

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA-AMERICAN)
WATER COMPANY INC. (“INDIANA)
AMERICAN”) AND THE TOWN OF RILEY,)
INDIANA (“RILEY”) FOR APPROVAL AND)
AUTHORIZATION OF: (A) THE)
ACQUISITION BY INDIANA AMERICAN OF)
RILEY’S SEWER UTILITY PROPERTIES)
(THE “RILEY SYSTEM”) IN VIGO COUNTY,)
INDIANA IN ACCORDANCE WITH A)
PURCHASE AGREEMENT THEREFOR; (B))
APPROVAL OF ACCOUNTING AND RATE)
BASE TREATMENT; (C) APPROVAL OF THE)
RATES AND CHARGES FOR SEWER)
SERVICE IN THE AREA SERVED BY THE)
RILEY OPERATION; (D) APPROVAL OF)
APPLICATION OF INDIANA AMERICAN’S)
MUNCIE SEWER RULES AND)
REGULATIONS TO THE RILEY SEWER)
SYSTEM WITH CHANGES TO ADDRESS)
PRORATION OF PARTIAL UTILITY)
PAYMENTS ; (E) APPLICATION OF)
INDIANA AMERICAN’S DEPRECIATION)
ACCURAL RATES TO SUCH ACQUIRED)
PROPERTIES; AND (F) THE SUBJECTION OF)
THE ACQUIRED PROPERTIES TO THE LIEN)
OF INDIANA-AMERICAN’S MORTGAGE)
INDENTURE.)

CAUSE NO. 45290

SUBMISSION OF REVISIONS TO REBUTTAL TESTIMONY

Indiana-American Water Company, Inc. (“Indiana American”) and the Town of Riley, Indiana (“Riley”) (collectively “Joint Petitioners”) hereby submit redlined and clean copies of revised pages 4-12 of the Rebuttal Testimony of Gregory Shimansky in this Cause.

Respectfully submitted,



Nicholas K. Kile, Attorney No. 15203-53
Hillary J. Close, Attorney No. 25104-49
Lauren M. Box, Attorney No. 32521-49
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Kile Telephone: (317) 231-7768
Close Telephone: (317) 231-7785
Box Telephone: (317) 231-7289
Email: nicholas.kile@btlaw.com
hillary.close@btlaw.com
lauren.box@btlaw.com

Attorneys for Petitioner
Indiana American Water Company, Inc.

Richard L. Shagley II, Attorney No. 23135-84
Wright, Shagley & Lowery, P.C.
500 Ohio Street
Terre Haute, IN 47807
Telephone: (812) 232-3388 Ext. 231
Facsimile: (812) 232-8817

Attorney for Petitioner
Town of Riley, Indiana

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 15th day of January, 2020, by electronic transmission to the following:

Daniel LeVay
Indiana Office of Utility Consumer Counselor
PNC Center
115 West Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
dlevay@oucc.in.gov
infomgt@oucc.in.gov



Hillary J. Close

DMS 16242179v1

1 bring its operation into compliance. Schedule 2 of that agreement lists the Town's
2 responsibilities retained under the agreement and line item 4 says that one of those
3 responsibilities is "Regulatory matters with IDEM, IURC, USEPA, etc., including any
4 agreements, compliance plans, or orders from government agencies." Therefore, the
5 compliance matters pointed out by OUCC witness Willoughby on this issue remain with
6 the Town of Riley. After closing, Indiana American will work with IDEM to bring the
7 utility into compliance.

8 V. PURCHASE VALUATION

9 **Q. Does OUCC witness Stull discuss the dollar amount of the purchase?**

10 A. Yes, on Page 4 and 5 of her testimony she discusses the purchase price.

11 **Q. Can you comment on her findings?**

12 A. Yes. She points out that Indiana American has testified that the purchase price is to be
13 \$1,545,000. She also points out that the Town of Riley witness White testified that the
14 price was to be \$1,453,373.32. However, she accepts the Indiana American figure.

