

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF ANDERSON,)
INDIANA, FOR AUTHORITY TO: (1) ISSUE)
LONG TERM DEBT TO FINANCE WATER) CAUSE NO. 46171
SYSTEM IMPROVEMENTS; AND (2))
ADJUST ITS RATES AND CHARGES)

PUBLIC’S EXHIBIT NO. 1

TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

April 3, 2025

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1 – Testimony of Carla F. Sullivan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on April 3, 2025.

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TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 46171
CITY OF ANDERSON

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 West Washington
3 Street, 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: I present the overall results of the OUCC’s analysis of the City of Anderson’s
10 (hereafter “Anderson” or “Petitioner”) proposed overall rate increase of 121.5%, a
11 \$13,211,735 revenue increase, to be implemented over five phases. The OUCC’s
12 analysis shows that an overall rate increase of 75.37%, to produce additional
13 revenues of \$8,261,146, is warranted based on the evidence in this case.

14 Anderson’s current water rates received IURC approval ten (10) years ago.
15 Most, but not all, of the capital improvements in Petitioner’s request are warranted
16 so that it may provide reliable and resilient service to its customers in the years
17 ahead. However, the testimony presented by the OUCC’s witnesses demonstrates
18 that Anderson can meet its current and future water needs through a lower rate
19 increase and lower financing amount than it is requesting.

1 Anderson is proposing a five-year phase-in of its requested rate increase. I
2 agree that this approach is appropriate as it recognizes affordability concerns and
3 will mitigate rate shock.

4 My rate schedules incorporate the recommendations made by all of the
5 OUCC's witnesses. I recommend adjustments to various operating expenses,
6 including salaries and wages, employee benefits, tank maintenance expense,
7 liability insurance, and rate case expense. I address Petitioner's proposed increases
8 to non-recurring charges and fees, including increases to its return check fee,
9 service call fees, and tap fees. I also address Petitioner's proposed addition of a
10 system development charge to its tariff. My recommendations and those of the other
11 OUCC witnesses, if approved by the Commission, will promote the affordability
12 of Petitioner's water service.

13 **Q: Please describe the review and analysis you performed.**

14 A: I reviewed the direct testimony and exhibits included in Petitioner's case-in-chief.
15 I reviewed Petitioner's 2023, 2022, and 2021 Indiana Utility Regulatory
16 Commission ("IURC" or "Commission") Annual Reports as well as the final order
17 in Cause No. 44510, Petitioner's prior rate case. I prepared discovery questions and
18 reviewed Petitioner's responses. I participated in the OUCC's engineering site visit
19 on February 12, 2025 and the OUCC's on-site accounting review on February 17
20 and 18, 2025. Finally, I attended the IURC's public field hearing held on March 6,
21 2025.

1 **Q: What schedules do you sponsor?**

2 A: I sponsor the following on behalf of the OUCC¹

3 Schedule 1 – Overall Revenue Requirement (page 1)

4 Phased Revenue Requirement (page 2-3)

5 Comparison of Income Statement Adjustments (page 4)

6 Schedule 2 – Comparative Balance Sheet as of December 31, 2021, 2022, and

7 2023

8 Schedule 3 – Comparative Income Statement for the Twelve Months Ended

9 December 31, 2021, 2022, and 2023

10 Schedule 4 – *Pro forma* Net Operating Income Statement

11 Schedule 5² – OUCC Operating Revenue Adjustments

12 Schedule 6 – OUCC Operating Expense Adjustments

13 Schedule 7¹ – Extensions & Replacements

14 Schedule 8¹ – Payment In Lieu of Taxes (“PILT”)

15 Schedule 9 – Working Capital

16 Schedule 10³ – Debt Service

17 Schedule 11² – Debt Service Reserve

18 Schedule 12¹ – Current and Proposed Rates and Charges

19 **Q: Are any workpapers or attachments submitted with your testimony?**

20 A: Yes. Appendix B lists my workpapers and attachments, which are referenced

21 throughout my testimony.

¹ See OUCC Attachment CFS-1.

² These schedules are not applicable as Petitioner has not requested this revenue requirement or the OUCC accepts Petitioner’s proposal. Schedule 12 - Tariff is not applicable because Petitioner’s revised rates will be determined based on a cost-of-service study.

³ See the testimony of OUCC witness Shawn Dellinger for the calculation of debt service and debt service reserve.

1 **Q: If your testimony does not address a specific topic, issue, or item, should it be**
2 **construed to mean you agree with Petitioner's proposal?**

3 A: No. My silence on any issue should not be construed as an endorsement. Excluding
4 any specific issues regarding Anderson's proposal from my testimony is not an
5 indication of approval. Rather, the scope of my testimony is limited to the specific
6 items addressed.

II. CASE OVERVIEW

A. Anderson's Case-in-Chief

7 **Q: What revenue increase does Petitioner seek in this Cause?**

8 A: Anderson seeks an overall 121.5% rate increase to be implemented over five phases
9 to generate \$13,211,733 of additional revenues. Anderson's proposed rate increase
10 is based on a 12-month historical test year ended December 31, 2023, adjusted for
11 changes in operating revenues and expenses that are fixed, known and measurable
12 and occurring within twelve months of the end of the test year (i.e., the adjustment
13 period).

14 **Q: How does Petitioner propose to implement its requested rate increase?**

15 A: Anderson proposes its authorized rate increase be implemented over five phases.
16 Phase 1 will be effective upon the issuance of the Commission's Final Order.
17 Phases 2 through 5 are expected to begin on January 1 of 2026, 2027, 2028, and
18 2029, respectively. The rates in each phase will reflect changes in various elements
19 of the revenue requirement, including debt service and debt service reserve. Phase

1 5 also reflects a significant increase in Petitioner's extensions & replacements
2 ("E&R") revenue requirement.⁴

3 **Q: What relief does Anderson request in addition to an increase to monthly water**
4 **rates?**

5 A: Anderson seeks authority to increase its non-recurring charges, including tap fees.
6 Anderson also requests authority to collect a system development charge. Finally,
7 as addressed in the testimony of OUCC witness Shawn Dellinger, Anderson
8 requests authority to issue new long-term debt.

B. OUCC's Case-in-Chief

9 **Q: What revenue increase does the OUCC recommend in this Cause?**

10 A: While Petitioner seeks an overall rate increase of 121.5%, or a \$13,211,735 revenue
11 increase, the OUCC recommends an overall 75.37% rate increase generating
12 \$8,261,146 of additional revenue per year. The OUCC accepts Petitioner's proposal
13 to implement its increase over five phases. The table below compares Petitioner's
14 overall proposed rate increase to that recommended by the OUCC.

⁴ See Petitioner's Exhibit No. 3, Direct Testimony of Jennifer Z. Wilson, Attachment JZW-1, p. 34.

Table CFS-1: Overall Revenue Requirement Comparison

	Per Petitioner	Per OUCC	OUCC More (Less)
Operating Expenses	\$ 10,642,582	\$ 9,584,596	\$(1,057,986)
Payment in Lieu of Taxes	592,692	592,692	-
Extensions and Replacements	2,842,400	2,842,400	-
Debt Service	8,662,890	5,475,335	(3,187,555)
Debt Service Reserve	1,546,040	908,395	(637,645)
Operating Fund Build Up	-	-	-
Total Revenue Requirements	24,286,604	19,403,418	(4,883,186)
Less: Interest Income	-	(65,119)	(65,119)
Less: Other Income	-	(2,285)	(2,285)
Net Revenue Requirements	24,286,604	19,336,014	(4,950,590)
Less: Revenues subject to increase	(11,074,869)	(10,961,131)	113,738
Less: Other revenues at current rates	-	(113,737)	(113,737)
Net Revenue Increase Required	\$ 13,211,735	\$ 8,261,146	\$(4,950,589)
Recommended Percentage Increase	121.50%	75.37%	-46.13%

1 **Q: What rate increase does the OUCC recommend for each phase?**

2 A: The table below reflects the amount of the dollar increase recommended by the
3 OUCC for each of the five phases, along with the percentage increase and the
4 cumulative rate increase for each phase.

Table CFS-2: OUCC's Recommended Phased Increase

	Revenue Increase	Percent Increase	Cummulative Increase
Phase 1	\$ 1,924,156	17.6%	17.6%
Phase 2	\$ 109,733	0.8%	18.6%
Phase 3	\$ 1,302,282	10.0%	30.4%
Phase 4	\$ 2,734,941	19.1%	55.4%
Phase 5	\$ 2,190,034	12.8%	75.4%

1 **Q: Does the OUCC accept Petitioner's request for debt authorization of**
2 **\$130,000,000?**

3 A: No. The OUCC recommends the Commission grant Anderson authority to borrow
4 up to \$101,839,000. As discussed in the testimonies of OUCC witnesses Carl N.
5 Seals, James Parks, and Shawn Dellinger, the OUCC does not agree with
6 Petitioner's proposal to finance the construction of an additional water treatment
7 plant at an estimated cost of \$28,161,000.

