

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE CITY OF FORT WAYNE,
INDIANA, FOR AUTHORITY TO ISSUE
LONG-TERM DEBT TO FINANCE WATER
SYSTEM IMPROVEMENTS AND TO ADJUST
ITS RATES AND CHARGES FOR WATER
SERVICE**

CAUSE NO. 45125

TESTIMONY

OF

THOMAS W. MALAN - PUBLIC'S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

OCTOBER 30, 2018

Respectfully Submitted,



Daniel L. Le Vay, Atty. No. 22184-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Testimony of Thomas W. Malan* has been served upon the following counsel of record in the captioned proceeding by electronic service on October 30, 2018.

J. Christopher Janak
Jonathan W. Hughes
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
Email: jjanak@boselaw.com
jhughes@boselaw.com

Brian C. Bosma, Esq.
KROGER GARDIS & REGAS, LLP
111 Monument Circle, Suite 900
Indianapolis, IN 46204
Email: BBosma@kgirlaw.com

Robert Glennon
Robert Glennon & Associates
3697 N. County Road 500 E.
Danville, IN 46122
Email: Robertglennonlaw@gmail.com

Jeffery Earl
52 West Main St.
Danville, IN 46122
Email: jeff@lewisandearl.com

Brandon J. Almas, Esq.
Associate City Attorney - City Utilities
200 E. Berry St.
Fort Wayne, IN 46802
Email: brandon.almas@cityoffortwayne.org

Bette Dodd
Tabitha Balzer
LEWIS & KAPPES, P.C.
One American Square, Ste. 2500
Indianapolis, Indiana 46282
Email: bdodd@lewis-kappes.com
tbalzer@lewis-kappes.com

Laura L. Romeo
General Motors
300 Renaissance Center, P.O. Box 300
Detroit, MI 48265-3000
Email: laura.romeo@gm.com



Daniel M. Le Vay
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile

TESTIMONY OF OUCC WITNESS THOMAS W. MALAN
CAUSE NO. 45125
CITY OF FORT WAYNE

I. INTRODUCTION

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

2 A: My name is Thomas W. Malan, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, IN 46204

4 **Q:** By whom are you employed and in what capacity?

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 a Utility Analyst with the Water-Wastewater Division. My qualifications and
7 experience are set forth in Appendix A.

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

9 A: I recommend adjustments to City of Fort Wayne's ("Petitioner" or "Fort Wayne")
10 test year operating expenses for contractual services and liability insurance
11 expense.

II. OPERATING EXPENSE ADJUSTMENTS

A. Contractual Services

12 **Q:** Did Petitioner propose any adjustments for contractual services expense?

13 A: Yes. Petitioner proposed an increase of \$159,056 to test year contractual services
14 expense of \$2,457,845, yielding *pro forma* contractual service expense of
15 \$2,616,901. Petitioner's proposed adjustments included a \$2,648 decrease to
16 remove costs that are capital in nature (Petitioner's adjustment no. 10), a \$260,830

1 increase to reflect 2018 allocated city wide shared costs (Petitioner's adjustment
2 nos. 6 and 7) and a \$99,126 decrease to remove non-recurring legal expenses
3 (Petitioner's adjustment no. 10).

4 **Q: Do you accept any of Petitioner's proposed adjustments?**

5 A: Yes. I accept all of Petitioner's proposed contractual services expense adjustments.

6 **Q: Do you propose an additional adjustment to contractual services expense?**

7 A: Yes. I propose an additional \$1,064 decrease to correct the water utility's share of
8 a test year engineering charge.

9 **Q: Please explain why you propose this adjustment.**

10 A: A Spectrum Engineering invoice for \$2,660 was to be split between Fort Wayne's
11 water (30%) and wastewater (70%) utilities. However, 70% of the invoice was
12 charged to water rather than 30%. This error resulted in \$1,862 being charged to
13 water instead of \$798, a difference of \$1,064 (See Attachment TWM-1). Therefore,
14 I propose a \$1,064 decrease to contractual services – engineering. (See OUCC
15 Schedule 6, Adjustment No. 1.)

B. Commercial Insurance

16 **Q: Did Petitioner propose any adjustments to commercial insurance expense?**

17 A: Yes. Petitioner proposed a \$15,697 increase to test year commercial insurance
18 expense of \$352,052, yielding *pro forma* commercial insurance expense of

1 \$367,749. Petitioner's adjustment reflects an increase for 2018 insurance costs
2 (Petitioner's adjustment no. 9).

