

STATE OF INDIANA  
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION )  
OF BLOOMINGTON, INDIANA, FOR )  
APPROVAL OF A NEW SCHEDULE OF ) CAUSE NO. 45533  
RATES AND CHARGES FOR WATER )  
UTILITY SERVICE AND FOR )  
AUTHORITY TO ISSUE AND )  
APPROVAL OF BONDS, NOTES, OR )  
OTHER OBLIGATIONS )

FILED  
October 6, 2021  
INDIANA UTILITY  
REGULATORY COMMISSION

PUBLIC'S EXHIBIT NO. 7

SETTLEMENT TESTIMONY OF JEROME D. MIERSWA

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

October 6, 2021

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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**EXETER**  
ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

VERIFIED TESTIMONY IN SUPPORT OF SETTLEMENT OF JEROME D. MIERZWA

CAUSE NO. 45533

CITY OF BLOOMINGTON

1

**I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?**

3 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter  
4 Associates, Inc. ("Exeter"). My business address is 10480 Little Patuxent Parkway,  
5 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-  
6 related consulting services.

7 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**  
8 **PROCEEDING?**

9 A. Yes. My direct testimony was submitted as Public's Exhibit No. 4, and my  
10 cross-answering testimony was submitted as Public's Exhibit No. 5.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of this testimony is to provide the Commission with the background for,  
13 and explain certain terms of, the Joint Stipulation and Settlement Agreement  
14 ("Agreement") reached by the City of Bloomington ("Bloomington"), the Indiana  
15 Office of Utility Consumer Counselor ("OUCC"), the Trustees of Indiana University  
16 ("IU"), and the Washington Township Water Authority ("WTWA") (collectively  
17 "Parties"), which was filed on October 6, 2021. The Agreement is a comprehensive  
18 settlement, addressing revenue requirements, cost allocation, and rate design. More  
19 specifically, my testimony addresses the cost allocation and rate design aspects of the  
20 Agreement. OUCC witness Carla Sullivan addresses the revenue requirement aspects  
21 of the Agreement. My testimony concludes by recommending the Commission  
22 approve the Agreement.

**II. BACKGROUND**

1  
2 **Q. PLEASE BRIEFLY DESCRIBE THE HISTORY LEADING UP TO THE**  
3 **EXECUTION OF THE AGREEMENT.**

4 A. The Agreement is the product of negotiations that occurred prior to the hearings in this  
5 Cause which were scheduled to begin on September 27, 2021. On September 13, 2021,  
6 the OUCC, IU, and WTWA (collectively “Consumer Parties”) filed a Joint Notice of  
7 Settlement Among Less than All the parties and Request for Attorneys’ Conference  
8 (“Notice”). In the Notice, the Consumer Parties indicated that they reached an  
9 agreement in principle on terms that resolve all issues between and among themselves,  
10 but which were not agreed to by Bloomington. In the Notice, the Consumer Parties  
11 stated that they were continuing to work with Bloomington to reach a global settlement  
12 of all issues between and among all parties to this proceeding. On September 14, 2021,  
13 Bloomington (“Petitioner”) filed its Response in opposition to the Notice. On  
14 September 15, 2021, the Consumer Parties filed their Joint Reply to Petitioner’s  
15 Response. On September 20, 2021, counsel for Bloomington emailed the parties and  
16 the Presiding Administrative Law Judge (“ALJ”) advising that all parties had reached  
17 a global settlement in principle. By docket entry dated September 23, 2021, the ALJ  
18 informed the parties and other interested individuals that the procedural schedule in  
19 this proceeding was being modified, requiring the parties to file their Stipulation and  
20 Settlement Agreement and respective supporting settlement testimony and attachments  
21 on or before October 6, 2021.

22 **Q. DOES THE AGREEMENT RESOLVE THE COST ALLOCATION AND**  
23 **RATE DESIGN ISSUES RAISED BY THE PARTIES TO THIS**  
24 **PROCEEDING IN THEIR RESPECTIVE TESTIMONIES AND EXHIBITS?**

1 A. Yes, the Agreement resolves all of the issues related to cost allocation and rate design  
2 in this Cause raised by the Parties.