8 **Q: Do you accept Petitioner's request to increase its non-recurring charges,**
9 **including the addition of a system development charge ("SDC")?**

10 A: I accept all of Anderson's non-recurring charges except for (1) a bad check fee, (2)
11 an after-hours service call fee, and (3) an after-hours reconnection fee. While I
12 accept Anderson's request to implement a system development charge, I do not
13 accept the amount proposed by Anderson.

III. PRO FORMA OPERATING REVENUES

14 **Q: What level of *pro forma* operating revenues does Petitioner propose?**

15 A: Anderson proposes *pro forma* operating revenues of \$11,074,868, which is the test
16 year level of operating revenues. Anderson proposed no operating revenue
17 adjustments. I accept Petitioner's *pro forma* operating revenues.

IV. PRO FORMA OPERATING EXPENSES

18 **Q: What level of *pro forma* operating expenses does Petitioner propose?**

19 A: Anderson proposes a \$1,232,632 increase to test year operating expenses of
20 \$9,409,950 resulting in *pro forma* operating expenses of \$10,642,582.⁵ Anderson's

⁵ See Petitioner's Exhibit No. 3, Attachment JZW-1, p. 11. Total O&M Expense plus FICA Taxes.

1 proposed increase includes adjustments to salaries and wages expense, health
2 insurance, pension, payroll taxes, tank maintenance, union arbitration expense,
3 non-recurring or capital expenses, rental expense, and rate case expense.

4 **Q: Do you accept any of Anderson's proposed operating expense adjustments?**

5 A: Yes. I accept Anderson's proposed operating expense adjustments for union
6 arbitration expenses, non-recurring expenses, capital expenses, and rental expense.
7 The following table compares Petitioner's proposed operating expense adjustments
8 to those I recommend.

Table CFS-3: Operating Expense Adjustment Comparison

Description	Per Petitioner	Per OUCC	OUCC More (Less)
<i>Salaries and Wages Expense</i>			
Annualized Salaries	\$ 73,492	\$ 201,961	\$ 128,469
3% Wage Increase - Union	49,015	63,411	14,396
3% Wage Increase - Non-Union	32,101	34,254	2,153
Vacant Positions	515,898	-	(515,898)
Reduction in Incidental Payments	-	(201,887)	(201,887)
<i>Employee Benefits</i>			
Employee Health	179,432	-	(179,432)
PERF	74,590	10,440	(64,150)
Payroll Taxes	58,092	14,275	(43,817)
<i>Contractual Services</i>			
Annualized Tank Maintenance	176,486	80,209	(96,277)
Non-recurring Union Arbitration	(15,364)	(15,364)	-
Non-recurring and Capital Expenses	(105,986)	(105,986)	-
Rental Expense	35,000	35,000	-
Liability Insurance	85,001	58,333	(26,668)
Rate Case Expense (Phases 2, 3, & 4)	74,875	99,833	24,958
Rate Case Expense (Phase 5)		(99,833)	(99,833)
Total Operating Expense Adjustments	<u>\$ 1,232,632</u>	<u>\$ 174,646</u>	<u>\$ (1,057,986)</u>

A. Salaries and Wages Expense

1 **Q: What level of *pro forma* salaries and wages expense does Anderson propose?**

2 A: To test year salaries and wages expense of \$3,451,804, Anderson proposes three
3 adjustments totaling \$670,506 that result in *pro forma* salaries and wages expense
4 of \$4,122,310.

5 **Q: Please describe Anderson's workforce.**

6 A: Anderson's workforce consists of both union and non-union employees. Union
7 employees are members of either the Utility Workers Union of America, AFL-CIO,
8 Local 108 or United Auto Workers, Local 1963. Local 108 represents water utility
9 field operations staff, while Local 1963 represents both allocated civil city
10 employees and direct water utility employees, most of which are office workers.
11 Non-union personnel include management, elected officials, and additional civil
12 city employees allocated to the water utility.

13 **Q: What adjustments did Anderson make to its salaries and wages expense?**

14 A: Anderson's salaries and wages increase results from three adjustments: (1) test year
15 annualization of union salaries; (2) annualization of a 3.0% salary increase
16 occurring in the adjustment period for union and non-union employees; and (3)
17 inclusion of the cost of unfilled positions. I explain below the methodology
18 Petitioner used for each adjustment, why I do not accept the adjustment, and my
19 recommendation.

1. **Annualization of Union Salaries and Wages**

1 **Q: Please summarize Anderson's methodology for calculating its adjustment for**
2 **the annualized union wages.**

3 A: To annualize test year union salaries and wages, Anderson used the last quarter of
4 calendar year 2023 to determine the average salary paid to union employees per
5 pay period.⁶ The average salary paid to union employees per pay period was then
6 multiplied by 26. Longevity pay for 2023 was then added. To calculate the
7 annualization adjustment, Anderson subtracted test year union salary expense from
8 annualized test year union salaries to determine its annualization adjustment of
9 \$73,492.

10 **Q: Do you agree with Anderson's methodology to annualize union wages?**

11 A: No. I identified two problems with Petitioner's methodology. First, the union
12 salaries and wages Petitioner annualized included items that should not be
13 annualized, including overtime pay, longevity pay, and supplemental pay.
14 Therefore, Petitioner's methodology overstated annualized union salaries and
15 wages. Second, Petitioner incorrectly calculated its adjustment to exclude
16 retroactive longevity payments.

17 **Q: Please explain how Anderson incorrectly calculated its annualization**
18 **adjustment.**

19 A: Retroactive longevity pay (\$235,114) disbursed during the test year is non-
20 recurring. While Anderson correctly excluded these payments from its annualized
21 union salaries and wages, it neglected to include these payments in the value of test

⁶ See OUCC Attachment CFS-2.

1 year union salaries and wages that it used to calculate its adjustment.⁷ Therefore,
2 Anderson's adjustment overstates the increase necessary to annualize test year
3 union salaries and wages expense.

4 **Q: Did Petitioner propose an adjustment to annualize non-union salaries and**
5 **wages?**

6 A: No.

7 **Q: What methodology did you use to calculate your recommended adjustment for**
8 **annualized test year salaries and wages?**

9 A: My adjustment annualizes regular salaries and wages⁸ for all employees, union and
10 non-union. To determine the average number of hours worked per pay period, I
11 divided the number of regular hours worked for each employee in 2023 by the
12 number of pay periods in which the employee received a paycheck. I then
13 multiplied this result by the total number of pay periods in the test year (26) to
14 determine the annual hours for each employee.⁹ I then multiplied the annual hours
15 for each employee by that employee's test year rate of pay to calculate annualized
16 regular salaries and wages. Table CFS-4 provides an example of this process.

⁷ Retroactive longevity pay was disbursed on September 8, 2023. Please refer to Petitioner's Excel document labeled "01 Excel – 2024 Anderson Water Rev Req Report," tab "WP-SW Union Annualization." September 8, 2023 payments are not included in the spreadsheet.

⁸ Excludes employee pay that should not be annualized, including overtime, longevity, and supplemental pay.

⁹ Some modifications to this method were needed for elected officials and part-time employees.

Table CFS-4: Salary Annualization Example

Regular Hours Worked	188.58
Divided By: Pay Periods Worked	19
Average Hours per Pay Period	10
Multiplied By: Annual Pay Periods	26
Annualized Hours	260
Test Year Rate of Pay	\$ 15.11
Annualized Salaries and Wages	<u>\$ 3,929</u>

1 To calculate the adjustment, I subtracted test year regular salaries and wages
2 (\$2,736,689) from annualized regular salaries and wages (\$2,938,650) to determine
3 my recommended annualization adjustment of \$201,961 (\$2,938,650 -
4 \$2,736,689).¹⁰ Table CFS-5 compares Petitioner's annualization adjustment to that
5 recommended by the OUCC.

Table CFS-5: Annualization Adjustment Comparison

	<u>Per</u> <u>Petitioner</u>	<u>Per</u> <u>OUCC</u>	<u>OUCC</u> <u>More (Less)</u>
Union 108	\$ 60,828	\$ 31,289	\$ (29,539)
Union 1963	12,663	57,526	44,863
Non-Union	-	113,146	113,146
	<u>\$ 73,492</u>	<u>\$ 201,961</u>	<u>\$ 128,469</u>

2. 3.0% Salary Increase

6 **Q: Please summarize Anderson's methodology to calculate its proposed 3.0%**
7 **salary increase that was effective on January 1, 2024?**

8 **A:** Anderson took total test year salaries and wages expense and multiplied this amount
9 by the 3.0% salary increase that went into effect on January 1, 2024.