15 **Q. Can you comment on this apparent discrepancy?**

16 A. In the Purchase Agreement on page 2, Article 2, subsection 2.3, the value agreed upon is
17 the \$1,545,000. ~~In fact, the only place that~~ the second number of \$1,453,373.32 appears
18 ~~is~~ in the minutes of the September 26, 2018 Riley, Indiana Public Hearing on Potential Sale
19 of Wastewater Utility and the November 5, 2018 minutes where the Town Board voted to
20 approve the sale, and is then picked up in the Ordinance ratifying action taken at the
21 November 2018 meeting. In the minutes of the public hearing, it reads "Sean made the

1 motion to with option 3 on last document of selling the sewer in the amount of
2 \$1,453,373.32 pending approval.” ~~The two~~This meetings ~~were~~was held before the Asset
3 Purchase Agreement was signed in February 2019, and the Ordinance ratifying the Board’s
4 prior actions refers not only to the meeting at which the vote occurred, but also incorporates
5 the Asset Purchase Agreement. Therefore, the signed and agreed upon sales figure of
6 \$1,545,000 is the true purchase price.

7 VI. RATE INCREASE

8 **Q. Does witness Stull take issue with the proposed rate increase?**

9 A. Yes, she takes issue with the Town of Riley setting rates Indiana American will charge.

10 **Q. Can you summarize her argument?**

11 A. Ms. Stull is concerned that the Town of Riley will be setting a rate to be charged by a
12 regulated utility, when traditionally only the Commission can set such rates. Further she is
13 concerned that the customers in the Town of Riley will not have the ability to challenge
14 such rates as they would if it were in front of the Commission.

15 **Q. What recommendation does she give?**

16 A. Ms. Stull recognizes that the rates agreed upon are between the rates currently charged by
17 Riley and those currently charged for the current customers of Indiana American. She also
18 recognizes that this step will help the customers of Riley transition to American Water rates
19 in the future. Therefore, she agrees that these rates should be approved.

20 **Q. Can you comment on her position on this matter?**

21 A. I appreciate that Ms. Stull ultimately arrives at the conclusion that the rates included in the

1 Purchase Agreement be approved. I would like to point out though that, as stated in a
2 response to Data Request OUCC DR 1-3 (attached hereto as Attachment GDS-1R), Indiana
3 American explained that "...the adoption by the Town of the 15% increase in rates prior to
4 closing will provide further opportunity for local participation in the process of selling the
5 system, since the increase will require adoption of an ordinance by the Town following
6 public hearing." Sometimes when an acquisition will result in a rate increase for a
7 municipality's customers, we require them to increase their rates in this fashion so that
8 there is greater assurance that the local community understands the effect of the transaction
9 and is supportive. It is also the case that the rates to be charged by Indiana American after
10 closing are a part of the Purchase Agreement for which approval is sought in this case. This
11 preserves Commission oversight of the rates charged by the regulated utility.

12 VII. TRANSACTION COSTS

13 **Q. What is the OUCC position regarding the \$165,000 of proposed acquisition**
14 **expenses?**

15 A. Ms. Stull does not seem to take issue with the \$165,000 estimate for acquisition costs. She
16 would take issue with that figure being included in rate base if it were to include appraisal
17 fees.

18 **Q. Are appraisal costs included in the \$165,000 acquisition expense forecast?**

19 A. No, they are not. The \$165,000 acquisition expense is merely an estimate of which the
20 actual amount expensed will be what is used. As witness Stull states (at p. 7) when asked
21 if she agrees to the proposed \$165,000 costs, "Yes, but only to the extent the \$165,000 of
22 proposed costs do not include the costs of the appraisals prepared for Riley at its

1 discretion.” The costs do not include those expenses and therefore the OUCC appears to
2 agree with the \$165,000, subject to a limitation “to the qualified amounts actually
3 incurred.”

