

FILED
March 7, 2025
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF JACKSON COUNTY WATER)
AUTHORITY FOR AUTHORITY TO ISSUE) CAUSE NO. 46156
LONG-TERM DEBT AND ADJUST ITS RATES)
AND CHARGES)**

PUBLIC'S EXHIBIT NO. 1-S

SETTLEMENT TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

March 7, 2025

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Thomas R. Harper, Attorney No. 16735-53
Deputy Consumer Counselor
OFFICE OF UTILITY CONSUMER COUNSELOR
115 W. Washington St., Suite 1500 South
Indianapolis, IN 46204
Email: thharper@oucc.in.gov

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1-S – Settlement Testimony of Carla F. Sullivan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on March 7, 2025.

J. Christopher Janak
Jacob T. Antrim
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
Email: jjanak@boselaw.com
jantrim@boselaw.com

Attorneys for: Brown County Water Utility, Inc.
Peter Campbell King
PETER KING LAW, PSC
522 Franklin Street
P.O. Box 310
Columbus, IN 47202-0310
Email: pete@peterkinglaw.com

Mark W. Cooper
ATTORNEY AT LAW
1449 N. College Ave.
Indianapolis, IN 46202
Email: attymcooper@indy.rr.com



Thomas R. Harper
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

**SETTLEMENT TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 46156
JACKSON COUNTY WATER AUTHORITY**

I. INTRODUCTION

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

2 A: My name is Carla F. Sullivan, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 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 in the Water/Wastewater Division. My qualifications are set forth
7 in Appendix "A."

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

9 A: The purpose of my testimony is to summarize and support the terms of the Joint
10 Stipulation and Settlement Agreement ("Settlement Agreement") reached between
11 Jackson County Water Authority ("Petitioner" or "JCWA") and the OUCC
12 (collectively called the "Settling Parties") and to explain how the public interest
13 will be served if the Indiana Utility Regulatory Commission ("IURC" or
14 "Commission") approves the Settlement Agreement. The Settlement is the result of
15 an arm's length negotiation between JCWA and the OUCC. In the settlement, the
16 Settling Parties agreed to an overall across-the-board revenue increase of \$775,040
17 which is a rate increase of 18.35%, to be implemented in two phases. My testimony
18 presents the agreed-upon revenue requirement, discusses various agreed-upon
19 revenue and operating expense adjustments, and the agreed-upon financing.

1 **Q: What have you done to formulate your opinion and prepare settlement**
2 **testimony in this Cause?**

3 A: I reviewed Petitioner's direct testimony, workpapers, and supporting exhibits. I
4 prepared discovery questions and reviewed Petitioner's responses. I discussed the
5 issues in this Cause with OUCC staff in multiple meetings. I engaged in settlement
6 discussions and prepared the Settlement Schedules. I also reviewed the Settlement
7 Agreement.

8 **Q: Are the Settling Parties submitting Settlement Schedules in support of the**
9 **Settlement Agreement?**

10 A: Yes. The parties are submitting Settlement Schedules attached as Exhibit A to the
11 Settlement Agreement.

12 **Q: Does the settlement resolve all issues in this proceeding?**

13 A: Yes.

14 **Q: Please provide an overview of the Settlement Agreement.**

15 A: The Settlement Agreement provides the agreed terms for the Revenue Requirement
16 and Rates, including that rates will be implemented in two phases, and addresses
17 the requirements for the compliance filing preceding the Phase 2 rates. (Section 4
18 of the Settlement Agreement.) The Settlement Agreement provides for the agreed
19 Operating and Maintenance (O&M) expense adjustments, as reflected in Exhibit A,
20 the Settlement Schedules. (Section 5 of the Settlement Agreement.) The Settlement
21 Agreement provides additional detail regarding Depreciation expense for Phase 1,
22 and for Phase 2 once the construction of the proposed new wells has been
23 completed, and retirements of wells being taken out of service are reported and
24 recognized. (Section 6 of the Settlement Agreement.) The Settlement Agreement

1 includes the agreed terms for the authorized borrowing, debt service, debt service
2 reserve, and true-up process. (Section 6 of the Settlement Agreement.)