Table 1: Petitioner's Insurance Expense Adjustment

	Less:		
	Pro Forma	Test Year	Adjustment
Water Treatment	177,700	(187,704)	(10,004)
Customer Accounts	105,362	(77,955)	27,407
Administrative & General	2,776	(4,482)	(1,706)
			<u>15,697</u>

3 **Q: Do you accept Petitioner's proposed insurance expense adjustment?**

4 A: No. To calculate its adjustment, Petitioner inadvertently picked up an incorrect
5 amount for 2018 commercial insurance expense (\$105,362) allocated to customer
6 accounts. The correct 2018 commercial insurance expense allocated to customer
7 accounts is \$79,685. This error overstated Petitioner's 2018 commercial insurance
8 expense by \$25,677 (\$105,362 - \$79,685).

9 **Q: What adjustment to insurance expense do you propose?**

10 A: I propose a \$9,980 decrease to test year insurance expense as reflected in Table 2
11 below.

Table 2: OUCC Commercial Insurance Adjustment

	OUCC Pro Forma	Less: Test Year	OUCC Proposed Adjustment
Water Treatment	177,700	187,704	(10,004)
Customer Accounts	79,685	77,955	1,730
Administrative & General	2,776	4,482	<u>(1,706)</u>
			<u><u>(9,980)</u></u>

1 **Q: Please explain the difference between your *pro forma* “Customer Accounts”**
2 **calculation and Petitioner’s.**

3 A: Petitioner calculated *pro forma* “Customer Accounts” insurance expense using (1)
4 5342-Liability Insurance \$58,628, (2) 5345-Automobile Insurance \$19,934, and (3)
5 5351-Electricity \$26,800; for a total of \$105,362. Instead of account 5351-
6 Electricity in the amount of \$26,800, Petitioner should have used account 5341-
7 Property Insurance \$1,123. I corrected for this difference. (See Attachment TWM-
8 2.)

9 **Q: Has Petitioner acknowledged this error?**

10 A: Yes. In Petitioner’s response to OUCC Data Request No. 3-5, Eric Walsh
11 characterizes the use of \$26,800 instead of the correct amount of \$1,123 as an
12 “allocation error.” (See Attachment TWM-3.)

III. RECOMMENDATIONS

1 **Q:** Please summarize your recommendations.

2 **A:** I recommend the Commission reduce contractual services expense by \$1,064. I
3 also recommend the Commission reduce test year insurance expense by \$9,980.

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

5 **A:** Yes.

APPENDIX A

QUALIFICATIONS

1 **Q: Please describe your educational experience.**

2 A: In December of 2002 I received a Bachelor's degree in Business Administration
3 focusing in Accounting from Indiana University Kelley School of Business. In
4 December of 2012 I received my Master of Science in Accounting from Indiana
5 University Kelley School of Business, Indianapolis Indiana.

6 **Q: Please describe your professional experience.**

7 A: I was hired as a Utility Analyst in the OUCC's Water / Wastewater division on
8 April 30, 2018. Prior to being hired by the OUCC I was the controller of All Trades
9 Staffing and Accounts Payable department manager for Indianapolis Public
10 Schools. I have over fifteen years of accounting experience. I worked for several
11 years as a Financial Analyst in the insurance and healthcare industries. I have
12 participated in conferences and seminars regarding utility regulation, rate making
13 and financial issues.

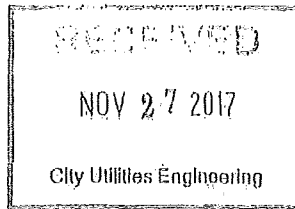
14 **Q: Please describe the review and analysis you conducted to prepare your**
15 **testimony.**

16 A: I reviewed Mr. Walsh's testimony, accounting report (Petitioner's Exhibit No. 12),
17 workpapers, and the response to OUCC data response 3. I also participated in the
18 OUCC's on-site accounting review August 28 – 30, 2018 and reviewed Petitioner's
19 operating expense transactions recorded to its test year general ledger.



Spectrum
ENGINEERING CORPORATION
6624 North County Line Road E
Auburn, IN 46706

PH: 260-627-8888 FX: 260-627-8102
Invoicing: killitchfield@spectrumeng.com



November 21, 2017
INVOICE No: 18813

Doug Fasick
Project Manager
City of Fort Wayne, Board of Public Works
Citizens Square
200 East Berry Street
Suite 250
Fort Wayne, IN 46802
Bryan Reece

Approved for Payment
By:
Date: 1/10/18
Account Line

Project Manager: Bryan Reece
Project Number: 2390004.16 FW Electrical System Eng & Main 2016/2017
Service Agreement Signed 2016

Basic Contract: Electrical system engineering/operation reviews, maintenance, technical assistance and training. Such items may include support and assistance in areas such as AutoCAD, relay event report analysis, voltage concerns, substation and line equipment testing, calibrating and repair.