4 **VIII. RATES AND TARIFFS**

5 **Q. Can you summarize the proposals by the OUCC as they relate to the rate tariff?**

6 A. The OUCC takes the position that “each base monthly charge and the volumetric charge
7 be increased by 15%.” Stull at p. 10. The testimony also removes the first of two fixed
8 charges under the assumption that the to-be-excluded fixed charge is supposed to represent
9 the 15% rate increase. On page 11, witness Stull provides a proposed rate schedule that
10 includes only a Base Charge and a treatment charge.

11 **Q. Do you agree with the calculation of the rates as proposed by the OUCC?**

12 A. No.

13 **Q. Can you explain?**

14 A. In accordance with the signed purchase agreement, the Town of Riley is to increase its
15 rates for the sewer services by 15%. The rates in our proposed tariff are Riley’s existing
16 rates, both fixed and volumetric, increased by 15%. In doing so all three components need
17 to be considered. I made no other changes to their tariff, including its language. According
18 to their ordinance (a copy of which is attached as Attachment GDS-2R), they have three
19 rates: (1) a Billing/Customer/Administrative fixed cost per month of \$7.55; (2) a Base rate
20 per month that is different depending on the size of the meter; and (3) a Treatment Rate per

1 1,000 gallons of usage per month for all users of \$6.73. When a 15% increase is applied
 2 the rates will look like this:

	Riley Current	15% Increase	New Proposed
Billing/Customer/ Administrative	\$ 7.55	\$ 1.13	\$ 8.68
Base Rate			
Meter Size			
5/8"	\$ 24.32	\$ 3.65	\$ 27.97
3/4"	\$ 35.01	\$ 5.25	\$ 40.26
1"	\$ 62.23	\$ 9.33	\$ 71.56
1 1/2"	\$140.03	\$ 21.00	\$ 161.03
2"	\$248.95	\$ 37.34	\$ 286.29
Treatment Rate per 1,000 gallons	\$ 6.73	\$ 1.01	\$ 7.74
Typical 4,000 Gallon 5/8" meter Resident	\$ 58.79	\$ 8.82	\$ 67.61

3
 4 If we remove the section as proposed by the OUCC, Indiana American would not be
 5 collecting the current Town of Riley rates in effect at the time of the acquisition, which is
 6 part of the Purchase Agreement and not disputed in this Cause.

7 **Q. Are there other issues raised in the OUCC testimony?**

8 A. Yes. Two, both of which would be acceptable changes to Indiana American. Again, the
 9 proposed form of tariff that I have prepared uses verbatim language to that which is
 10 contained in Riley’s rate ordinance.

11 **Q. Please explain.**

12 A. For one, witness Stull recommends we remove the language regarding unmetered

1 residential customers. She claims it imposes penalties on certain classes of customers. As
2 I stated above, in order to pull the Riley customers onto our tariffs, I took their existing
3 tariffs, added 15% to the rates, and made no other changes. The language she takes issue
4 with already exists in the Riley ordinance and was not created by Indiana American. Her
5 objection has merit and her suggested change is acceptable.

6 Also, Ms. Stull proposes to rename the existing Treatment Rate. In the Riley Ordinance,
7 the term “Operation, Maintenance & Repair Charge” appears as the header for the
8 Treatment volumetric rate. Once again, I took the existing Riley Ordinance and increased
9 the rates by 15% and left everything as it is. It appears she has an issue with the
10 nomenclature used by Riley, not on what is proposed in this Cause. She does not propose
11 a solution to her concern and, absent alternative language being proposed, I suggest that it
12 should be left as is to match the current Riley Ordinance until such time as the rates are
13 combined with the rest of Indiana American wastewater rates.

14 **Q. What position does Ms. Stull take with respect to the proposed rules and regulations?**

15 A. Petitioner has proposed to apply its rules and regulations applicable to its Muncie and
16 Somerset sewer operations with one addition, that partial payments with respect to
17 undisputed water and wastewater bills be prorated between the water and wastewater
18 balance on the account. Ms. Stull opposes this addition.