¹⁰ See OUCC Workpaper WP-Salaries & Wages Expense Adj, (cell O-1053 – cell J-1053) and OUCC Attachment CFS-1, Schedule No. 6, Adjustment No. 1.

1 **Q: Do you agree with Anderson's methodology?**

2 A: No. Multiplying test year salaries and wages by 3.0% understates the adjustment
3 because it fails to account for the increase in regular or base salaries due to the
4 annualization adjustment discussed above. However, multiplying total test year
5 salaries and wages by 3.0% also overstates the adjustment because it includes
6 employee payments that are not subject to increase, e.g., stand-by pay.

7 **Q: What methodology did you use to calculate the 3.0% salary increase that was**
8 **effective as of January 1, 2024?**

9 A: I applied the 3.0% increase to annualized regular salaries and wages along with test
10 year overtime earnings to determine my recommended \$97,665 3.0% salary
11 increase.¹¹ Table CFS-6 compares Petitioner's adjustment to that recommended by
12 the OUCC.

Table CFS-6: Comparison of 3.0% Salary Increase Adjustment

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Union 108	\$ 36,158	\$ 50,063	\$ 13,905
Union 1963	12,857	13,348	491
Non-Union	32,101	34,254	2,153
	<u>\$ 81,116</u>	<u>\$ 97,665</u>	<u>\$ 16,549</u>

¹¹ See OUCC Attachment CFS-1, Workpaper WP-Salaries & Wages Expense Adj. (cell Q-1053 + cell T-1053) and OUCC Attachment CFS-1 Schedule No. 6, Adjustment No. 2.

3. **Vacant Positions**

1 **Q: Please summarize Anderson's methodology to calculate its proposed**
2 **adjustment for vacant positions.**

3 A: Relying on a list of vacant positions as of April 9, 2024, Petitioner assumed it had
4 eight vacant positions during the test year.¹² Petitioner multiplied the hourly rate of
5 pay for those positions by 2080 hours to determine its adjustment.

6 **Q: Do you agree with Anderson's methodology?**

7 A: No. Petitioner's methodology assumes those positions were vacant during the 2023
8 test year. That assumption is unwarranted.

9 **Q: Do you recommend a vacant position adjustment?**

10 A: No. The methodology I used to annualize regular salaries already accounts for any
11 positions that were vacant any part of the test year. Under my methodology, a
12 position would need to be vacant for the entire year before an adjustment would be
13 required to account for any vacant positions. For example, Petitioner includes a
14 pipefitter helper as a vacant position during the test year. According to Petitioner's
15 response to OUCC Data Request No. 9-6,¹³ Petitioner has three pipefitter helper
16 positions. During the test year there were three pipefitter helpers on staff -- one
17 worked 18 weeks, another worked 46 weeks, and the third worked 52 weeks. A
18 properly calculated annualization adjustment would reflect 52 weeks for each of

¹² See OUCC Attachment CFS-3.

¹³ See OUCC Attachment CFS-4.

1 these positions. My annualization adjustment reflects three pipefitter helpers at
2 2080 hours each.¹⁴

3 **Q: Does your annualization adjustment capture the additional hours for positions**
4 **that were vacant during the test year?**

5 A: Yes. My annualization adjustment increased the number of regular hours paid
6 during the test year from 109,599 to 120,145, an increase of 10,546 hours.¹⁵
7 Assuming the average full-time employee works approximately 2080 hours per
8 year, these additional hours equate to five (5) full-time equivalent employees.
9 Therefore, I consider my annualization adjustment accounts for any positions that
10 were vacant during the test year.

4. Additional Adjustments to Salaries and Wages Expense

11 **Q: Do you propose any adjustments to salaries and wages expense not proposed**
12 **by Anderson?**

13 A: Yes. I recommend two additional adjustments to salaries and wages expense. First,
14 I recommend a \$235,114 decrease to salaries and wages expense to remove test
15 year retroactive longevity pay. Second, I recommend a \$33,227 increase to reflect
16 additional longevity payments due to the recently negotiated union contract.¹⁶

17 **Q: Please explain your first adjustment to remove retroactive longevity pay.**

18 A: On September 8, 2023, Petitioner paid \$235,114 in retroactive longevity pay. This
19 payment represents longevity pay from January 2022 through December 2022 that

¹⁴ See OUCC Attachment CFS-1 Workpaper WP-Salaries & Wages Expense Adj, cells E-1081 through E-1083.

¹⁵ See OUCC Attachment CFS-1 Workpaper WP-Salaries & Wages Expense Adj, cell N-1055.

¹⁶ See OUCC Attachment CFS-1, Schedule 6, Adjustment No. 3.

was not paid in prior years because the Union contract was still being negotiated.

The Union contract negotiations were completed in August 2023 and retroactive to

January 2022. Consequently, this is not a recurring *pro forma* expense and should

be excluded from *pro forma* operating expenses.

Q: Please explain your second recommended adjustment to include additional longevity pay per the union contract.

A: Based on the current Union contract, the annual longevity payment increased from

\$200 per year to \$250 per year of service for each employee. Therefore, I

recommend a \$33,227 increase to *pro forma* incentive pay to account for this

increase. Table CFS-7 compares Petitioner's salaries and wages expense

adjustments to those I recommend.

Table CFS-7: Salary Expense Adjustment Comparison

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
<u>Annualization Adjustment</u>			
Union 108	\$ 60,828	\$ 31,289	\$ (29,539)
Union 1963	12,663	57,526	44,863
Non-Union	-	113,146	113,146
<u>3.0% Increase</u>			
Union 108	\$ 36,158	\$ 50,063	\$ 13,905
Union 1963	12,857	13,348	491
Non-Union	32,101	34,254	2,153
<u>Vacant Positions</u>			
Union 108	\$ 277,055	\$ -	\$ (277,055)
Union 1963	-	-	-
Non-Union	238,843	-	(238,843)
<u>Incentive Payments</u>			
Union 108	\$ -	\$ (15,341)	\$ (15,341)
Union 1963	-	(59,849)	(59,849)
Non-Union	-	(126,697)	(126,697)
	<u>\$ 670,506</u>	<u>\$ 97,739</u>	<u>\$ (572,766)</u>

B. Health Insurance Expense

1 **Q: What level of *pro forma* health insurance expense does Anderson propose?**

2 A: Anderson proposes a \$179,432 increase to test year health insurance expenses of
3 \$901,334 resulting in *pro forma* health insurance expense of \$1,080,766.

4 **Q: How did Anderson determine its proposed health insurance adjustment?**

5 A: Anderson's health insurance expense adjustment is based on its estimated number
6 of vacant positions during the test year and does not reflect an increase in health
7 insurance costs.¹⁷ Anderson took the number of vacant positions as of April 9, 2024
8 (eight) and multiplied by \$22,429, the annual cost to insure one employee, to
9 determine its proposed \$179,432 increase to health insurance expense.

10 **Q: Do you accept Petitioner's proposed health insurance adjustment?**

11 A: No. I disagree with Anderson's use of vacant positions as of April 9, 2024 as it is
12 not representative of the actual vacancies as of the end of the test year, nor does it
13 indicate an increase in health insurance expense.

14 **Q: What adjustment to test year health insurance expense do you recommend?**

15 A: I do not recommend an adjustment to health insurance expense because there was
16 no increase in the cost per employee for health insurance during the adjustment
17 period.

¹⁷ The City of Anderson is self-insured for health insurance purposes and there was no increase in those costs during the adjustment period (calendar year 2024).

C. Pension Expense

1 **Q: What level of *pro forma* pension expense does Anderson propose?**

2 A: Anderson proposes a \$74,590 increase to test year pension expenses of \$387,109
3 resulting in *pro forma* pension expense of \$461,699.

4 **Q: How did Anderson determine its proposed pension expense adjustment?**

5 A: The City of Anderson participates in the Indiana Public Employees' Retirement
6 Fund ("PERF") and all of Anderson's employees are covered under PERF.
7 Therefore, Petitioner simply applied the PERF contribution rate of 11.2% to *pro*
8 *forma* salaries and wages expense to determine its proposed pension expense
9 adjustment.

10 **Q: Do you accept Anderson's proposed pension expense adjustment?**

11 A: No. While I agree with Anderson's methodology for determining its *pro forma*
12 pension expense, I recommend a different *pro forma* salaries and wages expense
13 and, therefore, recommend a different pension expense adjustment.