3 **III. SETTLEMENT OF COST ALLOCATION AND RATE DESIGN ISSUES**

4 **Q. WHAT WAS THE IMPETUS BEHIND THE PARTIES' AGREEMENT WITH**  
5 **RESPECT TO RESOLUTION OF THE COST ALLOCATION AND RATE**  
6 **DESIGN ISSUES?**

7 A. The Parties' Agreement relating to resolution of the cost allocation and rate design  
8 issues was structured to reach a mutually acceptable resolution of these issues and avoid  
9 the risk, expense, and administrative burden of further litigation. The Agreement is the  
10 result of arms-length bargaining between and among the Parties. While each Party  
11 presenting cost allocation and rate design testimony and exhibits strongly believed in  
12 its respective position, they were able to put aside those differences and agree upon a  
13 resolution of these issues that avoids litigation, generally moves the revenues from each  
14 class toward the allocated cost-of-service as determined in Bloomington's case-in-  
15 chief, and falls within the range of potential outcomes proposed by the Parties, if the  
16 case had been litigated.

17 **Q. WHAT IS THE IMPACT OF THE AGREEMENT ON THE REVENUES TO**  
18 **BE RECOVERED FROM EACH CUSTOMER CLASS?**

19 A. The Agreement provides for an increase of \$3,100,542 in Bloomington's operating  
20 revenues in two phases. Under Phase I, the Agreement provides for an operating  
21 revenue increase of \$1,424,754, or 8.39 percent, effective upon the date of the  
22 Commission's Order in this Cause. Phase II provides for an additional increase of  
23 \$1,675,788, or 9.11 percent, effective January 1, 2024. The revenues recovered from  
24 each customer class under existing rates, the increase in revenues under each phase of  
25 the Agreement, and the revenues to be recovered from each customer classification

1 reflected in Bloomington's cost of service study under each phase of the proposed  
2 Agreement are identified in Table 1. Note that the summary of the cost of service study  
3 under each phase is minimally different from the agreed revenue requirements due to  
4 rounding differences. The Agreement provides for gradualism by limiting the increase  
5 to each customer classification to 1.5 times the system average increase in each phase  
6 for every class except Irrigation.

**Table 1**  
**City of Bloomington**  
**Summary of Agreement Revenue Distribution**

Customer Classification	Phase I			
	Present Rates	Increase	Proposed Rates	Percent Increase
Meter Charges	\$2,976,787	\$50,734	\$3,027,521	1.70%
Residential/Multi-Family	6,041,595	485,919	6,527,514	8.04
Commercial, Governmental, Interdepartmental	2,491,162	299,571	2,790,733	12.03
Industrial	148,842	18,350	167,192	12.33
Wholesale	2,479,465	300,856	2,780,321	12.13
Indiana University (IU) Usage	840,125	102,800	942,925	12.24
Irrigation Usage	385,328	77,742	463,070	20.18
Fire Protection	1,633,005	91,026	1,724,031	5.57
<b>TOTAL</b>	<b>\$16,996,309</b>	<b>\$1,426,998</b>	<b>\$18,423,307</b>	<b>8.39%</b>

Customer Classification	Phase II			
	Phase I Rates	Increase	Proposed Rates	Percent Increase
Meter Charges	\$3,027,521	\$60,701	\$3,088,222	2.00%
Residential/Multi-Family	6,527,514	566,905	7,094,419	8.69
Commercial, Governmental, Interdepartmental	2,790,733	346,870	3,137,603	12.43
Industrial	167,192	21,919	189,111	13.11
Wholesale	2,780,321	363,101	3,143,422	13.06
Indiana University (IU) Usage	942,925	116,979	1,059,904	12.41
Irrigation Usage	463,070	91,262	554,332	19.71
Fire Protection	1,724,031	105,020	1,829,051	6.09
<b>TOTAL</b>	<b>\$18,423,307</b>	<b>\$1,672,757</b>	<b>\$20,096,064</b>	<b>9.11%</b>

1 **Q. HOW DO THE INCREASES IN RATES UNDER THE AGREEMENT**  
2 **COMPARE TO THE PARTIES' LITIGATION POSITIONS?**

3 A. Bloomington generally proposed a revenue distribution and rate design based on its  
4 class cost of service ("CCOS") studies, but limited the increase for any customer class  
5 to 20 percent in each of the two phases. The 20 percent limit was approximately 2.0  
6 times the system average increase in each phrase. Based on Bloomington's Phase II  
7 CCOS study, at the conclusion of Phase II, with the exception of certain Fire Protection  
8 and Meter Charges, only the rates of the Irrigation customer class would be lower than  
9 cost of service rates, and only the rates of the Residential and Multi-Family customer  
10 class would be at higher than cost of service rates.