19 **Q. Do you agree with her?**

20 A. No. The proration language already exists in our approved rules applicable to the Sheridan
21 system, and it was adopted for precisely the reason we are proposing here. Let me reiterate:
22 this proration requirement only applies to undisputed bills. If a customer chooses not to

1 pay a sewer bill because there is a dispute over the amount owed, we will not prorate. It is
2 only the customer who does not dispute the bill and who purposely targets their payment
3 only to the water balance in an effort to delay disconnection of service that will be subject
4 to this requirement. That customer will have their partial payment pro-rated between the
5 water and sewer balance so that there is a balance due on the water account for which we
6 may disconnect water service under the Commission's disconnection rules. We need this
7 proration requirement because, with wastewater service, there is no inexpensive means of
8 enforcing the payment obligation. Without this rule, we will be recovering our higher costs
9 of collection from all other customers.

10 **Q. What do you mean there is no effective means of enforcing the payment obligation?**

11 A. If a customer does not pay a wastewater bill, the only means available to us for
12 disconnection of service is to use a backhoe and physically disconnect the service. So for
13 the customer who chooses to target their partial payment to the water bill, there are two
14 additional costs of collection: first the additional delay to make the disconnection
15 (resulting in a higher arrearage) and second the significantly higher cost to disconnect. We
16 could presumably establish a reconnection charge to recover the cost of the backhoe and
17 laborer, which will undoubtedly exacerbate the cost of reconnection for a customer who
18 has been unable to pay because of a temporary economic setback. Indeed, the cost of
19 reconnection may make it cost prohibitive for them to reconnect service, given that the
20 backhoe will be needed again to make the new connection. And if the disconnection results
21 in a final bill, then the cost of the disconnection must be collected from all of our customers.

22 **Q. Ms. Stull states that there is no evidence that there is a problem with non-payment of**

1 **sewer bills. Is this accurate?**

2 A. No. Indeed, the State seems to have already made the determination that for the vast
3 majority of sewer customers, disconnection of water service is the preferred option for
4 failure to pay a sewer bill. In fact, I believe every municipal sewer utility in the State has
5 the ability by statute either to force or make arrangements for the disconnection of water
6 service for failure to pay the sewer bill. And municipal utilities have the added enforcement
7 mechanism of filing a lien on property if the sewer bill is unpaid. Obviously, the problem
8 is significant enough or the legislature would not have made this option available to
9 municipal sewer utilities.

10 **Q. Please respond to Ms. Stull’s statements that the customer should be permitted to**
11 **direct their partial payment to avoid disconnection of water.**

12 A. Let me first stress that the proration rule only applies in the event of an undisputed bill. If
13 the customer has a dispute about a sewer bill, we would not prorate it. So we are only
14 talking about a customer who agrees that they owe the amount and is purposely making
15 the decision not to pay it. It unquestionably takes longer to disconnect sewer service than
16 it would water service, simply because of the need to schedule and stage equipment. In
17 other words, the arrearage will be higher. Accordingly, under Ms. Stull’s approach, a
18 customer could game the system, refuse to pay an undisputed sewer bill up until the point
19 where we are ready to make the physical disconnection, and then pay the arrearage. Or,
20 with customers who do not own the property, they could simply move away, leaving the
21 owner with a disconnected premise. The costs of dealing with these types of activities
22 would be borne by all other customers through bad debt expense in the former case and
23 borne by the property owner in the latter case under Ms. Stull’s approach. I cannot imagine

1 that Indiana would want to encourage other people to cover the costs of dealing with
2 customers such as these.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A. Yes, it does.**

DMS 15897544v2

1 bring its operation into compliance. Schedule 2 of that agreement lists the Town's
2 responsibilities retained under the agreement and line item 4 says that one of those
3 responsibilities is "Regulatory matters with IDEM, IURC, USEPA, etc., including any
4 agreements, compliance plans, or orders from government agencies." Therefore, the
5 compliance matters pointed out by OUCC witness Willoughby on this issue remain with
6 the Town of Riley. After closing, Indiana American will work with IDEM to bring the
7 utility into compliance.