Professional Services through November 18, 2017

Phase Electrical System Eng & Main 2016

	Hours	Rate	Amount
Senior Professional Engineer			
Senior Professional Engineer	8.00	172.00	1,376.00 ✓
Field Walk Out & Office Data			
Senior Professional Engineer	2.50	172.00	430.00 ✓
Meeting with Doug, Zach, Scott to kick off power system study requirements of the water facilities.			
Senior Professional Engineer	3.00	172.00	516.00 ✓
System Mapping			
Senior Professional Engineer Ovt	.50	172.00	86.00 ✓
Field Assistant			
Field Assistant	3.50	58.00	203.00 ✓
-Fort wayne utility walkout for water pollution sub station pole/point collection			
Field Assistant Ovt	.50	58.00	29.00 ✓
Totals	18.00		2,640.00 ✓
Total Labor			2,640.00
Unit Billing			
Company Vehicle Mileage			20.33
Total Units			20.33
Total this Phase			\$2,660.33

38 miles

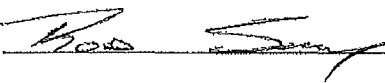
	Current	Prior	Total
Billings to Date	2,660.33	841.50	3,501.83
Billing Limit:			
Total Billings	2,660.33	1,971.73	4,632.06
Limit			25,000.00
Remaining			20,367.94
Total this Invoice:			\$2,660.33

I hereby certify that the foregoing account is just and correct, that the amount claimed is legally due, after allowing all just credits, and that no part of the same has been paid.

All invoices are due upon receipt. A late charge of 1.5% will be added to any unpaid balance after 30 days.

75301714

Project	2390004.16	FW Electrical System Eng & Main 2016	Invoice	18813
---------	------------	--------------------------------------	---------	-------

Authorized By:  Date: 11/21/17

Adam Harrison

From: Doug Fasick
Sent: Tuesday, January 16, 2018 8:11 PM
To: Adam Harrison
Subject: Re: Spectrum Engineerin Corp. Invoice

Yes please. Split between both 70% to sewer and 30% to water.

Sent from my iPhone
Doug Fasick

On Jan 16, 2018, at 5:09 PM, Adam Harrison <Adam.Harrison@cityoffortwayne.org> wrote:

Doug,

I'm looking at Invoice #18813 right now and I'm not certain what account line you wish for this to be paid out of. Darlene had 2 account lines on the Purchase Order:

- Water – 52469103-5314 **\$798.10**
- Sewer – 53479103-5314 **\$1862.23**

Since I'm seeing "water facilities" and "water pollution sub station" both mentioned on the invoice, I'm assuming that it should be split between the two accounts. How would you like that divided?

Thanks,

Adam Harrison
(260) 427-5798
Financial Services
City of Fort Wayne Utilities
200 E Berry St Suite 480
Adam.Harrison@cityoffortwayne.org

Customer a/c's.