3 **Q: Please describe the settlement reached by the Settling Parties.**

4 A: The Settling Parties agreed that JCWA should be authorized to increase its rates
5 and charges for water service to reflect a total net revenue requirement of
6 \$5,074,759, inclusive of gross-up. This results in an increase of 18.35% to current
7 revenue at existing rates and will be implemented in two phases. The Phase 1
8 increase of 16.14% will take effect upon issuance of the Order and produce an
9 additional \$681,664 over JCWA's current revenues at existing rates. The Phase 2
10 increase of 1.90% will provide an additional \$93,374 over Phase 1 revenues and
11 will take effect once the well projects proposed in the case are certified as complete
12 and JCWA provides information regarding the retirement of the wells being taken
13 out of service, as provided in the Settlement Agreement. Overall, the rate increase
14 will produce an additional \$775,040 over JCWA's current revenues at existing
15 rates. Table CFS-1 compares the revenue requirements proposed by Petitioner with
16 that agreed-upon in the Settlement.

Table CFS-1: Overall Revenue Requirement Comparison

	Per Petitioner	Per Settlement	Settlement More (Less)
Operating Expenses	\$ 2,817,306	\$ 2,780,726	\$ (36,580)
Depreciation	1,106,668	947,063	(159,605)
Debt Service	1,481,587	1,481,587	-
Debt Service Reserve	111,586	79,813	(31,773)
Total Revenue Requirements	5,517,147	5,289,189	(227,958)
Less: Interest Income	(201,103)	(201,103)	-
Less: Other Income	-	(14,490)	(14,490)
Net Revenue Requirements	5,316,044	5,073,596	(242,448)
Less: Revenues subject to increase	(4,298,580)	(4,223,046)	75,534
Less: Other revenues	-	(76,673)	(76,673)
Net Revenue Increase Required	1,017,464	773,877	(243,587)
Add: Additional IURC Fees	1,528	1,163	(365)
Recommended Increase	<u>\$ 1,018,992</u>	<u>\$ 775,040</u>	<u>\$ (243,952)</u>
Recommended Percentage Increase	<u>23.71%</u>	<u>18.35%</u>	<u>-5.36%</u>

II. OPERATING REVENUE

- 1 **Q: What level of *pro forma* operating revenue did the Settling Parties agree on?**
- 2 A: The Settling Parties agreed to an \$18,843 increase to test year operating revenues
- 3 of \$4,280,876, yielding *pro forma* operating revenues of \$4,299,719. This is
- 4 reflected by an adjustment normalizing test year customer growth for residential
- 5 water revenues, as shown in the Settlement Schedules included as Exhibit A to the
- 6 Settlement Agreement. (See Exhibit A, Schedule 5, Adjustment No. 1.)

III. OPERATING EXPENSE

- 7 **Q: What level of *pro forma* operating and maintenance (“O&M”) expense did the**
- 8 **Settling Parties agree on?**
- 9 A: The Settling Parties agreed to an overall \$236,429 increase to test year O&M
- 10 expense of \$2,595,138, yielding *pro forma* O&M expense of \$2,831,567. This

1 represents a \$36,580 reduction to *pro forma* O&M expense as proposed by JCWA,
 2 as further shown in the Settlement Schedules. Table CFS-2, derived from the
 3 Settlement Schedules, compares Petitioner's proposed O&M expense adjustments
 4 to those agreed upon by the Settling Parties.

Table CFS-2: O&M Expense Adjustment Comparison

	<u>Per</u> <u>Petitioner</u>	<u>Per</u> <u>Settlement</u>	<u>Settlement</u> <u>More (Less)</u>
O&M Expense			
Salaries and Wages	\$ 142,239	\$ 104,465	\$ (37,774)
Employee Benefits	7,112	5,223	(1,889)
Payroll Taxes	10,881	9,056	(1,825)
System Delivery Adjustment	-	3,253	3,253
Purchased Water	-	20,013	20,013
Disallowed	-	(3,750)	(3,750)
Insurance - General Liability	7,149	9,207	2,058
Property Taxes	-	(15,374)	(15,374)
IURC Fee	2,198	907	(1,291)
IDEM Fees	338	338	-
Periodic Maintenance	103,091	103,091	-
Total O&M Expenses	<u>\$ 273,008</u>	<u>\$ 236,429</u>	<u>\$ (36,580)</u>

1. **Salaries and Wages**

5 **Q: What level of *pro forma* salaries and wages expense did the Settling Parties**
 6 **agree on?**

7 **A:** The Settling Parties agree to a \$104,465 increase to test year's salaries and wages
 8 expense of \$819,151 resulting in *pro forma* salaries and wages expense of
 9 \$923,616. This is reflected by an adjustment which annualizes the 2024 wages of
 10 15 full-time staff members. (See Exhibit A, Schedule 6, Adjustment No. 1.)