8 V. PURCHASE VALUATION

9 **Q. Does OUCC witness Stull discuss the dollar amount of the purchase?**

10 A. Yes, on Page 4 and 5 of her testimony she discusses the purchase price.

11 **Q. Can you comment on her findings?**

12 A. Yes. She points out that Indiana American has testified that the purchase price is to be
13 \$1,545,000. She also points out that the Town of Riley witness White testified that the
14 price was to be \$1,453,373.32. However, she accepts the Indiana American figure.

15 **Q. Can you comment on this apparent discrepancy?**

16 A. In the Purchase Agreement on page 2, Article 2, subsection 2.3, the value agreed upon is
17 the \$1,545,000. The second number of \$1,453,373.32 appears in the minutes of the
18 September 26, 2018 Riley, Indiana Public Hearing on Potential Sale of Wastewater Utility
19 and the November 5, 2018 minutes where the Town Board voted to approve the sale, and
20 is then picked up in the Ordinance ratifying action taken at the November 2018 meeting.
21 In the minutes of the public hearing, it reads "Sean made the motion to with option 3 on

1 last document of selling the sewer in the amount of \$1,453,373.32 pending approval.” The
2 two meetings were held before the Asset Purchase Agreement was signed in February
3 2019, and the Ordinance ratifying the Board’s prior actions refers not only to the meeting
4 at which the vote occurred, but also incorporates the Asset Purchase Agreement. Therefore,
5 the signed and agreed upon sales figure of \$1,545,000 is the true purchase price.

6 VI. RATE INCREASE

7 **Q. Does witness Stull take issue with the proposed rate increase?**

8 A. Yes, she takes issue with the Town of Riley setting rates Indiana American will charge.

9 **Q. Can you summarize her argument?**

10 A. Ms. Stull is concerned that the Town of Riley will be setting a rate to be charged by a
11 regulated utility, when traditionally only the Commission can set such rates. Further she is
12 concerned that the customers in the Town of Riley will not have the ability to challenge
13 such rates as they would if it were in front of the Commission.

14 **Q. What recommendation does she give?**

15 A. Ms. Stull recognizes that the rates agreed upon are between the rates currently charged by
16 Riley and those currently charged for the current customers of Indiana American. She also
17 recognizes that this step will help the customers of Riley transition to American Water rates
18 in the future. Therefore, she agrees that these rates should be approved.

19 **Q. Can you comment on her position on this matter?**

20 A. I appreciate that Ms. Stull ultimately arrives at the conclusion that the rates included in the
21 Purchase Agreement be approved. I would like to point out though that, as stated in a

1 response to Data Request OUCC DR 1-3 (attached hereto as Attachment GDS-1R), Indiana
2 American explained that "...the adoption by the Town of the 15% increase in rates prior to
3 closing will provide further opportunity for local participation in the process of selling the
4 system, since the increase will require adoption of an ordinance by the Town following
5 public hearing." Sometimes when an acquisition will result in a rate increase for a
6 municipality's customers, we require them to increase their rates in this fashion so that
7 there is greater assurance that the local community understands the effect of the transaction
8 and is supportive. It is also the case that the rates to be charged by Indiana American after
9 closing are a part of the Purchase Agreement for which approval is sought in this case. This
10 preserves Commission oversight of the rates charged by the regulated utility.

11 VII. TRANSACTION COSTS

12 **Q. What is the OUCC position regarding the \$165,000 of proposed acquisition**
13 **expenses?**

14 A. Ms. Stull does not seem to take issue with the \$165,000 estimate for acquisition costs. She
15 would take issue with that figure being included in rate base if it were to include appraisal
16 fees.

17 **Q. Are appraisal costs included in the \$165,000 acquisition expense forecast?**

18 A. No, they are not. The \$165,000 acquisition expense is merely an estimate of which the
19 actual amount expended will be what is used. As witness Stull states (at p. 7) when asked
20 if she agrees to the proposed \$165,000 costs, "Yes, but only to the extent the \$165,000 of
21 proposed costs do not include the costs of the appraisals prepared for Riley at its
22 discretion." The costs do not include those expenses and therefore the OUCC appears to

1 agree with the \$165,000, subject to a limitation “to the qualified amounts actually
2 incurred.”