11 In my Direct Testimony, I noted a number of concerns with Bloomington's  
12 CCOS studies, and revised Bloomington's Phase II CCOS study to address several of  
13 these concerns, However, Bloomington's Phase II CCOS study could not be readily  
14 modified to reflect all of my concerns. Based on the results of the revised Phase II  
15 CCOS study and the anticipated impact of the modifications which could not be made  
16 to Bloomington's CCOS study, I generally found that the revenue distribution initially  
17 proposed by Bloomington to be reasonable. Therefore, with limited exception, I  
18 recommended that Bloomington's revenue distribution be approved. This limited  
19 exception, which was based on the revised Phase II CCOS study and the anticipated  
20 impact of the modifications that could not be made, was to increase the revenue  
21 increase assigned to Wholesale customers and IU, and decrease the revenue increase  
22 assigned to the Residential and Multi-Family customer class.

23 Both IU and WTWA found Bloomington's CCOS studies to be flawed and  
24 unusable. Consistent with my findings that Bloomington's CCOS studies could not be

1 readily modified to address certain concerns, WTWA also found that the CCOS studies  
2 filed by Bloomington did not allow for the varying of inputs to assess the impact of  
3 changing those inputs. IU and WTWA recommended that because Bloomington's  
4 CCOS studies were flawed and unreliable, all rates should be increased by the system  
5 average increase authorized by the Commission in this proceeding.

6 The Agreement provides for a distribution of the revenue increase in a manner  
7 that could have resulted from the various positions of the parties. All of the Parties,  
8 however, moved from their respective litigation positions in order to arrive at a  
9 compromise.

10 **Q. DOES THE AGREEMENT PROVIDE FOR THE APPROVAL OF CCOS**  
11 **STUDY METHODOLOGY?**

12 A. No. The Parties request that the Commission make no finding approving any particular  
13 cost of service study methodology. The Agreement also provides that, in future  
14 proceedings, no presumption would be given to any prior methodology for determining  
15 cost of service or rate design, and the Parties reserve all rights to present evidence and  
16 advocate positions with respect to cost of service, cost allocation and rate design issues  
17 different from those set forth in the Agreement.

18 **Q. ONE OF THE CONCERNS RAISED IN THIS PROCEEDING WAS THE**  
19 **INABILITY TO REVISE BLOOMINGTON'S CCOS STUDIES TO**  
20 **EVALUATE THE IMPACT OF VARYING THE INPUTS TO THOSE**  
21 **STUDIES. DOES THE AGREEMENT ADDRESS THIS CONCERN?**

22 A. Yes. The Agreement provides that, in its next case, Bloomington will submit a cost of  
23 service study that adheres to certain protocols that are set forth in Attachment 4 of the  
24 Agreement. Those protocols will assist in enabling parties to evaluate the impact of  
25 varying the inputs to that study. Among other things, Attachment 4 to the Agreement

1 sets forth nine minimum criteria that, if met, would make Bloomington's next CCOS  
2 study accessible, operable, and manipulatable to the Parties' satisfaction.

3 **Q. DO YOU BELIEVE COMMISSION APPROVAL OF THE AGREEMENT IS**  
4 **IN THE PUBLIC INTEREST?**

5 A. Yes, for the reasons I have discussed, I believe the Agreement is in the public interest.  
6 The Agreement resolves contentious issues without the need for protracted litigation  
7 and provides for a reasonable revenue allocation by class that falls within the evidence  
8 of record in this Cause.

9 **IV. CONCLUSION**

10 **Q. IN YOUR OPINION, DO THE TERMS OF THE AGREEMENT REPRESENT**  
11 **A REASONABLE RESOLUTION OF THE ISSUES RAISED REGARDING**  
12 **COST ALLOCATION AND RATE DESIGN?**

13 A. In my opinion, yes.

14 **Q. WHAT DO YOU RECOMMEND TO THE COMMISSION?**

15 A. I find the Agreement reasonable, and I recommend the Commission approve the  
16 Agreement.

17 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY IN THIS**  
18 **PROCEEDING?**

19 A. Yes, it does.



## CERTIFICATE OF SERVICE


This is to certify that a copy of the *Office of Utility Consumer Counselor Settlement Testimony of Public Exhibit No. 7 – Jerome D. Mierswa* has been served upon the following counsel of record in the captioned proceeding by electronic service on October 6, 2021.

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