14 **Q: What level of *pro forma* pension expense do you recommend?**

15 A: I recommend a \$10,440 increase to test year pension expense of \$387,109 resulting
16 in *pro forma* pension expense of \$397,549. As explained above, PERF is a
17 relatively simple calculation; salaries and wages multiplied by the current
18 PERF contribution rate (11.2%). I multiplied my recommended *pro forma*
19 salaries and wages expense of \$3,549,544 by 11.2% and subtracted test year
20 pension expense of \$387,109 yielding an increase of \$10,440.¹⁸

¹⁸ See OUCC Attachment CFS-1, Schedule 6, Adjustment No. 4.

D. Payroll Taxes

1 **Q: What level of *pro forma* payroll tax expense does Anderson propose?**

2 A: Anderson proposes a \$58,092 increase to test year payroll tax expenses of \$257,265
3 resulting in *pro forma* payroll tax expense of \$315,357.

4 **Q: Do you accept Anderson's proposed payroll tax expense adjustment?**

5 A: No. While I agree with Anderson's methodology for determining its *pro forma*
6 payroll tax expense, I recommend a different *pro forma* salaries and wages expense
7 and, therefore, recommend a different payroll tax expense adjustment.

8 **Q: What level of *pro forma* payroll tax expense do you recommend?**

9 A: I recommend a \$14,275 increase to test year's payroll tax expense of \$257,265
10 resulting in *pro forma* payroll tax expense of \$271,540. Payroll tax expense is a
11 simple calculation; salaries and wages expense multiplied by 7.65%.¹⁹ I multiplied
12 my recommended *pro forma* salaries and wages expense of \$3,549,544 by 7.65%
13 and subtracted test year's payroll tax expense of \$257,265, yielding an increase of
14 \$14,275.²⁰

E. Tank Maintenance Expense

15 **Q: What level of *pro forma* tank maintenance expense does Petitioner propose?**

16 A: Petitioner proposes a \$176,486 increase to test year tank maintenance expenses of
17 \$216,624 resulting in *pro forma* tank maintenance expense of \$393,110.

¹⁹ Payroll tax expense of 7.65% consists of social security tax (6.2%) plus Medicare (1.45%).

²⁰ See OUCC Attachment CFS-1, Schedule No. 6, Adjustment No. 5.

1 **Q: Do you accept Petitioner's proposed tank maintenance expense adjustment?**

2 A: No. Although Petitioner and I agree on the *pro forma* amount of tank maintenance
 3 expense, which is based on a tank maintenance contract with Utility Service Co., I
 4 disagree with the test year expense amount Petitioner used in its calculation. I
 5 identified several test year payments that Petitioner did not include in its
 6 adjustment, therefore overstating the adjustment required by \$96,277. Table CFS-
 7 8 compares the test year payments identified by Petitioner and those I identified.²¹

Table CFS-8: Test Year Tank Maintenance Payments

<u>EFF Date</u>	<u>Comment</u>	<u>Vendor</u>	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
01/09/23	ELEVATED TANK MONTHLY	UTILITY SERVICE CO I	\$ 24,069.29	\$ 24,069.29	\$ -
02/03/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
03/01/23	TANK CLEANIN G	UTILITY SERVICE CO I		24,069.29	24,069.29
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	3,707.99	3,707.99	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	5,000.00	5,000.00	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	6,202.16	6,202.16	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	4,148.99	4,148.99	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	4,713.08	4,713.08	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	133.66	133.66	-
03/24/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	163.41	163.41	-
04/05/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
04/26/23	TANK MAINTENENCE	UTILITY SERVICE CO I		24,069.29	24,069.29
05/24/23	TANK CLEANING	UTILITY SERVICE CO I		24,069.29	24,069.29
06/28/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
08/09/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
09/27/23	ELEVATED TANK CLEANING	UTILITY SERVICE CO I		24,069.29	24,069.29
11/01/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
11/09/23	MONTHLY TANK CLEANING	UTILITY SERVICE CO I	24,069.29	24,069.29	-
12/20/23	MONTHLY TANK	UTILITY SUPPLY OF AM ¹	24,069.29	24,069.29	-
Total Test Year Tank Maintenance Expense			<u>\$ 216,623.61</u>	<u>\$ 312,900.77</u>	<u>\$ 96,277.16</u>

²¹ The December 20, 2023 payment was made to the wrong vendor. The error was corrected in January 2024. Even though the payment was processed incorrectly, the expense was incurred during the test year and should be included in the adjustment calculation.

1 **Q: What level of *pro forma* tank maintenance expense do you recommend?**

2 A: To calculate my recommended tank maintenance expense adjustment, I subtracted
3 test year tank maintenance expense of \$312,901 from *pro forma* tank maintenance
4 expense of \$393,110, yielding an \$80,209 adjustment.²²

F. General Liability Insurance

5 **Q: What level of *pro forma* general liability insurance expense does Anderson**
6 **propose?**

7 A: Anderson proposes an \$85,001 increase to test year general liability insurance
8 expenses of \$174,999 resulting in *pro forma* general liability insurance expense of
9 \$260,000. Anderson based its adjustment on its 2024 budgeted amount for general
10 liability insurance.

11 **Q: Do you accept Anderson's proposed general liability insurance adjustment?**

12 A: No. Anderson's 2024 budgeted amount exceeded actual expenditures during the
13 adjustment period. Petitioner's response to OUCC Data Request No. 9-9²³
14 indicated only \$233,332 was transferred for general liability insurance in 2024
15 despite a larger amount being budgeted.²⁴

²² See OUCC Attachment CFS-1, Schedule No. 6, Adjustment No. 6.

²³ See OUCC Attachment CFS-5.

²⁴ The \$233,332 was paid through a series of four \$58,333 transfers to the general liability insurance fund (the "Loss Fund") during the adjustment period.

1 **Q: What level of *pro forma* general liability insurance expense do you**
2 **recommend?**

3 A: I recommend a \$58,333 increase to test year general liability insurance expense of
4 \$174,999 resulting in *pro forma* general liability insurance expense of \$233,332.²⁵

G. Rate Case Expense

5 **Q: What adjustment does Anderson propose for rate case expense?**

6 A: Anderson proposes \$299,500 of rate case expense to be amortized over four (4)
7 years resulting in a \$74,875 increase to test year operating expense.

8 **Q: Do you accept Anderson's proposed rate case expense adjustment?**

9 A: No. While I accept Anderson's proposed rate case expense of \$299,500, I do not
10 accept Petitioner's amortization period of four years. As presented by Anderson,
11 rate case expense will be over-collected by an unknown amount because Anderson
12 did not propose the removal of this amortization expense once the authorized costs
13 are recovered.²⁶

14 **Q: What adjustment do you recommend for rate case expense?**

15 A: I recommend including \$99,833 in Petitioner's *pro forma* operating expenses in
16 Phases 2, 3, and 4. I then recommend the removal of this adjustment (\$99,833) from
17 Petitioner's *pro forma* operating expenses in Phase 5 as rate case costs should be
18 fully recovered at that point. Allowing Anderson to recover these costs over three

²⁵ See OUCC Attachment CFS-1, Schedule No. 6, Adjustment No. 7.

²⁶ Based on Anderson's proposal, it will collect amortized rate case expense for approximately three months in Phase 1, 12 months in each of Phases 2 through 5 (4 years), and then indefinitely until Petitioner returns for another rate case. Notably, Anderson's most recent rate case prior to this case was implemented ten (10) years ago, in March 2015.

1 years and then removing these costs from rates in Phase 5 eliminates any potential
2 over collection. This method is also preferential as it does not require an additional
3 revision to Petitioner's tariff to eliminate this cost once it has been fully
4 recovered.²⁷ If my methodology is approved, it will allow Anderson to secure
5 recovery of its rate case costs while promoting the affordability of Petitioner's rates.

V. EXTENSIONS AND REPLACEMENTS

6 **Q: What level of *pro forma* extensions and replacements ("E&R") revenue**
7 **requirement does Petitioner propose?**

8 A: Petitioner proposes a \$1,000,000 E&R revenue requirement in Phases 1 through 4
9 and a \$2,842,400 E&R revenue requirement in Phase 5. Petitioner's responses to
10 OUCC Data Request Nos. 7-21 through 7-26 explain how Petitioner anticipates
11 using its proposed E&R funds.²⁸

12 **Q: Do you accept Petitioner's proposed E&R revenue requirement?**

13 A: Yes.

VI. WORKING CAPITAL

14 **Q: Please define working capital for ratemaking purposes.**

15 A: For municipally owned utilities, working capital generally is defined as the cash
16 required to bridge the gap between the time expenditures are required to provide
17 service and the time revenues are received for that service. In other words, working
18 capital is the money a utility needs to pay necessary operating expenses incurred to

²⁷ See OUCC Attachment CFS-1, Schedule No. 6, Adjustment No. 8.