CITY UTILITIES 2018 Budget

WATER MAINTENANCE
Dept #: 0522

	2015 Actual	2016 Actual	2017 Budget	2018 Budget	Increase/ Decrease
5312-MEDICAL SERVICES	8,708.75	8,920.25	8,100.00	9,800.00	1,700.00
5317-INSTRUCTIONAL SERVICES	1,849.00	2,715.00	10,000.00	10,000.00	0.00
531K-SEMINAR FEES	2,840.75	690.00	6,000.00	6,000.00	0.00
531Q-RADIO SHOP SERVICES	3,367.09	2,732.52	7,000.00	5,000.00	(2,000.00)
531W-CAR WASH SERVICES	0.00	0.00	2,000.00	2,000.00	0.00
5322-POSTAGE	584.40	1,061.52	750.00	2,000.00	1,250.00
5323-TELEPHONE & TELEGRAPH	716.68	440.48	2,000.00	2,000.00	0.00
5324-TRAVEL EXPENSES	2,397.41	7,735.61	16,000.00	14,000.00	(2,000.00)
5326-MILEAGE	0.00	251.64	0.00	0.00	0.00
532C-CELL PHONE	19,947.47	23,864.38	25,000.00	25,000.00	0.00
5332-PUBLIC OF LEGAL NOTICES/ADVTER	68.70	0.00	250.00	250.00	0.00
5333-PHOTOGRAPHY & BLUEPRINTING	0.00	0.00	1,500.00	1,500.00	0.00
5341-PROPERTY INSURANCE	1,175.25	1,202.00	1,220.00	1,123.00	(97.00)
5342-LIABILITY INSURANCE	80,241.52	80,137.60	57,727.00	58,628.00	901.00
5345-AUTOMOBILE INSURANCE	6,525.58	9,738.96	19,062.00	19,934.00	872.00
5351-ELECTRICITY	24,878.41	22,494.28	25,000.00	26,800.00	1,800.00
5352-NATURAL GAS	9,921.84	5,585.29	18,000.00	15,000.00	(3,000.00)
5353-WATER	0.00	199.76	3,000.00	0.00	(3,000.00)
5354-SEWAGE	3,710.23	3,506.14	3,000.00	3,500.00	500.00
5359-STORM WATER SEWER	3,482.04	3,383.02	3,500.00	3,500.00	0.00
5361-CONTRACTED BLDG & STRUCT REPAI	7,400.95	9,312.60	10,000.00	13,000.00	3,000.00
5363-CONTRACTED OTHER EQUIPMT REPAI	14,084.87	3,917.90	15,000.00	10,000.00	(5,000.00)
5364-CONTRACTED GROUND & SURFC RPR	689,607.51	588,859.63	500,000.00	560,000.00	60,000.00
5365-JANITORIAL & LAUNDRY SERVICE	3,666.00	4,000.00	18,000.00	18,000.00	0.00
5367-MAINT. AGREEMENT - SOFTWARE	5,828.53	6,206.39	8,500.00	9,500.00	1,000.00
5369-CONTRACTED SERVICE	88,588.56	57,407.95	151,500.00	141,500.00	(10,000.00)
536A-MAINT. AGREEMENT - HARDWARE	13,982.53	10,582.46	30,000.00	25,000.00	(5,000.00)
536N-GARAGE CONTRACT - NONTARGET	41,866.85	66,410.57	40,000.00	40,000.00	0.00
536R-RIGHT OF WAY CUT PERMITS	143,185.00	116,725.00	150,500.00	150,500.00	0.00
536T-GARAGE CONTRACT - TARGET	279,342.97	279,342.97	249,619.00	269,651.00	20,032.00
5374-OTHER EQUIPMENT RENTAL	59,501.85	46,203.81	60,000.00	60,000.00	0.00
5375-OTHER RENT	886.80	1,384.88	5,000.00	4,000.00	(1,000.00)
537A-WORK ORDER BURDEN TRANSFER	(52,925.63)	(34,519.42)	(109,401.00)	(108,161.00)	1,240.00
537C-HYDRANT BURDEN TRANSFER	(109,714.80)	(142,066.60)	(111,000.00)	(111,000.00)	0.00
537D-METER INV BURDEN TRANSFER	(1,477.02)	0.00	0.00	0.00	0.00
537E-50% METER BURDEN TRANSFER	(120,261.71)	(80,549.80)	(105,759.00)	(105,226.50)	532.50
5392-LICENSES	458.30	313.50	700.00	720.00	20.00
5399-OTHER SERVICES AND CHARGES	15,356.84	8,983.00	30,000.00	30,000.00	0.00
Total 5300	1,249,792.52	1,117,173.29	1,151,768.00	1,213,618.50	61,750.50
Total for Dept: WATER MAINTENANCE	8,800,682.36	8,377,429.51	8,072,292.00	8,315,963.50	243,671.50

28

Fort Wayne's Responses to OUCG Data Request No. 3
Cause No. 45125 – August 16, 2018

Response: Total garage cost of \$3,856,554 divided by total vehicle equivalents of 3,287.18.

- c. Please explain what the data in the "ORG" column depicts.

Response: "ORG" stands for organization. The "ORG" and "Object" columns together represent the accounting line where the amounts are charged. It is tied directly to the department.

- d. Please explain what the 536T in the "Object" column depicts.

Response: The "Object" code is a portion of the account numbering system. 536T represents all subaccounts related to the Garage Contract expenses.

Person(s) providing information: H.J. Umbaugh and Associates and Fort Wayne staff.

Testifying Witness: Eric J. Walsh

Q-3-5: See page 28 of Petitioner's workpapers (City Utilities 2018 Budget, Water maintenance Dept # 0522). Please explain why \$26,800 of account "5451 – electricity" is being used in the calculation of the customer accounts *pro forma* liability insurance.

Response: This was a simple allocation error and should have included \$1,123 from 5341.

Person(s) providing information: H.J. Umbaugh and Associates and Fort Wayne staff.

Testifying Witness: Eric J. Walsh

Q-3-6: Please provide copies of all leases referred to on page 93 of Petitioner's workpapers (2017 Master Lease Expense).

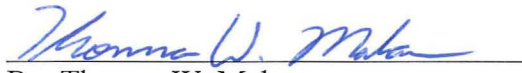
Response: See the attached Exhibit 3.6.

Person(s) providing information: H.J. Umbaugh and Associates and Fort Wayne staff.

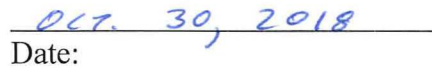
Testifying Witness: Eric J. Walsh

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.



By: Thomas W. Malan
Cause No. 45125
Indiana Office of
Utility Consumer Counselor



Date: