate base to be amortized as an addition to expense over a reasonable time with corresponding reductions in the rate base. I will explain below how that will be accomplished.

Q. Is the cost differential, no matter how it is calculated, reasonable?

A. IC 8-1-30.3-5(b) provides that there is a rebuttable presumption that a cost differential is reasonable to the extent the purchase price does not exceed the appraised value as determined under IC 8-1-30.3-5.5. As shown in the testimony of Crossroads witness

Michael Myers, the purchase price for LMH Utilities Corporation was established though negotiations between two unrelated parties and reflects an acquisition price that is approximately $2.3 million ***lower*** than the value of the assets as determined by two of statutory required appraisal of the system assets, and $10.4 million ***lower*** than the value of the highest appraisal calculated for the LMH assets.

Q. How are you proposing to address the "cost differential" in this acquisition?

A. For purposes of this acquisition, Crossroads is proposing to reflect a total original cost rate base of $2,072,173. Crossroads intends to book this acquisition via the journal entry proposed in **Attachment GMV-3** by reflecting the Cost Approach Summary – Wastewater Utility System valuation included on Page 25 of the Schreiner Valuation Resources, LLC Appraisal Report prepared for LMH Utilities, reduced on a pro-rata basis to reflect the proposed acquisition price plus the estimated transaction costs. The assumption will be made that the "cost differential" will be included as part of each of the asset categories reflected in the journal entry proposed in **Attachment GMV-3** on a pro-rated basis.

Q. With that journal entry, how will the cost differential you have described be amortized?

A. With this journal entry proposed for Crossroad's acquisition of LMH, the allocation of the full purchase price (including the cost differential) plus incidental expenses and other costs of the acquisition in a reasonable manner among appropriate utility plant in service accounts. As a result, the cost differential will be "amortized" and charged to expense over

a reasonable period of time with corresponding changes to rate base through depreciation expense calculated pursuant the depreciation accrual rates in currently in place and to remain in place at Crossroads.

Q. Mr. VerDouw, you state above that Attachment GMV-3 was derived by reflecting the asset values by asset category as recommended by the appraisal, reduced on a pro-rata basis to reflect the reduced purchase price plus the estimated transaction costs. Would there be other ways to calculate the journal entry to record the proposed acquisition by Crossroads Utilities?

A. Yes, there would be. Crossroads could start the journal entry calculation by reducing LMH's existing booked plant assets on a ratable bases to arrive at the total. However, as I discussed above in determining the cost differential, LMH has several assets on its books and records that are not recognized by the Commission when determining authorized rate base. As such, it would be difficult to determine which assets should be included in the journal entry that transfers those assets to Crossroads upon the completion of the acquisition. As part of the appraisal process, Banning Engineering conducted a very thorough review of the assets currently in place and serving the customers of LMH, and was able to break down assets not only by category but by age, count, length of pipe, etc. in determining their appraised value of the LMH system. The Cost Approach Summary reflected on Page 25 of Schreiner Valuation Resources, LLC gives the best breakdown of the plant assets, as determined by the appraisers, of the plant assets that are in place and are used and useful in providing service to the current LMH customer base. By using the

asset totals for LMH as determined by Banning Engineering and Schreiner Valuations Resources, LLC, reduced on a pro-rata basis to reflect the proposed acquisition price plus the estimated transaction costs to be paid by Crossroads, the journal entry included as **Attachment GMV-3** represents a very fair and accurate version of the assets in place that will be serving the customers of Crossroads Utilities, LLC upon completion of this acquisition.

Q. Has a journal entry for a utility acquisition been prepared in this manner in any previous Indiana water and/or wastewater acquisitions?

A. Yes. Indiana American Water Company used a similar method of journal entry preparation in its acquisition of Wastewater One, LLC in Cause No. 45461, which was approved by the Commission on June 2, 2021. In that case, Indiana American purchased Wastewater One for a price of $420,000. The appraised value of Wastewater One was $950,000. Indiana American prepared its journal entry by reflecting the asset values by asset category as recommended in the appraisal, reduced on a pro-rata basis to reflect the reduced purchase price plus the estimated transaction costs. I have used a similar process in preparing the proposed journal entry for Crossroad's proposed acquisition of LMH Utilities, as shown in **Attachment GMV-3**.

Q. What standard do you believe should apply in determining when Crossroad's proposed ratemaking treatment should be available?

A. The accounting and ratemaking treatment as reflected in the proposed journal entry conforms to the treatment to be granted under IC 8-1-30.3-5(d) where all the factors set

forth in the sections are met. Crossroads witness Michael Myers describes in his direct testimony how the acquisition of LMH Utilities satisfies each of the statutory elements except for two, which I am addressing (amortization of the cost differential and impact on LMH/Crossroads rates). Under IC 8-1-30.3-5(f), if the Commission makes the required findings, the resulting Order is to authorize Crossroads "to make accounting entries recording the acquisition that reflect (1) the full purchase price; (2) incidental expenses; and (3) other costs of acquisition; as the original cost of the utility plant in service being acquired, allocated in a reasonable manner among appropriate utility plant in service accounts." As a result, Crossroads proposes to record the net original cost of the LMH system in the manner reflected in the proposed journal entry shown in **Attachment GMV-3**.

IV. DEPRECIATION

Q. What is Crossroads proposing with respect to depreciation accrual rates?

A. Currently, all LMH depreciable assets are using a composite depreciation accrual rate of 2.5% per year, or a 40 year depreciation rate. Crossroads is proposing that the LMH assets continued to be depreciated at the composite rate of 2.5% per year for all depreciable asset categories.

V. WASTEWATER RATES

Q. Does Crossroads propose to maintain the current LMH Utilities rates at this time?

A. Yes. Crossroads is not proposing any change to current LMH Utilities rates at this time. It is Crossroad's intent to leave the existing LMH rates as-is until a future rate case is filed and approved.

Q. IC 8-1-30.3-5(d)(7) discusses future rate increases and the effects of the acquisition on future rates to acquired utility customers. Mr. VerDouw, can you address the effect on future LMH rates as a result of this proposed acquisition?

A. Yes, I can. IC 8-1-30.3-5(d)(7) discusses rates charged in acquisitions as follows:

> **IC 8-1-30.3-5(d)(7):** The rates charged by the utility company will not increase unreasonably in future general rate cases solely as a result of acquiring the utility property from the offered utility. For purposes of this subdivision, the rates and charges will not increase unreasonably in future general rate cases so long as the net original cost proposed to be recorded under subsection (f) is not greater than two percent (2%) of the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case. If the amount proposed to be recorded under subsection (f) is greater than two percent (2%) of the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case, the commission shall proceed to determine whether the rates charged by the utility company will increase unreasonably in future general rate cases solely as a result of acquiring the utility property from the offered utility and, in making the determination, may consider evidence of:
>
> (A) the anticipated dollar value increase; and
>
> (B) the increase as a percentage of the average bill.

Q. IC 8-1-30.3-5(d)(7) states "For purposes of this subdivision, rates and charges will not increase unreasonably in future general rate cases so long as the net original cost proposed to be recorded under subsection (f) is not greater than two percent (2%) of

the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case. Can the two percent (2%) threshold be met by Crossroads in this proceeding?