²⁸ See OUCC Attachment CFS-6.

1 provide service until the revenues from that service are collected. Some expenses
2 are incurred and paid before the related revenues are collected. Examples of these
3 expenses include chemicals, rent, and salaries. Other expenses are paid after the
4 related service revenues are collected (paid for "in arrears"). Expenses paid in
5 arrears include taxes, purchased water, and purchased power. Working capital is
6 provided for those expenses that are incurred and paid before the related revenues
7 are collected.

8 **Q: What is the best method to determine the amount of working capital needed?**

9 A: The best method to determine a utility's working capital need is the preparation of
10 a lead/lag study. This methodology measures the differences between (1) the time
11 services are rendered until the revenues for that service are received, and (2) the
12 time expenses are incurred until those expenses are paid. A lead/lag study requires
13 an in-depth analysis of the timing of a specific utility's operating revenues and
14 expenses. The difference between these periods is expressed in terms of days. The
15 number of days calculated multiplied by the average daily operating expenses
16 produces the cash working capital required for operations. The primary advantage
17 of the lead/lag study method is that it produces an accurate estimate of working
18 capital because it is based on that utility's actual operating conditions and its billing,
19 collecting and cash disbursement practices. The primary disadvantage of a lead/lag
20 study is the time and expense needed to produce the study. For this reason, most
21 utilities do not attempt to calculate their working capital in this manner and rely on
22 an alternative method.

1 **Q: What is that alternative method?**

2 A: The alternative method is called the 45-day formula method, which has been
3 devised to estimate the working capital needs of a utility and has been accepted by
4 this Commission and FERC. The 45-day formula method calculates a percentage
5 of a utility's operating expenses as an estimate of the working capital requirements
6 for a utility. This method assumes the difference between the lead/lag periods
7 discussed above is 45 days and calculates 12.5% (45 days/360 days) of adjusted
8 annual operating expenses as cash working capital. This methodology typically
9 adjusts operating expenses for those items known to be paid after the receipt of
10 revenues or paid "in arrears." The advantage of the formula method is that it is quick
11 and inexpensive and is generally thought to be a reasonable estimate of what a
12 lead/lag study would produce without the related expense of a lead/lag study. The
13 45-day method is a reasonable means of securing necessary working capital for a
14 utility while eliminating the cost of a lead/lag study thereby promoting the
15 affordability of water service.

A. Petitioner's Proposal

16 **Q: What level of working capital does Anderson propose?**

17 A: Anderson does not specifically request working capital as a component of its
18 revenue requirement in this case. Instead, Anderson proposes a \$185,126
19 "operating fund build up" in phases 2 through 4 as a component of its annual
20 revenue requirement in this case.

1 **Q: Why does Anderson propose to include an “operating fund build up” in its**
2 **proposed revenue requirement?**

3 A: Anderson’s witness Jennifer Z. Wilson indicated the “operating fund build up” was
4 calculated so Petitioner will be in compliance with the bond ordinances that
5 authorized the issuance of its 2016 Bonds and its 2016 Refunding Bonds, both of
6 which stipulate that cash funds should be sufficient to pay the expenses of operation
7 and maintenance for the next two months.²⁹

8 **Q: How did Anderson determine the level of “operating fund build up” included**
9 **in its revenue requirement?**

10 A: Ms. Wilson stated, the “operating fund build up” is based on two months of total
11 operation and maintenance expenses (\$10,327,225) and other taxes (\$908,049),
12 which calculates to \$1,872,546 $((\$10,327,225 + \$908,049) / 12 \times 2)$. The balance
13 in the available operating funds³⁰ is \$1,317,168 as of December 31, 2023. The
14 difference between the calculated required balance of \$1,872,546 and the actual
15 balance as of December 31, 2023, of \$1,317,168 is a deficit of \$555,378. Anderson
16 intends to fund this deficit over a three-year period, resulting in an annual revenue
17 requirement of \$185,126 in Phases 2 through 4.³¹

²⁹ Petitioner’s Exhibit No. 3, p. 26.

³⁰ Petitioner included the December 31, 2023 balance in the following cash accounts: (1) operating fund (\$507,019); (2) well and tank maintenance fund (\$170,489); and (3) contribution in lieu of taxes fund (\$639,660).

³¹ Petitioner’s Exhibit No. 3, p. 26, lines 3-19.

B. Recommendation

1 **Q: Do you agree with Anderson's proposal?**

2 A: No. While Anderson is allowed to include working capital in its revenue
3 requirement according to Ind. Code §8-1.5-3-8(c)(4), the statute does not authorize
4 the inclusion of an "operating fund build up" as a component of a municipal utility's
5 revenue requirement.

6 **Q: Isn't an "operating fund build up" the same thing as working capital?**

7 A: No. Petitioner's proposed "operating fund build up" does not consider when these
8 operating expenses are incurred and when they are paid, a key consideration in the
9 determination of working capital for ratemaking purposes. All of Petitioner's
10 necessary and reasonable operating expenses are included in the revenue
11 requirement and will be recovered through Petitioner's water rates. Petitioner only
12 needs additional working capital to the extent its available cash on hand is less than
13 the operating expenses it must pay between when service is provided and when it
14 receives revenues from its customers.

15 **Q: What methodology do you recommend using to calculate working capital in**
16 **this case?**

17 A: I recommend using the 45-day formula method to calculate working capital in this
18 case. I calculate a working capital requirement of \$1,085,574 and available cash on
19 hand of \$1,217,060. Based on my analysis, Petitioner does not require additional
20 working capital funds.³²

³² See OUCC Attachment CFS-1, Schedule No. 9.

1 **Q: How did you determine your working capital requirement of \$1,089,024?**

2 A: To calculate the working capital requirement, I start with my *pro forma* operating
3 and maintenance expenses of \$9,584,596.³³ I then subtract any expenses known to
4 be paid in arrears. In this case, the only known operating expenses paid in arrears
5 is purchased power expense (\$900,000).

6 **Q: Why did you exclude payments in lieu of property taxes ("PILT") from the**
7 **calculation of your working capital revenue requirement?**

8 A: There is no requirement that PILT be paid to the City before revenues are received
9 from customers. It can be paid in arrears. Therefore, it is not appropriate or
10 necessary to include PILT in the calculation of working capital.

11 **Q: How did you determine your level of cash on hand of \$1,217,060?**

12 A: I reviewed Petitioner's cash balances at December 31, 2023 to determine the
13 available cash on hand to pay operating and maintenance expenses. Based on my
14 review, I included the following cash balances as cash on hand: (1) operating fund
15 (\$507,019); (2) well and tank maintenance fund (\$170,488); and (3) 75% of
16 customer deposits (\$719,404 x 75% = \$539,553). I did not include the PILT fund
17 (as Petitioner did) because I did not include PILT in my working capital calculation.

18 **Q: Why did you include a portion of customer deposits as a component of**
19 **available cash on hand?**

20 A: It is not necessary to restrict the entire amount of customer deposits as only a
21 portion is needed at any given time to refund customer deposits. To address
22 affordability concerns, I considered it reasonable to include 75% of customer
23 deposits as cash available for working capital to reduce the working capital revenue

³³ Excludes depreciation expense and payments in lieu of property taxes.

1 requirement and customer rates. Notably, many utilities do not maintain a separate
2 customer deposit fund and deposit these monies directly into the utility's operating
3 fund.

4 **Q: What level of *pro forma* working capital do you recommend?**

5 A: I do not recommend a working capital revenue requirement as Anderson has
6 sufficient cash on hand to pay operating expenses between the time service is
7 provided to customers and when Anderson receives customer revenues.³⁴

VII. NON-RECURRING CHARGES

8 **Q: Which non-recurring charges does Anderson seek to update in this case?**

9 A: Anderson seeks to update its (1) bad check charge; (2) reconnection charge during
10 regular hours; (3) reconnection charge during overtime hours; (4) service call
11 charge during regular hours; (5) service call charge during overtime hours; and (6)
12 water tap fee ($\frac{3}{4}$ tap).

³⁴ See OUCC Attachment CFS-1, Schedule No. 9.

Table CFS-10: Current and Proposed Non-Recurring Charges

<u><i>Non-Recurring Charge</i></u>	<u>Current</u>	<u>Petitioner Proposed</u>
Bad Check Charge	\$ 30.00	\$ 49.00
Reconnect Charge		
Regular Hours	35.00	67.00
Overtime Hours	155.00	324.00
Service Call Charges		
Regular Hours	35.00	67.00
Overtime Hours	155.00	324.00
Water Taps		
3/4" Tap	820.00	2,580.00

1 **Q: Do you accept any of Anderson's proposed non-recurring charges?**

2 A: Yes. I accept all of Petitioner's proposed non-recurring charges except the bad
3 check fee and both of the Overtime hours charges.