2. **Pension Expense**

1 **Q: What level of *pro forma* pension expense did the Settling Parties agree on?**

2 A: The Settling Parties agree to a \$5,223 increase to test year's pension expenses of
3 \$224,978 resulting in *pro forma* pension expense of \$230,201. (See Exhibit A,
4 Schedule 6, Adjustment No. 2.) *Pro forma* pension expense is the product of *pro*
5 *forma* salaries and wages expense multiplied by the approved pension rate of 5.0%.

3. **Payroll Tax Expense**

6 **Q: What level of *pro forma* payroll tax expense did the Settling Parties agree on?**

7 A: The Settling Parties agree to a \$9,056 increase to test year's payroll tax expense of
8 \$61,601 resulting in *pro forma* payroll tax expense of \$70,657. (See Exhibit A,
9 Schedule 6, Adjustment No. 3.) *Pro forma* payroll tax expense is the product of *pro*
10 *forma* salaries and wages expense multiplied by the combined Federal payroll tax
11 rate of 7.65%.

4. **System Delivery Expense**

12 **Q: What system delivery expense adjustment did the Settling Parties agree on?**

13 A: The Settling Parties agree to a \$3,253 increase to operating expenses to offset the
14 cost of serving test year growth. (See Exhibit A, Schedule 6, Adjustment No. 4.)
15 Included in the system delivery expense adjustment is (a) an \$813 increase to
16 purchased power; (b) a \$1,259 increase to chemical expense; and (c) a \$1,181
17 increase to postage expense.

5. **Purchased Water Expense**

1 **Q: What purchased water expense adjustment did the Settling Parties agree on?**

2 A: The Settling Parties agree to a \$20,013 increase to test year's purchased water
3 expense to offsets the increased cost of purchased water arising from Indiana
4 American Water Company's implementation of its Phase 2 increase as ordered in
5 Cause No. 45870. (See Exhibit A, Schedule 6, Adjustment No. 5.)

6. **Disallowed Expenses**

6 **Q: What disallowed expense adjustment did the Settling Parties agree on?**

7 A: The Settling Parties agree to a \$3,750 decrease to Petitioner's test year's
8 miscellaneous expense to remove the cost of a JCWA event the Settling Parties
9 agreed should be removed. (See Exhibit A, Schedule 6, Adjustment No. 6.)

7. **General Liability Expense**

10 **Q: What level of *pro forma* general liability expense did the Settling Parties agree
11 on?**

12 A: The Settling Parties agree to a \$9,207 increase to test year's general liability
13 expense of \$46,659 resulting in *pro forma* general liability expense of \$55,866,
14 which is the amount JCWA paid for general liability expense in the post-test year
15 period. (See Exhibit A, Schedule 6, Adjustment No. 7.)

8. **Property Tax Expense**

16 **Q: What property tax expense adjustment did the Settling Parties agree on?**

17 A: The Settling Parties agreed to a \$15,374 decrease to miscellaneous expenses for
18 property taxes for utility property assessed in 2022 and paid during the test year.

1 As a water authority, Petitioner may exempt itself from such property taxes and the
2 Settling Parties agreed to remove property tax expense from Petitioner's test year
3 operating expenses. (See Exhibit A, Schedule 6, Adjustment No. 8.)

9. **IURC Fees**

4 **Q: What IURC fee adjustment did the Settling Parties agree on?**

5 A: The Settling Parties agree to a \$987 increase to test year's operating expense for
6 additional IURC fees related to the \$18,843 increase in operating revenue. (See
7 Exhibit A, Schedule 6, Adjustment No. 9.) The adjustment is based on JCWA's *pro*
8 *forma* revenues at current rates of \$4,299,719 multiplied by the current IURC rate
9 of 0.15%.

10. **Periodic Maintenance**

10 **Q: What periodic maintenance adjustment did the Settling Parties agree on?**

11 A: The Settling Parties agree to the inclusion of \$103,091 in Petitioner's revenue
12 requirement to provide funding for periodic maintenance. (See Petitioner's Exhibit
13 C, Schedule C-1, Adjustment No. 9.)

IV. DEPRECIATION EXPENSE

14 **Q: What level of *pro forma* depreciation expense did the Settling Parties agree**
15 **on?**

16 A: The Settling Parties agree to an overall depreciation expense revenue requirement
17 of \$947,063 which is a \$159,605 reduction from the depreciation expense proposed
18 by JCWA. For Phase 1, the Settling Parties agree to a \$75,999 decrease to test year
19 depreciation expense of \$929,827 yielding Phase 1 *pro forma* depreciation expense

1 of \$853,828. (See Exhibit A, Schedule 6, Adjustment No. 10.) For Phase 2,
2 depreciation expense is increased by \$93,235 for the total overall depreciation
3 expense of \$947,063. The Settling Parties further agreed that once the proposed
4 well projects are complete, JCWA will adjust its depreciation expense revenue
5 requirement as calculated on Exhibit A, Schedule 6, Adjustment No. 10. The
6 additional depreciation revenue requirement will be based on the adjustments to
7 utility plant in service for the additions of the new wells placed into service as
8 reduced by the retirement of certain of the existing wells taken out of service, all in
9 accordance with the formula on Schedule 6 of the Settlement Schedules.