A. No, it cannot be met by Crossroads. The LMH acquisition is Crossroad Utilities' first acquisition in Indiana and is the only water/wastewater utility in the state of Indiana owned by Crossroads. Two percent of the proposed rate base for Crossroads after its acquisition of LMH would be $41,443, which is calculated by taking the acquisition price and incidentals and other costs of acquisition of $2,072,173 times two percent (2%). **Attachment GMV-4** shows data taken from the Commission's Final Order in LMH's most recent rate case, docketed as Cause No. 45307 and approved by the IURC on July 29, 2020. In that case, an original cost rate base of $1,180,507 was approved, resulting in total approved operating revenues of $800,574 and net operating income of $83,934 as shown in Column A. Column B shows the same results but adjusts original cost rate base to reflect the total acquisition cost only of $1,712,173. Line 11 of Column B of **Attachment GMV-4** shows that using $1,712,173 as the original cost rate base total would require an additional revenue increase $50,655, or 6.33%. which is $9,222 more than the two percent of rate base total of $41,443. Under this scenario, a typical LMH/Crossroads customer using 6,000 gallons per month would experience an increase of $3.46 per month from $54.63 to $58.09, or 6.33%. Column C of **Attachment GMV-4** adjusts the data shown in Column A to reflect an original cost rate base of the acquisition cost of $1,712,173 plus Incidental Expenses and Other Costs of Acquisition of $360,000, or a total original cost

rate base of $2,072,173. Line 11 of Column C of **Attachment GMV-4** shows that an original cost rate base of $2,072,173 would require an additional revenue increase $84,953, or 10.61%. This total is $43,510 more than the two percent of rate base total of $41,443. A typical LMH/Crossroads customer using 6,000 gallons per month under this scenario would experience an increase of $5.80 per month from $54.63 to $60.43, or 10.61%.

Further, Crossroads Utilities has done an engineering study that shows two capital projects totaling $1,223,500 would be completed within the first year of acquisition. If those projects totaling $1,223,500 were to be completed as planned, and Crossroads were to file for an increase in rates and include the first year capital projects in its filing, Crossroads would be filing for authorization of original cost rate base of $3,295,673, as shown on Line 4 of Column D of **Attachment GMV-4**. If the IURC were to approve an initial rate increase for Crossroads Utilities with an approved original cost rate base of $3,295,673, assuming all other lines items included in **Attachment GMV-4** were representative of items included in that filing, Crossroads would receive a rate increase of $201,520, or 25.17%, as shown on Lines 11 and 12 of Column D of **Attachment GMV-4**. This total is $160,077 more than the two percent of rate base total of $41,443. A typical LMH/Crossroads customer using 6,000 gallons per month under this scenario would experience an increase of $13.75 per month from $54.63 to $68.38, or 25.17%.

Based on the assumptions shown in **Attachment GMV-4**, the original cost rate base two percent threshold established in IC 8-1-30.3-5(d)(7) cannot be met by Crossroads under these scenarios.

Q. What does IC 8-1-30.3-5(d)(7) go on to say if the two percent original cost rate base threshold is not met?

A. IC 8-1-30.3-5(d)(7) further states *"If the amount proposed to be recorded under subsection (f) is greater than two percent (2%) of the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case, the commission shall proceed to determine whether the rates charged by the utility company will increase unreasonably in future general rate cases solely as a result of acquiring the utility property from the offered utility and, in making the determination, may consider evidence of:*

(A) the anticipated dollar value increase; and

(B) the increase as a percentage of the average bill."

Q. Mr. VerDouw, do you feel that any rate increase passed on to LMH/Crossroads customers because of the proposed Crossroads acquisition would be considered reasonable?

A. I do. The negotiations between LMH and Crossroads, as detailed in the testimony of Crossroads witness Michael Myers, led to a purchase price that was arrived at based on mutual discussions professionals regarding LMH's assets, their value, the condition of the

LMH System, and the rate base and rates approved by the Commission in LMH's last base rate proceeding. The sales price that is included in the Asset Purchase Agreement reflects the results of negotiations that, for one, was designed to have as small of an impact on rates as possible. The acquisition of LMH by Crossroads reflects a purchase price of approximately $1,286 per existing LMH account in service, which is by far the lowest per customer purchase price seen in Indiana water/wastewater acquisition cases since 2009, as shown in the information included as part of the appraisal performed by Schreiner Valuation Resources LLC in this Cause. The price to be paid by Crossroads for LMH assets reflects an acquisition price that is approximately $2.3 million ***lower*** than the value of the assets as determined by two of statutory required appraisal of the system assets, and $10.4 million ***lower*** than the value of the highest appraisal calculated for the LMH assets. Undoubtedly, a purchase price of $4 million or more would result in a larger increase for LMH customers, regardless of which utility purchased them. As shown above, Crossroads could complete the acquisition of LMH for $1.7 million, incur $360,000 in incidental expenses and other costs of acquisition, and complete $1,223,500 in first year capital costs, and still have more than $700,000 ***less*** in original cost rate base had the lowest appraisal costs of $4 million (and not including any incidental expenses and other costs of acquisition) been used for this acquisition. LMH witness June Tucker states in her testimony that the operation of LMH requires 24/7 attention and is time-intensive, and that LMH's owners are ready to transfer LMH to a new, responsible utility operator. Crossroads has the knowledge and experience to operate a system such as LMH's in a professional and efficient manner. The negotiations between LMH and Crossroads reflects

a price that has the least effect possible on LMH current rates. As such, I feel any rate increase passed on to LMH customers because of the proposed Crossroads acquisition would be considered reasonable.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

I hereby verify that the foregoing testimony is true and accurate to the best of my knowledge and belief.

DATED: 12/15/2022 By: Gary M Chen

GARY M. VERDOUW

REGULATORY TESTIMONY PROVIDED

Illinois:

2005 – Illinois American Water Company, Initial Qualified Infrastructure Plant ("QIP") filing.
2005 – Illinois American Water Company, Purchased Water and Sewer Reconciliation.
2006 – Illinois American Water Company, Purchased Water and Sewer Reconciliation.

Indiana:

2006 – Indiana American Water Company, Distribution System Infrastructure Charge ("DSIC"), Cause Number 42351-DSIC-3.
2006 – Indiana American Water Company, Rate Case, Cause Number 43187.
2007 – Indiana American Water Company, City of Merrillville, Indiana Fire Protection Surcharge, Cause No. 43398.
2008 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-4.
2008 – Indiana American Water Company, City of Winchester, Indiana Fire Protection Surcharge, Cause No. 43605.
2008 – Indiana American Water Company, City of Gary, Indiana Fire Protection Surcharge, Cause No. 43583.
2009 – Indiana American Water Company, Approval of Post In-Service AFUDC and Deferred Depreciation, Cause No. 43639.
2009 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-5.
2009 – Indiana American Water Company, Rate Case, Cause Number 43680.
2009 – Indiana American Water Company, Financing Case, Cause Number 43767.
2010 – Indiana American Water Company, City of Muncie, Indiana Fire Protection Surcharge, Cause No. 43843.
2010 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-6.
2011 – Indiana American Water Company, Approval of Post In-Service AFUDC and Deferred Depreciation, Cause No. 43991.
2011 – Indiana American Water Company, Rate Case, Cause Number 44022.
2014 – Indiana American Water Company, Rate Case, Cause Number 44450.
2015 – Indiana American Water Company, Financing Case, Cause Number 44682.
2015 – Indiana American Water Company, Russiaville, Indiana Acquisition, Cause Number 44584.
2015 – Indiana American Water Company, American Suburban Acquisition, Cause Number 44592.
2015 – Indiana American Water Company, City of West Lafayette, Indiana Fire Protection Surcharge, Filing No. 3399.
2016 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-9.
2017 – Indiana American Water Company, DSIC, Cause Number 42351-DSIC-10.
2017 – Indiana American Water Company, Town of Georgetown, Indiana Acquisition, Cause Number 44915.
2017 – Indiana American Water Company, Town of Charlestown, Indiana Acquisition, Cause Number 44976.
2017 – Indiana American Water Company, Depreciation Rate Study, Cause Number 44992.
2017 – Indiana American Water Company, City of Seymour, Indiana Fire Protection Surcharge, Filing No. 3520.
2018 – Indiana American Water Company, DSIC, Cause No. 42351-DSIC-11.
2018 – Indiana American Water Company, Town of Lake Station, Indiana Acquisition, Cause Number 45041.
2018 – Indiana American Water Company, Customer Owned Lead Service Line Replacement Program Approval, Cause Number 45043.