A. Bad Check Charge

4 **Q: What is Anderson's current and proposed charge for its bad check charge?**

5 A: Anderson currently charges a \$30.00 bad check charge and proposes to increase
6 this charge to \$49.00.

7 **Q: Does Anderson offer support for its proposed \$49 bad check fee?**

8 A: Not entirely. Anderson provided the calculation of its proposed \$9.48 labor cost to
9 process a returned check. However, Anderson also included a \$40 bank charge but
10 did not provide any explanation or support for this charge.

11 **Q: What do you recommend for Anderson's bad check charge?**

12 A: I recommend a \$14.00 bad check charge based on the actual bank charges incurred
13 for bad checks. In its supplemental response to OUCC Data Request No. 7-20,
14 Petitioner stated the bank charges it incurs are (1) \$2.00 per overdraft occurrence,

1 (2) \$1.00 to redeposit each overdraft check, and (3) \$50.00 per month for a returned
 2 items report.³⁵ Table CFS-11 provides the calculation for my recommended \$14.00
 3 bad check charge.

Table CFS-11: Bad Check Charge Cost Build Up

Monthly Bank Charges

Report Charge (\$50 per month)	\$ 600	
Divided by: Number of Test Year Bad Checks	<u>504</u>	
Bank Report Cost per Check		\$ 1.19

Other Costs per Check

Labor (as proposed by Petitioner)	\$ 9.48	
Overdraft Fee	2.00	
Redeposit Fee	<u>1.00</u>	
Other Cost per Check		<u>12.48</u>
Total Cost per Bad Check		<u>\$ 13.67</u>
Rounded		<u><u>\$ 14.00</u></u>

B. Overtime Service Call Charges / Reconnection Charges

4 **Q: What is Anderson's current and proposed charge for its overtime service calls**
 5 **and reconnections?**

6 A: Anderson currently charges \$155.00 for service calls and reconnections that are
 7 performed after hours. In this case, Anderson proposes increasing this charge to
 8 \$324.00.

9 **Q: What does Anderson consider to be "after-hours"?**

10 A: In response to OUCC Data Request No. 7-5, Anderson stated that regular hours are
 11 from 7:00 a.m. to 3:00 p.m. Any service calls or reconnections started after 3:00
 12 p.m. are considered "after hours" and labor is charged at double time. Petitioner

³⁵ See OUCC Attachment CFS-8.

1 further explained that a service call or reconnection that is started before 3:00 p.m.
2 but completed after 3:00 p.m. incurs labor charges at time and a half.³⁶

3 **Q: What is the cost differential between a service call or reconnection performed**
4 **during regular hours versus one completed after hours?**

5 A; As proposed by Petitioner, a service call or reconnection performed during regular
6 hours incurs a \$67.00 charge, which includes 0.75 hours of a service person's time
7 or \$37.88. That same service performed after hours incurs 3.0 hours of a service
8 laborer's time or \$303.00. The difference in these labor charges is due to (1) the
9 number of hours included in the charge and (2) the applicable hourly pay rate. The
10 labor hours charged is not based on the estimated time to complete the service but
11 is solely due to a clause in the negotiated union contract that requires the laborer to
12 be paid for a minimum of three hours per service call or reconnection performed
13 after hours. Not only is a minimum of three labor hours required, but the labor is
14 also charged at double time.

15 **Q: What do you recommend for an after-hours charge for service calls and**
16 **reconnections?**

17 A: While these proposed charges may be cost-based due to a negotiated union contract,
18 I do not consider these to be reasonable consumer charges for the services provided.
19 Therefore, I recommend the service call or reconnection charge - after hours be
20 based on the same number of hours as the regular hours charge but using the double-
21 time hourly labor rate for the laborer performing the service. As reflected in Table

³⁶ See OUCC Attachment CFS-7.

1 CFS-12, my recommended service call or reconnection charge – after hours is
 2 \$116.00.

Table CFS-12: Service Call Overtime Hours - Cost Build Up

	<u>Hours</u>	<u>Hourly Rate</u>	<u>Cost</u>
<u>Labor</u>			
Meter Service Person	0.75	\$101.00	\$ 75.75
Customer Service Supervisor	0.25	\$ 37.91	9.48
Clerk / Dispatcher	0.25	\$ 38.60	9.65
			<u>94.88</u>
<u>Equipment</u>			
Service Truck	0.75	13.87	10.40
<u>Other</u>			
After Hours Answering Service			<u>10.96</u>
Calculated Chargee			<u>\$ 116.24</u>
Rounded			<u>\$ 116.00</u>

3 **Q: In light of your recommendation, how will Petitioner recover the cost of after-**
 4 **hour calls?**

5 A: Because the charge for after-hours service calls and reconnections will not recover
 6 the total labor costs that must be paid by Anderson under its union contract, I have
 7 included the costs not recovered through my recommended charge in Petitioner's
 8 operating expense revenue requirement. While I would normally recommend that
 9 the entirety of cost incurred for such services be embedded in the charge, this charge
 10 is unusually onerous, not sufficiently within control of the customer, and assumes
 11 three hours of overtime work at double regular wages when the call may not take
 12 three hours to complete. The terms Anderson agreed to in its union contract should
 13 not be borne wholly by the individual customers that require the service.

1 **Q: How would your recommended charge affect general rates and charges?**

2 A: Recovering part of this cost as a general revenue requirement will have a de
3 minimis effect on rates while protecting individual customers from an unusual and
4 onerous charge.

VIII. SYSTEM DEVELOPMENT CHARGE

5 **Q: Please explain the propose of a system development charge.**

6 A: According to page 321 of the American Water Works Association Principles of
7 Water Rates, Fees, and Charges, Seventh Edition (the "M1 Manual"), a system
8 development charge ("SDC") is "a one-time charge paid by a new water system
9 customer for system capacity." System development charges are a way for growth
10 to pay for growth. The receipts from this charge are used to finance the development
11 of growth-related or capacity-related water facilities and are an important
12 funding/financing source for these facilities.

13 **Q: What is Petitioner requesting in this case?**

14 A: Petitioner is requesting approval to establish an SDC of \$900.

15 **Q: What method has Petitioner used to calculate its proposed system development**
16 **charge?**

17 A: According to the testimony of Jennifer Wilson, "the recommended SDC calculation
18 was performed using the average of two different methods, the incremental cost
19 method and the equity buy-in method."³⁷

³⁷ See Petitioner's Exhibit No. 3, p. 32, lines 8-9.

1 **Q: Do you accept Petitioner's proposed system development charge?**

2 A: No. I disagree with Petitioner's proposal to average the results of two different
3 methodologies -- the incremental approach and the equity buy-in approach -- to
4 calculate its proposed SDC. Even if the average approach proposed by Petitioner
5 were to be considered acceptable, its calculation for the incremental approach is
6 incorrect as it does not take into consideration that the proposed projects will be
7 100% debt funded or will be constructed with contributed funds, either of which
8 makes these costs ineligible for inclusion in the calculation of an SDC.

9 **Q: Do you accept Petitioner's proposal to establish a system development charge?**

10 A: Yes. Growth should pay for growth, and existing customers should not be required
11 to subsidize the expansion of service to new customers.

12 **Q: What system development charge do you recommend?**

13 A: When using the equity buy-in method, Petitioner determined its SDC should be
14 \$518 per equivalent dwelling unit. I recommend the Commission authorize the
15 establishment of a \$518 system development charge.

16 **Q: Do you have any other recommendations regarding Petitioner's SDC**
17 **proposal?**

18 A: Yes. According to the M1 Manual, utilities should review system development
19 charge calculations under five circumstances as follows:

20 It is recommended that utilities review their SDC calculations

- 21 ▪ at least every five years;
- 22 ▪ when major capital improvements (expansion or upgrade)
23 are proposed for the water system;
- 24 ▪ when policymakers are reviewing the reasons for the
25 underlying methodologies;

- 1 ▪ when a significant change occurs in capacity usage, demand
- 2 forecasts, or in capital planning; and
- 3 ▪ when required per governing legislation.

4 (M1 Manual, p. 346.)

5 Based on the foregoing, I recommend the Commission require Petitioner to
6 reevaluate its system development charge and request a review of its charge no later
7 than 2031 or sooner if there are any significant changes in capacity usage, demand
8 forecasts, or capital planning.