3 **VIII. RATES AND TARIFFS**

4 **Q. Can you summarize the proposals by the OUCC as they relate to the rate tariff?**

5 A. The OUCC takes the position that “each base monthly charge and the volumetric charge
6 be increased by 15%.” Stull at p. 10. The testimony also removes the first of two fixed
7 charges under the assumption that the to-be-excluded fixed charge is supposed to represent
8 the 15% rate increase. On page 11, witness Stull provides a proposed rate schedule that
9 includes only a Base Charge and a treatment charge.

10 **Q. Do you agree with the calculation of the rates as proposed by the OUCC?**

11 A. No.

12 **Q. Can you explain?**

13 A. In accordance with the signed purchase agreement, the Town of Riley is to increase its
14 rates for the sewer services by 15%. The rates in our proposed tariff are Riley’s existing
15 rates, both fixed and volumetric, increased by 15%. In doing so all three components need
16 to be considered. I made no other changes to their tariff, including its language. According
17 to their ordinance (a copy of which is attached as Attachment GDS-2R), they have three
18 rates: (1) a Billing/Customer/Administrative fixed cost per month of \$7.55; (2) a Base rate
19 per month that is different depending on the size of the meter; and (3) a Treatment Rate per
20 1,000 gallons of usage per month for all users of \$6.73. When a 15% increase is applied

1 the rates will look like this:

	Riley	15%	New
	Current	Increase	Proposed
Billing/Customer/ Administrative	\$ 7.55	\$ 1.13	\$ 8.68
Base Rate			
Meter Size			
5/8"	\$ 24.32	\$ 3.65	\$ 27.97
3/4"	\$ 35.01	\$ 5.25	\$ 40.26
1"	\$ 62.23	\$ 9.33	\$ 71.56
1 1/2"	\$140.03	\$ 21.00	\$ 161.03
2"	\$248.95	\$ 37.34	\$ 286.29
Treatment Rate per 1,000 gallons	\$ 6.73	\$ 1.01	\$ 7.74
Typical 4,000 Gallon 5/8" meter Resident	\$ 58.79	\$ 8.82	\$ 67.61

2

3 If we remove the section as proposed by the OUCC, Indiana American would not be
4 collecting the current Town of Riley rates in effect at the time of the acquisition, which is
5 part of the Purchase Agreement and not disputed in this Cause.

6 **Q. Are there other issues raised in the OUCC testimony?**

7 A. Yes. Two, both of which would be acceptable changes to Indiana American. Again, the
8 proposed form of tariff that I have prepared uses verbatim language to that which is
9 contained in Riley's rate ordinance.

10 **Q. Please explain.**

11 A. For one, witness Stull recommends we remove the language regarding unmetered
12 residential customers. She claims it imposes penalties on certain classes of customers. As

1 I stated above, in order to pull the Riley customers onto our tariffs, I took their existing
2 tariffs, added 15% to the rates, and made no other changes. The language she takes issue
3 with already exists in the Riley ordinance and was not created by Indiana American. Her
4 objection has merit and her suggested change is acceptable.

5 Also, Ms. Stull proposes to rename the existing Treatment Rate. In the Riley Ordinance,
6 the term “Operation, Maintenance & Repair Charge” appears as the header for the
7 Treatment volumetric rate. Once again, I took the existing Riley Ordinance and increased
8 the rates by 15% and left everything as it is. It appears she has an issue with the
9 nomenclature used by Riley, not on what is proposed in this Cause. She does not propose
10 a solution to her concern and, absent alternative language being proposed, I suggest that it
11 should be left as is to match the current Riley Ordinance until such time as the rates are
12 combined with the rest of Indiana American wastewater rates.