GARY M. VERDOUW

REGULATORY TESTIMONY PROVIDED

Indiana (Continued):

2018 – Indiana American Water Company, Town of Sheridan, Indiana Acquisition, Cause Number 45050.
2021 – Jackson County Regional Sewage District/Seymour Municipal Sanitation Services, Wholesale Cost of Service Review, Cause No. 45548.
2022 – Aqua Indiana, Inc., Approval of Service Improvement Project, Post-In-Service AFUDC and Deferred Depreciation on Service Improvement Project Assets, Cause No. 45675.
2022 – Lakes of the Four Seasons Property Owner's Association, testimony in opposition to rate increase proposed by Community Utilities of Indiana, Inc., Cause No. 45651.
2022 – Fountaintown Gas Company, Inc., Rate Case – responsible for preparation of small utility rate case filing; no testimony provided. Cause No. 45802-U.

Iowa:

2013 – Iowa American Water Company, Rate Case, Docket Number RPU-13-0002.

Kentucky:

2012 – Kentucky American Water Company, Rate Case, Docket Number 2012-00520.

Michigan:

2012 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).
2014 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).
2016 – Michigan American Water Company, Rate Increase (not regulated; no testimony provided).

Missouri:

2015 – Missouri American Water Company, Rate Case, Case Number WE-2015-0301.
2015 – Missouri American Water Company, Rate Case, Case Number WE-2015-0302.

Ohio:

2006 – Ohio American Water Company, Rate Case, Docket Number 06-433-WS-AIR.
2007 – Ohio American Water Company, Rate Case, Docket Number 07-1112-WS-AIR.
2009 – Ohio American Water Company, System Infrastructure Improvement Charge ("SIIC"), Docket Number 09-92-WW-SIC.
2009 – Ohio American Water Company, Rate Case, Docket Number 09-0391-WS-AIR.
2011 – Ohio American Water Company, System Infrastructure Improvement Charge ("SIIC"), Docket Number 11-151-WW-SIC.
2011 – Ohio American Water Company, Rate Case, Docket Number 11-4161-WS-AIR.

Tennessee:

2012 - Tennessee American Water Company, Rate Case, Docket Number 12-00049.
2013 - Tennessee American Water Company, Alternative Regulatory Mechanism Filing, Docket Number 13-00130.

CAUSE NO. 45833
ATTACHMENT GMV-2
VERIFIED DIRECT TESTIMONY OF GARY VERDOUW

Crossroads Utilities, LLC and LMH Corp.

Crossroads Utilities - Acquisition of LMH Utilities
Breakdown of Incidental Expenses and Other Costs of Acquisition
To Be Included as Original Cost Rate Base by Crossroads Utilities, LLC

Line Number	Incidental Expenses and Other Costs of Acquisition Description	Amount	Comment
1.	Appraisal - Banning Engineering	$ 18,000.00	Actual Expense
2.	Appraisal - Lloyd W. Stoner	3,500.00	Actual Expense
3.	Appraisal - Schreiner Valuation Resources LLC	8,500.00	Actual Expense
4.	Legal Expenses - Bose McKinney & Evans and Barnes & Thornburg	200,000.00	Estimated Expense
5.	Acquisition Development Costs - Envirolink	75,000.00	Estimated Expense
6.	Expert Engineering Testimony - Envirolink	25,000.00	Estimated Expense
7.	Expert Accounting Testimony - VerDouw Regulatory Services LLC	30,000.00	Estimated Expense
8.	Total Incidental Expense and Other Costs of Acquisition:	$ 360,000.00	Sum of Lines 1. - 7.
9.	Total Purchase Price of LMH Utilities:	$ 1,712,173.00	
10.	Total Purchase Price with Incidental Expense & Other Costs of Acquisition:	$ 2,072,173.00	Sum of Line 8. and Line 9.
11.	Incidental Expense & Other Costs of Acquisition as a Percentage of Purchase Price:	21.03%	Line 8. Divided by Line 9.

CAUSE NO. 45833
ATTACHMENT GMV-3
VERIFIED DIRECT TESTIMONY OF GARY VERDOUW

Crossroads Utilities, LLC and LMH Corp.

Crossroads Utility, LLC
Acquisition of LMH Utilities Corporation
Journal Entry to Record Purchase of Asset, Incidental Expenses, and Other Costs of the Acquisition

Subsidiary Account	NARUC Account	Account Detail/ Explanation of Line Item	Debit Amount	Credit Amount
-	131.0	Purchase Cost of LMH Assets per Closing Documents	$ -	$ 1,712,173.00
-	131.0	Allowable Closing Costs	-	360,000.00
-	104.0	Utility Plant Acquired	2,072,173.00	-
-	104.0	Distribute Utility Plant to Detail	-	2,072,173.00
353400	353.4	Wastewater - Land and Land Rights	15,700.79	-
354200	354.2	Wastewater - Lift Stations	218,158.20	-
354400	354.4	Wastewater - Treatment Plants	319,800.20	-
354700	354.7	Wastewater - Building and Site Improvements	38,838.78	-
361100	361.1	Wastewater - Manholes	241,626.80	-
361200	361.2	Wastewater - Gravity and Forcemain Piping	1,224,000.16	-
397700	397.7	Wastewater - Miscellaneous Property	14,048.07	-
		Grand Totals:	$ 4,144,346.00	$ 4,144,346.00

Note: $0.05 added to Wastewater - Gravity and Forcemain Piping to round final total to an even dollar amount.

Crossroads Utility, LLC
Compilation of Appraised Asset Value of LMH Utilities Corporation Wastewater Assets
Included in Crossroads Utility, LLC Acquisition of LMH Utilities Corporation
Appraised Asset Value per Banning Engineering Wastewater System Facilities Inventory/Valuation and Schreiner Valuation Resources, LLC Appraisals
Reduced Rateably to Reflect Final Crossroads Utility, LLC Purchase Price of $1,712,173 and Acquisition Transaction Costs of $360,000 for a total of $2,072,173