IX. RECOMMENDATIONS

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

10 A: I recommend the Commission reject Petitioner's proposed 121.5% rate increase
11 and approve an overall rate increase of 75.63% to produce additional revenues of
12 \$8,289,541. I recommend the Commission approve a \$579,979 increase to test year
13 operating expenses (including Petitioner's proposed PILT increase) of \$10,578,112
14 yielding *pro forma* operating expenses of \$11,185,091.

15 I recommend the Commission approve Petitioner's proposed E&R revenue
16 requirement of \$1,000,000 in phases 1 through 4 and \$2,842,400 in Phase 5.

17 I also recommend the Commission deny Petitioner's proposed "operating
18 fund build up" revenue requirement.

19 I further recommend the Commission approve the following non-recurring
20 charges (1) \$15.00 bad check fee; (2) \$67.00 service call, (3) \$67.00 reconnection
21 fee; (4) \$116.00 after hours service call; (5) \$116.00 after hours reconnection fee;
22 and (6) \$2,580 ³/₄" tap fee.

1 I recommend the Commission reject Petitioner's proposed \$900 system
2 development charge and approve a \$518 system development charge.

3 Finally, I recommend the Commission adopt and approve the testimonial
4 positions of OUCC witnesses Seals, Parks, and Dellinger.

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

6 **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.

APPENDIX B – Attachments and Workpapers

Attachment CFS-1 OUCC Schedules and Workpapers

Workpaper CFS-1 WP-Salaries & Wages Expense Adj

Attachment CFS-2 Petitioner's response to OUCC Data Request No. 9-7

Attachment CFS-3 Petitioner's response to OUCC Data Request No. 9-8

Attachment CFS-4 Petitioner's response to OUCC Data Request No. 9-6

Attachment CFS-5 Petitioner's response to OUCC Data Request No. 9-9

Attachment CFS-6 Petitioner's response to OUCC Data Request No. 7-21 through 7-26

Attachment CFS-7 Petitioner's response to OUCC Data Request No. 7-5

Attachment CFS-8 Petitioner's response to OUCC Data Request No. 7-20

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. 46171

Office of Utility Consumer Counselor (OUCC)

Date: April 3, 2025

CAUSE NUMBER 46171
Office of Utility Consumer Counselor
OUCS Attachment CFS-1
Schedules and Workpapers (Excel Version)

Schedules:

Schedule 1 - Overall Revenue Requirement	
- Phased-in Revenue Requirement	
Schedule 2 - Balance Sheet	
Schedule 3 - Income Statement	
Schedule 4 - <i>Pro Forma</i> Net Operating income Statement	
Schedule 5 -- OUCS Revenue Adjustments	Not Used - Accepted Petitioner's Proposal
Schedule 6 - OUCS Expense Adjustments	
Schedule 7 - Extensions and Replacements	Not Used - Accepted Petitioner's Proposal
Schedule 8 - PILT	
Schedule 9 - Working Capital	
Schedule 10 - Debt Service	Not Used - See Shawn Dellinger's Testimony
Schedule 11 - Debt Service Reserve	Not Used - See Shawn Dellinger's Testimony
Schedule 12 - Proposed Tariff	Not Applicable - Rates determined by cost of service study

Workpapers:

WP-2 Rev Req Comp
WP-3 IS TB Map
WP-4 Salaries & Wages Expense
WP-5 Payroll Data
WP-6 2024 Salaries and Wages
WP-7 Tank Maint

City of Anderson
CAUSE NUMBER 46171

**Comparison of Petitioner's and OUCC's
Overall Revenue Requirement**

	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)
1 Operating Expenses	\$ 10,642,582	\$ 9,584,595	4	\$ (1,057,987)
2 Payment in Lieu of Taxes	592,692	592,692	8	-
3 Extension and Replacements	2,842,400	2,842,400	7	-
4 Debt Service	8,662,890	5,475,335	10	(3,187,555)
5 Debt Service Reserve	1,546,040	908,395	11	(637,645)
6 Working Capital	-	-	9	-
7 Total Revenue Requirements	24,286,604	19,403,417		(4,883,187)
8 Less Revenue Requirement Offsets:				
9 Interest Income	-	(65,119)	3	(65,119)
10 Other Income	-	(2,285)	3	(2,285)
11 Net Revenue Requirement	24,286,604	19,336,013		(4,950,591)
12 Revenues at current rates subject to increase	(10,873,460)	(10,961,131)	4	(87,671)
13 Other revenues not subject to increase	(201,409)	(113,737)	4	87,672
14 Recommended Increase	<u>\$ 13,211,735</u>	<u>\$ 8,261,145</u>		<u>\$ (4,950,590)</u>
15 Recommended Percentage Increase	<u>121.5%</u>	<u>75.37%</u>		<u>-46.13%</u>

City of Anderson
CAUSE NUMBER 46171

**Comparison of Petitioner's and OUCC's
Phased-in Revenue Requirement**

	Phase 1 Revenue Requirement				Phase 2 Revenue Requirement				Phase 3 Revenue Requirement			
	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)
1 Operating Expenses	\$10,642,582	\$ 9,584,595	4	\$ (1,057,987)	\$10,642,582	\$ 9,684,428	4	\$ (958,154)	\$10,642,582	\$ 9,684,428	4	\$ (958,154)
2 Payment in Lieu of Taxes	592,692	592,692	PET	-	592,692	592,692	PET	-	592,692	592,692	Pet	-
3 Extension and Replacements	1,000,000	1,000,000	PET	-	1,000,000	1,000,000	PET	-	1,000,000	1,000,000	Pet	-
4 Debt Service	1,456,190	1,306,190	10	(150,000)	1,389,916	1,316,090	10	(73,826)	4,241,893	2,523,157	10	(1,718,736)
5 Debt Service Reserve	-	582,950	11	582,950	582,950	582,950	11	-	1,207,550	678,165	11	(529,385)
6 Working Capital	-	-	9	-	185,126		9	(185,126)	185,126		9	(185,126)
7 Total Revenue Requirements	13,691,464	13,066,427		(625,037)	14,393,266	13,176,160		(1,217,106)	17,869,843	14,478,442		(3,391,401)
8 Less Revenue Requirement Offsets:												
9 Interest Income	-	(65,119)	3	(65,119)	-	(65,119)	3	(65,119)	-	(65,119)	3	(65,119)
10 Other Income	-	(2,285)	3	(2,285)	-	(2,285)	3	(2,285)	-	(2,285)	3	(2,285)
11 Net Revenue Requirement	13,691,464	12,999,023		(692,441)	14,393,266	13,108,756		(1,284,510)	17,869,843	14,411,038		(3,458,805)
12 Less Current Revenues:					-							
13 Revenues subject to increase	(10,873,460)	(10,961,131)	4	(87,671)	(13,493,964)	(12,885,286)	4	608,678	(14,195,650)	(12,995,019)	4	1,200,631
14 Other revenues not subject to increase	(201,409)	(113,737)	4	87,672	(201,409)	(113,737)	4	87,672	(201,409)	(113,737)	4	87,672
15 Recommended Increase	<u>\$ 2,616,595</u>	<u>\$ 1,924,155</u>		<u>\$ (692,440)</u>	<u>\$ 697,893</u>	<u>\$ 109,733</u>		<u>\$ (588,160)</u>	<u>\$ 3,472,784</u>	<u>\$ 1,302,282</u>		<u>\$ (2,170,502)</u>
16 Recommended Percentage Increase	<u>24.1%</u>	<u>17.55%</u>		<u>-6.55%</u>	<u>5.2%</u>	<u>0.85%</u>		<u>-4.35%</u>	<u>24.5%</u>	<u>10.02%</u>		<u>-14.48%</u>