13 **Q. What position does Ms. Stull take with respect to the proposed rules and regulations?**

14 A. Petitioner has proposed to apply its rules and regulations applicable to its Muncie and
15 Somerset sewer operations with one addition, that partial payments with respect to
16 undisputed water and wastewater bills be prorated between the water and wastewater
17 balance on the account. Ms. Stull opposes this addition.

18 **Q. Do you agree with her?**

19 A. No. The proration language already exists in our approved rules applicable to the Sheridan
20 system, and it was adopted for precisely the reason we are proposing here. Let me reiterate:
21 this proration requirement only applies to undisputed bills. If a customer chooses not to
22 pay a sewer bill because there is a dispute over the amount owed, we will not prorate. It is

1 only the customer who does not dispute the bill and who purposely targets their payment
2 only to the water balance in an effort to delay disconnection of service that will be subject
3 to this requirement. That customer will have their partial payment pro-rated between the
4 water and sewer balance so that there is a balance due on the water account for which we
5 may disconnect water service under the Commission's disconnection rules. We need this
6 proration requirement because, with wastewater service, there is no inexpensive means of
7 enforcing the payment obligation. Without this rule, we will be recovering our higher costs
8 of collection from all other customers.

9 **Q. What do you mean there is no effective means of enforcing the payment obligation?**

10 A. If a customer does not pay a wastewater bill, the only means available to us for
11 disconnection of service is to use a backhoe and physically disconnect the service. So for
12 the customer who chooses to target their partial payment to the water bill, there are two
13 additional costs of collection: first the additional delay to make the disconnection
14 (resulting in a higher arrearage) and second the significantly higher cost to disconnect. We
15 could presumably establish a reconnection charge to recover the cost of the backhoe and
16 laborer, which will undoubtedly exacerbate the cost of reconnection for a customer who
17 has been unable to pay because of a temporary economic setback. Indeed, the cost of
18 reconnection may make it cost prohibitive for them to reconnect service, given that the
19 backhoe will be needed again to make the new connection. And if the disconnection results
20 in a final bill, then the cost of the disconnection must be collected from all of our customers.

21 **Q. Ms. Stull states that there is no evidence that there is a problem with non-payment of**
22 **sewer bills. Is this accurate?**

1 A. No. Indeed, the State seems to have already made the determination that for the vast
2 majority of sewer customers, disconnection of water service is the preferred option for
3 failure to pay a sewer bill. In fact, I believe every municipal sewer utility in the State has
4 the ability by statute either to force or make arrangements for the disconnection of water
5 service for failure to pay the sewer bill. And municipal utilities have the added enforcement
6 mechanism of filing a lien on property if the sewer bill is unpaid. Obviously, the problem
7 is significant enough or the legislature would not have made this option available to
8 municipal sewer utilities.

9 **Q. Please respond to Ms. Stull's statements that the customer should be permitted to**
10 **direct their partial payment to avoid disconnection of water.**

11 A. Let me first stress that the proration rule only applies in the event of an undisputed bill. If
12 the customer has a dispute about a sewer bill, we would not prorate it. So we are only
13 talking about a customer who agrees that they owe the amount and is purposely making
14 the decision not to pay it. It unquestionably takes longer to disconnect sewer service than
15 it would water service, simply because of the need to schedule and stage equipment. In
16 other words, the arrearage will be higher. Accordingly, under Ms. Stull's approach, a
17 customer could game the system, refuse to pay an undisputed sewer bill up until the point
18 where we are ready to make the physical disconnection, and then pay the arrearage. Or,
19 with customers who do not own the property, they could simply move away, leaving the
20 owner with a disconnected premise. The costs of dealing with these types of activities
21 would be borne by all other customers through bad debt expense in the former case and
22 borne by the property owner in the latter case under Ms. Stull's approach. I cannot imagine

1 that Indiana would want to encourage other people to cover the costs of dealing with
2 customers such as these.

3 **Q. Does this conclude your rebuttal testimony?**

4 **A. Yes, it does.**

DMS 15897544v2