Subsidiary Account	Account Description	Year of Plant Installation	Type of Plant	Size of Plant	Length of Pipe	Final Banning Engineering Appraised Value	Final Accumulated Depreciation Value	Final Net Appraised Value of Utility Plant	Non Construction Costs	Final Value with Non Construction Costs Included	Ratio to Reduce to Final Acquistion Purchase Price	Total Acquisition Price	Spread of $360,000 of Acquisition Transaction Costs	Total Acquisition Value with Transaction Costs
Pipes:														
361200	Gravity Piping	1998	PVC	4 inch	2,900	$ 145,000.00	$ 46,000.00	$ 99,000.00	$ 7,926.35	$ 106,926.35	$ (92,324.63)	$ 14,601.72	$ 3,070.14	$ 17,671.86
361200	Gravity Piping	1987	PVC	8 inch	7,023	456,495.00	213,495.00	243,000.00	19,455.59	262,455.59	(226,615.00)	35,840.59	7,535.81	43,376.40
361200	Gravity Piping	1988	PVC	8 inch	1,420	92,300.00	42,300.00	50,000.00	4,003.21	54,003.21	(46,628.60)	7,374.61	1,550.58	8,925.19
361200	Gravity Piping	1989	PVC	8 inch	7,964	517,660.00	227,660.00	290,000.00	23,218.61	313,218.61	(270,445.88)	42,772.73	8,993.36	51,766.09
361200	Gravity Piping	1990	PVC	8 inch	3,670	238,550.00	101,550.00	137,000.00	10,968.79	147,968.79	(127,762.36)	20,206.43	4,248.59	24,455.02
361200	Gravity Piping	1991	PVC	8 inch	906	58,890.00	23,890.00	35,000.00	2,802.25	37,802.25	(32,640.02)	5,162.23	1,085.41	6,247.64
361200	Gravity Piping	1992	PVC	8 inch	5,555	361,075.00	144,075.00	217,000.00	17,373.92	234,373.92	(202,368.12)	32,005.80	6,729.51	38,735.31
361200	Gravity Piping	1993	PVC	8 inch	10,929	710,385.00	274,385.00	436,000.00	34,907.98	470,907.98	(406,601.40)	64,306.58	13,521.05	77,827.63
361200	Gravity Piping	1994	PVC	8 inch	8,760	569,400.00	212,400.00	357,000.00	28,582.91	385,582.91	(332,928.21)	52,654.70	11,071.13	63,725.83
361200	Gravity Piping	1995	PVC	8 inch	2,707	175,955.00	62,955.00	113,000.00	9,047.25	122,047.25	(105,380.64)	16,666.61	3,504.31	20,170.92
361200	Gravity Piping	1996	PVC	8 inch	2,865	186,225.00	64,225.00	122,000.00	9,767.83	131,767.83	(113,773.79)	17,994.04	3,783.41	21,777.45
361200	Gravity Piping	1997	PVC	8 inch	5,216	339,040.00	113,040.00	226,000.00	18,094.50	244,094.50	(210,761.27)	33,333.23	7,008.62	40,341.85
361200	Gravity Piping	1998	PVC	8 inch	2,975	193,375.00	62,375.00	131,000.00	10,488.41	141,488.41	(122,166.94)	19,321.47	4,062.52	23,383.99
361200	Gravity Piping	1999	PVC	8 inch	2,061	133,965.00	40,965.00	93,000.00	7,445.97	100,445.97	(86,729.20)	13,716.77	2,884.08	16,600.85
361200	Gravity Piping	2000	PVC	8 inch	3,920	254,800.00	74,800.00	180,000.00	14,411.55	194,411.55	(167,862.96)	26,548.59	5,582.08	32,130.67
361200	Gravity Piping	2002	PVC	8 inch	24,881	1,617,265.00	431,265.00	1,186,000.00	94,956.10	1,280,956.10	(1,106,030.40)	174,925.70	36,779.72	211,705.42
361200	Gravity Piping	2003	PVC	8 inch	6,298	409,370.00	103,370.00	306,000.00	24,499.64	330,499.64	(285,367.04)	45,132.60	9,489.54	54,622.14
361200	Gravity Piping	2005	PVC	8 inch	2,200	143,000.00	32,000.00	111,000.00	8,887.12	119,887.12	(103,515.49)	16,371.63	3,442.28	19,813.91
361200	Gravity Piping	2008	PVC	8 inch	2,389	155,285.00	29,285.00	126,000.00	10,088.09	136,088.09	(117,504.08)	18,584.01	3,907.46	22,491.47
361200	Gravity Piping	2009	PVC	8 inch	843	54,795.00	9,795.00	45,000.00	3,602.89	48,602.89	(41,965.74)	6,637.15	1,395.52	8,032.67
361200	Gravity Piping	2008	PVC	12 inch	705	56,400.00	10,400.00	46,000.00	3,682.95	49,682.95	(42,898.31)	6,784.64	1,426.53	8,211.17
361200	Forcemain Piping	1996	HDPE	1.5 Inch	1,500	37,500.00	12,500.00	25,000.00	2,001.60	27,001.60	(23,314.30)	3,687.30	775.29	4,462.59
361200	Forcemain Piping	2009	HDPE	1.5 Inch	1,511	37,775.00	6,775.00	31,000.00	2,481.99	33,481.99	(28,909.73)	4,572.26	961.36	5,533.62
361200	Forcemain Piping	1993	PVC	2 Inch	1,720	51,600.00	19,600.00	32,000.00	2,562.05	34,562.05	(29,842.30)	4,719.75	992.37	5,712.12
361200	Forcemain Piping	1995	PVC	2 Inch	2,410	72,300.00	26,300.00	46,000.00	3,682.95	49,682.95	(42,898.31)	6,784.64	1,426.53	8,211.17
361200	Forcemain Piping	1998	PVC	2 Inch	650	19,500.00	6,500.00	13,000.00	1,040.83	14,040.83	(12,123.43)	1,917.40	403.15	2,320.55
361200	Forcemain Piping	1999	PVC	2 Inch	2,950	88,500.00	27,500.00	61,000.00	4,883.91	65,883.91	(56,886.89)	8,997.02	1,891.71	10,888.73
361200	Forcemain Piping	2000	PVC	2 Inch	1,350	40,500.00	11,500.00	29,000.00	2,321.86	31,321.86	(27,044.59)	4,277.27	899.34	5,176.61
361200	Forcemain Piping	2002	PVC	2 Inch	1,140	34,200.00	9,200.00	25,000.00	2,001.60	27,001.60	(23,314.30)	3,687.30	775.29	4,462.59
361200	Forcemain Piping	2003	PVC	2 Inch	5,432	162,960.00	40,960.00	122,000.00	9,767.83	131,767.83	(113,773.79)	17,994.04	3,783.41	21,777.45
361200	Forcemain Piping	2004	PVC	2 Inch	1,200	36,000.00	9,000.00	27,000.00	2,161.73	29,161.73	(25,179.44)	3,982.29	837.31	4,819.60
361200	Forcemain Piping	2005	PVC	2 Inch	2,106	63,180.00	14,180.00	49,000.00	3,923.14	52,923.14	(45,696.02)	7,227.12	1,519.57	8,746.69
361200	Forcemain Piping	2012	PVC	2 Inch	1,425	42,750.00	5,750.00	37,000.00	2,962.37	39,962.37	(34,505.16)	5,457.21	1,147.43	6,604.64
361200	Forcemain Piping	2014	PVC	2 Inch	850	25,500.00	2,500.00	23,000.00	1,841.48	24,841.48	(21,449.16)	3,392.32	713.27	4,105.59
361200	Forcemain Piping	2019	PVC	2 Inch	300	9,000.00	-	9,000.00	720.58	9,720.58	(8,393.15)	1,327.43	279.10	1,606.53
361200	Forcemain Piping	1995	PVC	2.5 Inch	3,395	118,825.00	42,825.00	76,000.00	6,084.88	82,084.88	(70,875.48)	11,209.40	2,356.88	13,566.28
361200	Forcemain Piping	1991	PVC	3 Inch	8,336	333,440.00	137,440.00	196,000.00	15,692.58	211,692.58	(182,784.12)	28,908.46	6,078.27	34,986.73
361200	Forcemain Piping	1993	PVC	3 Inch	4,986	199,440.00	77,440.00	122,000.00	9,767.83	131,767.83	(113,773.79)	17,994.04	3,783.41	21,777.45
361200	Forcemain Piping	1994	PVC	3 Inch	8,760	350,400.00	130,400.00	220,000.00	17,614.12	237,614.12	(205,165.84)	32,448.28	6,822.55	39,270.83
361200	Forcemain Piping	1995	PVC	3 Inch	650	26,000.00	9,000.00	17,000.00	1,361.09	18,361.09	(15,853.72)	2,507.37	527.20	3,034.57
361200	Forcemain Piping	1998	PVC	3 Inch	2,550	102,000.00	33,000.00	69,000.00	5,524.43	74,524.43	(64,347.47)	10,176.96	2,139.80	12,316.76
361200	Forcemain Piping	2003	PVC	3 Inch	2,475	99,000.00	25,000.00	74,000.00	5,924.75	79,924.75	(69,010.33)	10,914.42	2,294.86	13,209.28
361200	Forcemain Piping	1993	PVC	4 Inch	2,480	124,000.00	48,000.00	76,000.00	6,084.88	82,084.88	(70,875.48)	11,209.40	2,356.88	13,566.28
361200	Forcemain Piping	1994	PVC	4 Inch	8,760	438,000.00	164,000.00	274,000.00	21,937.58	295,937.58	(255,524.73)	40,412.85	8,497.17	48,910.02
361200	Forcemain Piping	1998	PVC	4 Inch	4,850	242,500.00	77,500.00	165,000.00	13,210.59	178,210.59	(153,874.38)	24,336.21	5,116.91	29,453.12
361200	Forcemain Piping	2000	PVC	4 Inch	2,712	135,600.00	39,600.00	96,000.00	7,686.16	103,686.16	(89,526.91)	14,159.25	2,977.11	17,136.36
361200	Forcemain Piping	2002	PVC	4 Inch	1,254	62,700.00	16,700.00	46,000.00	3,682.95	49,682.95	(42,898.31)	6,784.64	1,426.53	8,211.17
361200	Forcemain Piping	2002	PVC	6 Inch	8,640	475,200.00	127,200.00	348,000.00	27,862.33	375,862.33	(324,535.06)	51,327.27	10,792.03	62,119.30
	Grand Total - Piping:					$10,297,600.00	$ 3,440,600.00	$ 6,857,000.00	$ 549,000.00	$ 7,406,000.00	$ (6,394,646.27)	$ 1,011,353.73	$ 212,646.38	$ 1,224,000.11