10 **Q: What amortization expense adjustment did the Settling Parties agree on?**

11 A: The Settling Parties agreed to a \$50,841 decrease to Petitioner's test year
12 amortization expense to remove amortization of debt issuance cost. (See Exhibit A,
13 Schedule 6, Adjustment No. 11.) Debt issuance costs are included in Petitioner's
14 debt service revenue requirement, which is shown in Table 1 above.

V. DEBT

15 **Q: What borrowing authority and related revenue requirements are included for**
16 **the Settlement Agreement?**

17 A: The Settling Parties agree to debt issuance not to exceed \$8,000,000. The Settling
18 Parties agreed on a debt service revenue requirement of \$1,481,587 and a debt
19 service reserve revenue requirement of \$79,813.

20 **Q: Did the Settling Parties agree to any stipulations concerning debt?**

21 A: Yes. The Settling Parties agreed JCWA will (1) place that portion of its rates and
22 charges that include principal and interest on the proposed long-term debt in a

1 dedicated account that will be used to reduce the amount of the final debt if the debt
2 is not closed within ninety (90) days after the issuance of the Order; (2) file a true-
3 up report within thirty (30) days after closing on the debt; and (3) allow the OUCC
4 twenty-one (21) days for review.

5 **Q: Did the Settling Parties agree to a course of action if the final debt issuances is**
6 **different than what has been included for base rates?**

7 A: Yes. If either of the Settling Parties deem the difference to be material, JCWA will
8 file a revised tariff consistent with the true-up. The true-up process is addressed in
9 greater detail in the Settlement Agreement.

VI. RECOMMENDATION

10 **Q: Is it your opinion that the terms of the Settlement Agreement are reasonable,**
11 **just, and in the public interest?**

12 A: Yes. The settlement and Settlement Agreement were the product of arms' length
13 discussion and negotiations, aided by the respective staff and experts, and represent
14 compromise and give and take between the Settling Parties. Based on the OUCC's
15 thorough review and analysis of Petitioner's base rate request and proposals, as
16 investigated and clarified through discovery, it is my opinion the terms reached in
17 settlement, including, without limitation, the authorized revenue increase and
18 overall revenue requirement, rate implementation, revenue and O&M adjustments,
19 depreciation, financing terms, true-up process, and revenue requirements are in the
20 public interest. It is the opinion of the OUCC that the new wells proposed to be
21 constructed, and which are replacing certain other wells to be taken out of service,
22 are necessary to Petitioner's operation of its water service and are reasonable and
23 in the public's best interest.

1 **Q: Do you recommend the Commission approve the Settlement Agreement?**

2 A: Yes, I recommend the Commission find that the Settlement Agreement is in the
3 public interest, and I recommend the Commission approve the Settlement
4 Agreement.

VII. CONCLUSION

5 **Q: Do you believe that the Settlement is a fair, just, and reasonable resolution of**
6 **the issues in this case?**

7 A: Yes. The Settlement represents a reasonable compromise that the OUCC supports
8 as fair, reasonable, and beneficial to both the Utility and its customers. The
9 Settlement is in the public interest. The Settlement Agreement provides JCWA with
10 sufficient funds to pay its necessary operating expenses and capital improvements.
11 The Settlement Agreement benefits ratepayers with a lower rate than those
12 proposed by Petitioner.

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

14 A: Yes.

APPENDIX A - QUALIFICATIONS

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


2 A: I graduated from Lipscomb University in June 1989 and received a Bachelor of
3 Science degree in business management. I earned a Master's degree in Business
4 Administration from Phoenix University in 2011 and a Master's degree in
5 Accounting and Financial Management from the Keller Graduate School in 2014.
6 Beginning in 2014, I worked as a balance sheet and payroll accountant for the State
7 of Wisconsin's Department of Health Services. In April of 2019, I joined the staff
8 of the Indiana Office of Utility Consumer Counselor as a Utility Analyst II.

9 **Q: Have you previously testified before the Indiana Utility Regulatory**
10 **Commission?**

11 A: Yes.

AFFIRMATION

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



By: Carla F. Sullivan, Utility Analyst

Cause No. 46156

Office of Utility Consumer Counselor (OUCC)

Date: March 7, 2025