Crossroads Utility, LLC
Compilation of Appraised Asset Value of LMH Utilities Corporation Wastewater Assets
Included in Crossroads Utility, LLC Acquisition of LMH Utilities Corporation
Appraised Asset Value per Banning Engineering Wastewater System Facilities Inventory/Valuation and Schreiner Valuation Resources, LLC Appraisals
Reduced Rateably to Reflect Final Crossroads Utility, LLC Purchase Price of $1,712,173 and Acquisition Transaction Costs of $360,000 for a total of $2,072,173

Subsidiary Account	Account Description	Year of Plant Installation	Type of Plant	Number of Units	Unit Cost Per Structure	Final Banning Engineering Appraised Value	Final Accumulated Depreciation Value	Final Net Appraised Value of Utility Plant	Non Construction Costs	Final Value with Non Construction Costs Included	Ratio to Reduce to Final Acquistion Purchase Price	Total Acquisition Price	Spread of $360,000 of Acquisition Transaction Costs	Total Acquisition Value with Transaction Costs
Manholes:														
361100	Manholes	1987	Manhole	20	$ 10,000.00	$ 200,000.00	$ 140,000.00	$ 60,000.00	$ 4,785.82	$ 64,785.82	$ (55,938.75)	$ 8,847.07	$ 1,860.18	$ 10,707.25
361100	Manholes	1988	Manhole	4	10,000.00	40,000.00	27,000.00	13,000.00	1,036.93	14,036.93	(12,120.07)	1,916.86	403.04	2,319.90
361100	Manholes	1989	Manhole	20	10,000.00	200,000.00	132,000.00	68,000.00	5,423.93	73,423.93	(63,397.25)	10,026.68	2,108.20	12,134.88
361100	Manholes	1990	Manhole	7	10,000.00	70,000.00	45,000.00	25,000.00	1,994.09	26,994.09	(23,307.81)	3,686.28	775.07	4,461.35
361100	Manholes	1991	Manhole	3	10,000.00	30,000.00	19,000.00	11,000.00	877.40	11,877.40	(10,255.44)	1,621.96	341.03	1,962.99
361100	Manholes	1994	Manhole	23	10,000.00	230,000.00	129,000.00	101,000.00	8,056.13	109,056.13	(94,163.57)	14,892.56	3,131.30	18,023.86
361100	Manholes	1995	Manhole	7	10,000.00	70,000.00	38,000.00	32,000.00	2,552.44	34,552.44	(29,834.00)	4,718.44	992.10	5,710.54
361100	Manholes	1996	Manhole	19	10,000.00	190,000.00	99,000.00	91,000.00	7,258.49	98,258.49	(84,840.44)	13,418.05	2,821.27	16,239.32
361100	Manholes	1997	Manhole	27	10,000.00	270,000.00	135,000.00	135,000.00	10,768.09	145,768.09	(125,862.19)	19,905.90	4,185.40	24,091.30
361100	Manholes	1999	Manhole	7	10,000.00	70,000.00	32,000.00	38,000.00	3,031.02	41,031.02	(35,427.88)	5,603.14	1,178.11	6,781.25
361100	Manholes	2000	Manhole	12	10,000.00	120,000.00	53,000.00	67,000.00	5,344.17	72,344.17	(62,464.94)	9,879.23	2,077.20	11,956.43
361100	Manholes	2002	Manhole	70	10,000.00	700,000.00	280,000.00	420,000.00	33,500.74	453,500.74	(391,571.27)	61,929.47	13,021.24	74,950.71
361100	Manholes	2003	Manhole	20	10,000.00	200,000.00	76,000.00	124,000.00	9,890.69	133,890.69	(115,606.75)	18,283.94	3,844.37	22,128.31
361100	Manholes	2005	Manhole	7	10,000.00	70,000.00	24,000.00	46,000.00	3,669.13	49,669.13	(42,886.38)	6,782.75	1,426.14	8,208.89
361100	Manholes	2008	Manhole	12	10,000.00	120,000.00	34,000.00	86,000.00	6,859.68	92,859.68	(80,178.88)	12,680.80	2,666.25	15,347.05
361100	Manholes	2009	Manhole	5	10,000.00	50,000.00	13,000.00	37,000.00	2,951.26	39,951.26	(34,495.57)	5,455.69	1,147.11	6,602.80
	Grand Total - Manholes:					$ 2,630,000.00	$ 1,276,000.00	$ 1,354,000.00	$ 108,000.00	$ 1,462,000.00	$ 1,262,351.18	$ 199,648.82	$ 41,978.00	$ 241,626.80

Crossroads Utility, LLC
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Subsidiary Account	Account / Item Description	Year of Plant Installation	Type of Plant	Number of Units	Unit Cost Per Structure	Final Banning Engineering Appraised Value	Final Accumulated Depreciation Value	Final Net Appraised Value of Utility Plant	Non Construction Costs	Final Value with Non Construction Costs Included	Ratio to Reduce to Final Acquistion Purchase Price	Total Acquisition Price	Spread of $360,000 of Acquisition Transaction Costs	Total Acquisition Value with Transaction Costs
Lift Stations:														
354200	Lift Station # 1 - 2 HP - Structural	1989	Lift Station	1	$ 61,500.00	$ 61,500.00	$ 40,500.00	$ 21,000.00	$ 1,684.12	$ 22,684.12	$ (19,586.41)	$ 3,097.71	$ 651.32	$ 3,749.03
354200	Lift Station # 1 - 2 HP - Electrical/Mechanical	1989	Lift Station	1	20,500.00	20,500.00	20,500.00	-	-	-	-	-	-	-
354200	Lift Station # 2 - 5 HP - Structural	1993	Lift Station	1	91,500.00	91,500.00	53,500.00	38,000.00	3,047.46	41,047.46	(35,442.07)	5,605.39	1,178.58	6,783.97
354200	Lift Station # 2 - 5 HP - Electrical/Mechanical	1993	Lift Station	1	30,500.00	30,500.00	30,500.00	-	-	-	-	-	-	-
354200	Lift Station # 3 - 5 HP - Structural	1995	Lift Station	1	91,500.00	91,500.00	49,500.00	42,000.00	3,368.25	45,368.25	(39,172.82)	6,195.43	1,302.65	7,498.08
354200	Lift Station # 3 - 5 HP - Electrical/Mechanical	1995	Lift Station	1	30,500.00	30,500.00	30,500.00	-	-	-	-	-	-	-
354200	Lift Station # 4 - 2 HP - Structural	1996	Lift Station	1	61,500.00	61,500.00	31,500.00	30,000.00	2,405.89	32,405.89	(27,980.58)	4,425.31	930.46	5,355.77
354200	Lift Station # 4 - 2 HP - Electrical/Mechanical	1996	Lift Station	1	20,500.00	20,500.00	20,500.00	-	-	-	-	-	-	-
354200	Lift Station # 5 - 2 HP - Structural	1997	Lift Station	1	61,500.00	61,500.00	30,500.00	31,000.00	2,486.09	33,486.09	(28,913.27)	4,572.82	961.48	5,534.30
354200	Lift Station # 5 - 2 HP - Electrical/Mechanical	1997	Lift Station	1	20,500.00	20,500.00	20,500.00	-	-	-	-	-	-	-
354200	Lift Station # 6 - 5 HP - Structural	1998	Lift Station	1	91,500.00	91,500.00	43,500.00	48,000.00	3,849.43	51,849.43	(44,768.94)	7,080.49	1,488.74	8,569.23
354200	Lift Station # 6 - 5 HP - Electrical/Mechanical	1998	Lift Station	1	30,500.00	30,500.00	29,500.00	1,000.00	80.20	1,080.20	(932.69)	147.51	31.02	178.53
354200	Lift Station # 7 - 5 HP - Structural	1999	Lift Station	1	91,500.00	91,500.00	42,500.00	49,000.00	3,929.62	52,929.62	(45,701.62)	7,228.00	1,519.75	8,747.75
354200	Lift Station # 7 - 5 HP - Electrical/Mechanical	1999	Lift Station	1	30,500.00	30,500.00	28,500.00	2,000.00	160.39	2,160.39	(1,865.37)	295.02	62.03	357.05
354200	Lift Station # 8 - 5 HP - Structural	2000	Lift Station	1	91,500.00	91,500.00	40,500.00	51,000.00	4,090.02	55,090.02	(47,567.00)	7,523.02	1,581.78	9,104.80
354200	Lift Station # 8 - 5 HP - Electrical/Mechanical	2000	Lift Station	1	30,500.00	30,500.00	26,500.00	4,000.00	320.79	4,320.79	(3,730.75)	590.04	124.06	714.10
354200	Lift Station # 9 - 40 HP - Structural	2002	Lift Station	1	335,250.00	335,250.00	134,250.00	201,000.00	16,119.48	217,119.48	(187,469.93)	29,649.55	6,234.09	35,883.64
354200	Lift Station # 9 - 40 HP - Electrical/Mechanical	2002	Lift Station	1	111,250.00	111,250.00	89,250.00	22,000.00	1,764.32	23,764.32	(20,519.10)	3,245.22	682.34	3,927.56
354200	Lift Station # 10 - 20 HP - Structural	2002	Lift Station	1	304,500.00	304,500.00	121,500.00	183,000.00	14,675.94	197,675.94	(170,681.57)	26,994.37	5,675.81	32,670.18
354200	Lift Station # 10 - 20 HP - Electrical/Mechanical	2002	Lift Station	1	101,500.00	101,500.00	81,500.00	20,000.00	1,603.93	21,603.93	(18,653.73)	2,950.20	620.31	3,570.51
354200	Lift Station # 11 - 2 HP - Structural	2002	Lift Station	1	61,500.00	61,500.00	24,500.00	37,000.00	2,967.27	39,967.27	(34,509.39)	5,457.88	1,147.57	6,605.45
354200	Lift Station # 11 - 2 HP - Electrical/Mechanical	2002	Lift Station	1	20,500.00	20,500.00	16,500.00	4,000.00	320.79	4,320.79	(3,730.75)	590.04	124.06	714.10
354200	Lift Station # 12 - 7 HP - Structural	2002	Lift Station	1	195,000.00	195,000.00	88,000.00	107,000.00	8,581.01	115,581.01	(99,797.42)	15,783.59	3,318.64	19,102.23
354200	Lift Station # 12 - 7 HP - Electrical/Mechanical	2002	Lift Station	1	65,000.00	65,000.00	52,000.00	13,000.00	1,042.55	14,042.55	(12,124.92)	1,917.63	403.20	2,320.83
354200	Lift Station # 13 - 7 HP - Structural	2003	Lift Station	1	183,000.00	183,000.00	70,000.00	113,000.00	9,062.19	122,062.19	(105,393.54)	16,668.65	3,504.74	20,173.39
354200	Lift Station # 13 - 7 HP - Electrical/Mechanical	2003	Lift Station	1	61,000.00	61,000.00	46,000.00	15,000.00	1,202.95	16,202.95	(13,990.30)	2,212.65	465.23	2,677.88
354200	Lift Station # 14 - 5 HP - Structural	2003	Lift Station	1	91,500.00	91,500.00	34,500.00	57,000.00	4,571.19	61,571.19	(53,163.11)	8,408.08	1,767.88	10,175.96
354200	Lift Station # 14 - 5 HP - Electrical/Mechanical	2003	Lift Station	1	30,500.00	30,500.00	23,500.00	7,000.00	561.37	7,561.37	(6,528.80)	1,032.57	217.11	1,249.68
354200	Lift Station # 15 - 3 HP - Structural	2005	Lift Station	1	91,500.00	91,500.00	31,500.00	60,000.00	4,811.78	64,811.78	(55,961.17)	8,850.61	1,860.92	10,711.53
354200	Lift Station # 15 - 3 HP - Electrical/Mechanical	2005	Lift Station	1	30,500.00	30,500.00	20,500.00	10,000.00	801.96	10,801.96	(9,326.86)	1,475.10	310.15	1,785.25
354200	Lift Station # 16 - 2X2 HP WG20 - Structural	2009	Lift Station	1	61,500.00	61,500.00	15,500.00	46,000.00	3,689.03	49,689.03	(42,903.56)	6,785.47	1,426.71	8,212.18
354200	Lift Station # 16 - 2X2 HP WG21 - Electrical/Mechanical	2009	Lift Station	1	20,500.00	20,500.00	10,500.00	10,000.00	801.96	10,801.96	(9,326.86)	1,475.10	310.15	1,785.25
	Grand Total - Lift Stations:					$ 2,620,500.00	$ 1,398,500.00	$ 1,222,000.00	$ 98,000.00	$ 1,320,000.00	$ (1,139,742.53)	$ 180,257.45	$ 37,900.80	$ 218,158.20

Crossroads Utility, LLC
Compilation of Appraised Asset Value of LMH Utilities Corporation Wastewater Assets
Included in Crossroads Utility, LLC Acquisition of LMH Utilities Corporation
Appraised Asset Value per Banning Engineering Wastewater System Facilities Inventory/Valuation and Schreiner Valuation Resources, LLC Appraisals
Reduced Rateably to Reflect Final Crossroads Utility, LLC Purchase Price of $1,712,173 and Acquisition Transaction Costs of $360,000 for a total of $2,072,173

Subsidiary Account	Account / Item Description	Year of Plant Installation	Number of Units	Final Banning Engineering Appraised Value	Final Accumulated Depreciation Value	Final Net Appraised Value of Utility Plant	Non Construction Costs	Final Value with Non Construction Costs Included	Ratio to Reduce to Final Acquistion Purchase Price	Total Acquisition Price	Spread of $360,000 of Acquisition Transaction Costs	Total Acquisition Value with Transaction Costs
Treatment Plant:												
354400	1987 WWTP - 20,000 GPD Capacity	1987	1	$ 358,200.00	$ 358,200.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -
354400	Main Lab and Blower Building (Approx. 50' X 30')	1994	1	335,800.00	187,800.00	148,000.00	11,810.27	159,810.27	(137,986.79)	21,823.48	4,588.59	26,412.07
354400	Headworks - Raw Sewage Pump Station	2006	1	335,800.00	214,800.00	121,000.00	9,655.69	130,655.69	(112,813.52)	17,842.17	3,751.48	21,593.65
354400	Headworks - Building	1994	1	14,900.00	7,900.00	7,000.00	558.59	7,558.59	(6,526.40)	1,032.19	217.03	1,249.22
354400	Screening - Mecanically Cleaned Bar Screens	2006	1	149,300.00	119,300.00	30,000.00	2,393.97	32,393.97	(27,970.29)	4,423.68	930.12	5,353.80
354400	Screening - Manual Bar Screen	1994	1	59,700.00	33,700.00	26,000.00	2,074.78	28,074.78	(24,240.92)	3,833.86	806.10	4,639.96
354400	Screening - Building	1994	1	7,500.00	4,500.00	3,000.00	239.40	3,239.40	(2,797.03)	442.37	93.01	535.38
354400	Processing (Sequential Batch Reactors: SBR's) - Controls	2006	1	149,300.00	95,300.00	54,000.00	4,309.15	58,309.15	(50,346.53)	7,962.62	1,674.21	9,636.83
354400	Processing (SBR's) - Flow Splitter Box	1994	1	7,500.00	4,500.00	3,000.00	239.40	3,239.40	(2,797.03)	442.37	93.01	535.38
354400	Processing (SBR's) - Acutated Flow Control Valves	2006	1	149,300.00	95,300.00	54,000.00	4,309.15	58,309.15	(50,346.53)	7,962.62	1,674.21	9,636.83
354400	Tanks - 2 @ 57' L X 24' W X 16.5' H (inside diameter)	1994	1	335,100.00	125,100.00	210,000.00	16,757.81	226,757.81	(195,792.06)	30,965.75	6,510.83	37,476.58
354400	Tanks - 2 @ 57' L X 24' W X 16.5' H (inside diameter)	2006	1	335,100.00	71,100.00	264,000.00	21,066.96	285,066.96	(246,138.59)	38,928.37	8,185.05	47,113.42
354400	Blowers	1994	1	223,900.00	124,900.00	99,000.00	7,900.11	106,900.11	(92,301.97)	14,598.14	3,069.39	17,667.53
354400	Diffuser	1994	1	128,400.00	128,400.00	-	-	-	-	-	-	-
354400	Diffuser	2006	1	128,400.00	102,400.00	26,000.00	2,074.78	28,074.78	(24,240.92)	3,833.86	806.10	4,639.96
354400	Decanter	1994	1	74,600.00	74,600.00	-	-	-	-	-	-	-
354400	Decanter	2006	1	74,600.00	59,600.00	15,000.00	1,196.99	16,196.99	(13,985.15)	2,211.84	465.06	2,676.90
354400	Stainless Steel Air Piping	1994	1	59,700.00	33,700.00	26,000.00	2,074.78	28,074.78	(24,240.92)	3,833.86	806.10	4,639.96
354400	Stainless Steel Air Piping	2006	1	59,700.00	18,700.00	41,000.00	3,271.76	44,271.76	(38,226.07)	6,045.69	1,271.16	7,316.85
354400	Sludge Pumps and Control	1994	1	37,300.00	37,300.00	-	-	-	-	-	-	-
354400	Sludge Pumps and Control	2006	1	37,300.00	24,300.00	13,000.00	1,037.39	14,037.39	(12,120.46)	1,916.93	403.05	2,319.98
354400	RAS/WAS Flow Splitter Box	1994	1	7,500.00	4,500.00	3,000.00	239.40	3,239.40	(2,797.03)	442.37	93.01	535.38
354400	RAS/WAS Flow Splitter Box	2006	1	7,500.00	2,500.00	5,000.00	399.00	5,399.00	(4,661.72)	737.28	155.02	892.30
354400	Disinfection Tank 1 @ 20' L X 21.5' W X 10.5' H (inside)	1990	1	54,000.00	23,000.00	31,000.00	2,473.77	33,473.77	(28,902.64)	4,571.13	961.12	5,532.25
354400	Disinfection Tank 2 @ 30' L X 30' W X 8' H (inside)	1990	1	77,100.00	33,100.00	44,000.00	3,511.16	47,511.16	(41,023.10)	6,488.06	1,364.17	7,852.23
354400	Disinfection (Chlorination/Dechlorination) - Building Over Tank (30' X 30')	1990	1	167,900.00	107,900.00	60,000.00	4,787.95	64,787.95	(55,940.59)	8,847.36	1,860.24	10,707.60
354400	Disinfection (Chlorination/Dechlorination) - Chlor/Dechlor Equipment	2006	1	74,600.00	59,600.00	15,000.00	1,196.99	16,196.99	(13,985.15)	2,211.84	465.06	2,676.90
354400	Effluent Pumps and Controls	1994	1	37,300.00	37,300.00	-	-	-	-	-	-	-
354400	Post Aeration (Cascade Aeration)	1994	1	14,900.00	14,900.00	-	-	-	-	-	-	-
354400	Flow Metering	2006	1	22,400.00	22,400.00	-	-	-	-	-	-	-
354400	Sludge Processing - Aerobic Digesters - 2 Tanks @ 39' L X 13' W X 16.5' H (inside diamete	1990	1	184,300.00	78,300.00	106,000.00	8,458.71	114,458.71	(98,828.38)	15,630.33	3,286.42	18,916.75
354400	Sludge Processing - Aerobic Digesters - Blowers	1990	1	44,800.00	28,800.00	16,000.00	1,276.79	17,276.79	(14,917.49)	2,359.30	496.06	2,855.36
354400	Sludge Processing - Aerobic Digesters - Blowers	1994	1	111,900.00	62,900.00	49,000.00	3,910.16	52,910.16	(45,684.82)	7,225.34	1,519.19	8,744.53
354400	Sludge Processing - Aerobic Digesters - Diffusers	1994	1	119,400.00	119,400.00	-	-	-	-	-	-	-
354400	Sludge Processing - Aerobic Digesters - Stainless Steel Air Pumping	1994	1	29,900.00	29,900.00	-	-	-	-	-	-	-
354400	Sludge Processing - Aerobic Digesters - Sludge Transfer Pumps & Controls	1994	1	37,300.00	37,300.00	-	-	-	-	-	-	-
354400	Sludge Processing - Aerobic Digesters - Belt Filter Press /Sump & Controls	2002	1	223,900.00	178,900.00	45,000.00	3,590.96	48,590.96	(41,955.44)	6,635.52	1,395.18	8,030.70
354400	Sludge Processing - Aerobic Digesters - Belt Filter Press Sludge Pump & Controls	2002	1	29,900.00	23,900.00	6,000.00	478.79	6,478.79	(5,594.05)	884.74	186.02	1,070.76
354400	Sludge Processing - Aerobic Digesters - Sludge Conveyor and Controls	2002	1	37,300.00	30,300.00	7,000.00	558.59	7,558.59	(6,526.40)	1,032.19	217.03	1,249.22
354400	Sludge Processing - Aerobic Digesters - Roll-Off Container	2002	1	3,700.00	3,700.00	-	-	-	-	-	-	-
354400	Sludge Processing - Aerobic Digesters - Building	2002	1	14,900.00	5,900.00	9,000.00	718.19	9,718.19	(8,391.09)	1,327.10	279.03	1,606.13
354400	Non-Potable Water System	1994	1	7,500.00	4,500.00	3,000.00	239.40	3,239.40	(2,797.03)	442.37	93.01	535.38
354400	Laboratory Equipment	2006	1	52,200.00	52,200.00	-	-	-	-	-	-	-
354400	Site Fencing, Access Drives, and Landscaping	2006	1	149,300.00	119,300.00	30,000.00	2,393.97	32,393.97	(27,970.29)	4,423.68	930.12	5,353.80
354400	Plant Piping	2006	1	149,300.00	47,300.00	102,000.00	8,139.51	110,139.51	(95,099.00)	15,040.51	3,162.40	18,202.91
354400	Plant Electrical	2006	1	186,600.00	119,600.00	67,000.00	5,346.54	72,346.54	(62,466.99)	9,879.55	2,077.27	11,956.82
354400	Standby Power	2006	1	149,300.00	95,300.00	54,000.00	4,309.15	58,309.15	(50,346.53)	7,962.62	1,674.21	9,636.83
	Grand Total - Treatment Plant:			$ 5,056,100.00	$ 3,264,100.00	$ 1,792,000.00	$ 143,000.00	$ 1,935,000.00	$ (1,670,758.92)	$ 264,241.09	$ 55,559.10	$ 319,800.20

Crossroads Utility, LLC
Compilation of Appraised Asset Value of LMH Utilities Corporation Wastewater Assets
Included in Crossroads Utility, LLC Acquisition of LMH Utilities Corporation
Appraised Asset Value per Banning Engineering Wastewater System Facilities Inventory/Valuation and Schreiner Valuation Resources, LLC Appraisals
Reduced Rateably to Reflect Final Crossroads Utility, LLC Purchase Price of $1,712,173 and Acquisition Transaction Costs of $360,000 for a total of $2,072,173

Subsidiary Account	Account / Item Description	Year of Plant Installation	Number of Units	Final Appraised Value	Final Accumulated Depreciation Value	Final Net Appraised Value of Utility Plant	Non Construction Costs	Final Value with Non Construction Costs Included	Ratio to Reduce to Final Acquistion Purchase Price	Total Acquisition Price	Spread of $360,000 of Acquisition Transaction Costs	Total Acquisition Value with Transaction Costs
Items Included from Schreiiner Valuation:												
354700	Buildings and Site Improvements	N/A	1	$ 235,000.00	$ -	$ 235,000.00	$ -	$ 235,000.00	$ (202,908.71)	$ 32,091.29	$ 6,747.49	$ 38,838.78
397700	Miscellaneous Personal Property	N/A	1	85,000.00	-	85,000.00	-	85,000.00	(73,392.51)	11,607.49	2,440.58	14,048.07
353400	Land	N/A	1	95,000.00	-	95,000.00	-	95,000.00	(82,026.92)	12,973.08	2,727.71	15,700.79
	Grand Total - All Items:			$21,019,200.00	$ 9,379,200.00	$11,640,000.00	$ 898,000.00	$12,538,000.00	$ (8,301,124.70)	$ 1,712,173.00	$ 360,000.00	$ 2,072,173.00

Note: Final Value with Non-Construction Costs Included of $12,538,000 reflects the Cost Approach Summary - Wastewater Utility System as shown on Page 25 of Schreiner Valuation Resources, LLC Appraisal dated September 28, 2022.
This value was used as the start point to reduce to the final acqusition price of $1,712,173 plus total incidental expenses and other costs of the acquisiton of $360,000, for a total of $2,072,173.

CAUSE NO. 45833
ATTACHMENT GMV-4
VERIFIED DIRECT TESTIMONY OF GARY VERDOUW

Crossroads Utilities, LLC and LMH Corp.

Crossroads Utilities - Acquisition of LMH Utilities
Revenue Effect of Acquiring LMH for $1,712,173 plus costs of $360,000, or total of $2,072,173
As Well As Inclusion of Year One Capital Costs for CCTV and Telemetry in the Amount of $1,223,500

Comparison of Most Recent Rate Case (Cause No. 45307) With Same Calculation of New Rate Base Total

Line Number	Revenue Requirement:	Column A Final Results of Previous Rate Case-Cause No. 45307	Column B Cause No. 45307 Results Including Crossroads Acquisition Purchase Price Only	Column C Cause No. 45307 Results With Total Cross-Roads Acquisition and Acquisition Costs	Column D Cause No. 45307 Results with Crossroads Acquisition & Costs and Necessary Capex Spend
1	Original Cost Rate Base, Approved in Cause No. 45307	$ 1,180,507	$ -	$ -	$ -
2	Crossroads Utilities Acquisition Purchase Price of LMH Utilities		1,712,173	1,712,173	1,712,173
3	Incidental Expenses and Other Costs of Acquisition			360,000	360,000
4	Year One Capital Spend - CCTV ($557,500) and Telemetry ($666,000)				1,223,500
5	Original Cost Rate Base	$ 1,180,507	$ 1,712,173	$ 2,072,173	$ 3,295,673
6	Times: Weighted Cost of Capital	7.11%	7.11%	7.11%	7.11%
7	Net Operating Income Required for Return on Original Cost Rate Base	83,934	121,736	147,332	234,322
8	Less: Adjusted Net Operating Income	83,934	83,934	83,934	83,934
9	Net Revenue Increase Required	-	37,802	63,398	150,388
10	Times: Gross Revenue Conversion Factor (using current information)	134.00%	134.00%	134.00%	134.00%
11	Recommended Revenue Increase	$ -	$ 50,655	$ 84,953	$ 201,520
12	Recommended Percentage Increase	7.48%	6.33%	10.61%	25.17%
13	Operating Revenues after Rate Increase	$ 800,574	$ 851,229	$ 885,527	$ 1,002,094