City of Anderson
CAUSE NUMBER 46171

**Comparison of Petitioner's and OUCC's
Phased-in Revenue Requirement**

	Phase 4 Revenue Requirement				Phase 5 Revenue Requirement			
	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)	Per Petitioner	Per OUCC	Sch Ref	OUCC More (Less)
1 Operating Expenses	\$ 10,642,582	\$ 9,684,428	4	\$ (958,154)	\$ 10,642,582	\$ 9,584,595	4	\$ (1,057,987)
2 Payment in Lieu of Taxes	592,692	592,692	Pet	-	592,692	592,692	Pet	-
3 Extension and Replacements	1,000,000	1,000,000	Pet	-	2,842,400	2,842,400	Pet	-
4 Debt Service	7,309,957	5,071,582	10	(2,238,375)	8,662,890	5,475,335	10	(3,187,555)
5 Debt Service Reserve	1,566,040	864,681	11	(701,359)	1,546,040	908,395	11	(637,645)
6 Working Capital	185,126		9	(185,126)	-	-	9	-
7 Total Revenue Requirements	21,296,397	17,213,383		(4,083,014)	24,286,604	19,403,417		(4,883,187)
8 Less Revenue Requirement Offsets:								
9 Interest Income	-	(65,119)	3	(65,119)	-	(65,119)	3	(65,119)
10 Other Income	-	(2,285)	3	(2,285)	-	(2,285)	3	(2,285)
11 Net Revenue Requirement	21,296,397	17,145,979		(4,150,418)	24,286,604	19,336,013		(4,950,591)
12 Less Current Revenues:								
13 Revenues subject to increase	(17,693,584)	(14,297,301)	4	3,396,283	(21,066,912)	(17,032,242)	4	4,034,670
14 Other revenues not subject to increase	(201,409)	(113,737)	4	87,672	(201,409)	(113,737)	4	87,672
15 Recommended Increase	<u>\$ 3,401,404</u>	<u>2,734,941</u>		<u>\$ (666,463)</u>	<u>\$ 3,018,283</u>	<u>2,190,034</u>		<u>\$ (828,249)</u>
16 Recommended Percentage Increase	<u>19.2%</u>	<u>19.13%</u>		<u>-0.07%</u>	<u>14.3%</u>	<u>12.86%</u>		<u>-1.44%</u>

City of Anderson
CAUSE NUMBER 46171

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Per Petitioner	Adj Ref	Per OUCC	Adj Ref	OUCC More (Less)
1 Operating Revenues					
2 Water Sales	\$ -		\$ -		\$ -
3 Other Water Revenues	-		-		-
4 Total Operating Revenues	<u>-</u>		<u>-</u>		<u>-</u>
5 O&M Expense					
6 Salaries and Wages					
7 Annualized Salaries	73,492	(1)	201,961	6-1	128,469
8 Wage Increase - Union	49,015	(2)	63,411	6-2	14,396
9 Wage Increase - Non-Union	32,101	(3)	34,254		2,153
10 Vacant Positions	515,898	(4)	-	-	(515,898)
11 Incentive Payments	-		(201,887)	6-3	(201,887)
12 Employee Benefits					
13 Health Insurance - New Employees	179,432	(5)	-	-	(179,432)
14 Pension Expense (PERF)	74,590	(6)	10,440	6-4	(64,150)
15 Payroll Taxes	58,092	(14)	14,275	6-5	(43,817)
16 Contractual Services					
17 Tank Maintenance Contract	176,486	(7)	80,209	6-6	(96,277)
18 Union Arbitration	(15,364)	(8)	(15,364)	PET	-
19 Capital and Nonrecurring	(105,986)	(9)	(105,986)	PET	-
20 Rental of Building/Real Property	35,000	(11)	35,000	PET	-
22 General Liability Insurance	85,001	(10)	58,333	6-7	(26,668)
23 Rate Case Expense (Phases 2, 3, & 4)	74,875	(12)	99,833	6-8	24,958
24 Rate Case Expense (Phase 5)	-		(99,833)	6-8	(99,833)
25 Total O&M Adjustments	<u>1,232,632</u>		<u>174,646</u>		<u>(1,057,986)</u>
26 Net Operating Income	<u>\$ (1,232,632)</u>		<u>\$ (174,646)</u>		<u>\$ 1,057,986</u>

City of Anderson
CAUSE NUMBER 46171

COMPARATIVE BALANCE SHEET
As of December 31,

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
1	Utility Plant:			
2	Utility Plant in Service	\$ 63,074,765	\$ 61,921,935	\$ 61,860,812
3	Land and Land Rights	526,377	526,377	500,390
4	Construction Work in Progress	1,183,078	936,138	147,924
5	Total Utility Plant in Service	64,784,220	63,384,450	62,509,126
6	Less: Accumulated Depreciation	(31,140,640)	(29,983,995)	(29,296,299)
7	Net Utility Plant in Service	33,643,580	33,400,455	33,212,827
8	Restricted Assets:			
9	Debt Service Reserve	1,015,419	1,002,896	988,531
10	Depreciation reserve	319,369	196,367	339,783
11	Reserve - PILT	639,660	568,540	568,540
12	Customer Deposits	719,404	725,793	739,368
13	Well and Tank Maintenance Fund	170,488	210,289	234,630
14	Equipment Lease	38,521	346,097	410,859
15	Total Restricted Assets	2,902,861	3,049,982	3,281,711
16	Current Assets:			
17	Cash and Cash Equivalents	507,019	1,237,975	1,468,258
18	Customer Accounts Receivable	1,414,053	1,344,460	1,266,413
19	Provision for Uncollectible Accounts	(69,458)	(118,552)	(80,811)
20	Materials and Supplies	2,104,388	1,352,308	973,476
21	Total Current Assets	3,956,002	3,816,191	3,627,336
22	Total Assets	\$ 40,502,443	\$ 40,266,628	\$ 40,121,874

City of Anderson
CAUSE NUMBER 46171

COMPARATIVE BALANCE SHEET
As of December 31,

	<u>LIABILITIES</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
1	Equity			
2	Retained Earnings	\$ 22,865,064	\$ 22,559,889	\$ 21,008,342
3	Paid in Capital	421,044	421,044	464,384
4	Total Equity	<u>23,286,108</u>	<u>22,980,933</u>	<u>21,472,726</u>
5	Contributions in Aid of Construction			
6	Contributions in Aid of Construction, net	4,239,669	4,239,670	3,256,582
7	Anderson Redevelopment	1,054,487	-	-
8	Net Contributions-in-aid of Construction	<u>5,294,156</u>	<u>4,239,670</u>	<u>3,256,582</u>
9	Long-term Debt			
10	2016 Revenue Bonds	9,405,000	10,070,000	12,465,000
11	2016 Revenue Refunding Bonds	1,085,000	1,420,000	-
12	Other Long-Term Debt	215,413	-	390,000
13	Total Long-term Debt	<u>10,705,413</u>	<u>11,490,000</u>	<u>12,855,000</u>
14	Current Liabilities			
15	Accounts Payable	258,566	246,899	223,286
16	Customer Deposits	719,351	725,733	739,308
17	Accrued Taxes Payable	47,823	47,968	48,345
18	Other Current Liabilities	113,069	390,900	1,297,876
19	Total Current Liabilities	<u>1,138,809</u>	<u>1,411,500</u>	<u>2,308,815</u>
20	Deferred Credits:			
21	Unamortized Premium on Debt	77,957	144,525	228,751
22	Total Deferred Credits	<u>77,957</u>	<u>144,525</u>	<u>228,751</u>
23	Total Liabilities	<u><u>\$ 40,502,443</u></u>	<u><u>\$ 40,266,628</u></u>	<u><u>\$ 40,121,874</u></u>

City of Anderson
CAUSE NUMBER 46171

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
1 Operating Revenues			
2 Water Sales			
3 Residential	\$ 6,316,621	\$ 6,357,357	\$ 6,592,432
4 Commercial	2,321,822	2,440,181	2,460,614
5 Industrial	1,594,874	1,827,328	1,740,648
6 Public Authority	373,523	338,163	279,819
7 Fire Protection	266,620	256,289	259,559
8 Late Payment Fees	57,115	55,522	26,538
9 Rents from Water Property	21,522	17,325	20,475
10 Miscellaneous Service Revenues	9,034	-	-
11 Other Water Revenues	113,737	128,354	90,248
12 Total Operating Revenues	<u>11,074,868</u>	<u>11,420,519</u>	<u>11,470,333</u>
13 Operating Expenses			
14 Salaries and Wages	3,451,804	3,142,078	2,740,119
15 Employee Benefits	387,109	352,155	324,533
16 Payroll Taxes	257,265	232,081	216,705
17 Purchased Power	900,000	788,137	871,528
18 Chemicals	406,009	269,610	160,924
19 Materials and Supplies	753,951	663,889	645,446
20 Contractual Services	1,689,682	1,671,081	1,132,182
21 Rental of Building/Real Property	92,116	-	92,116
22 Transportation Expense	249,298	216,745	186,460
23 General Liability Insurance	174,999	283,332	233,332
24 Other Insurance Expense	901,334	924,621	874,945
25 Bad Debt Expense	110,435	158,279	87,182
26 Miscellaneous Expense	35,947	41,537	22,498
27 Total O&M Expense	<u>\$ 9,409,949</u>	<u>\$ 8,743,545</u>	<u>\$ 7,587,970</u>

City of Anderson
CAUSE NUMBER 46171

COMPARATIVE INCOME STATEMENT
Twelve Months Ended ,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
28 Depreciation Expense	\$ 980,803	\$ 909,870	\$ 910,195
29 Taxes Other than Income			
30 Utility Receipts Tax	-	79,875	169,908
31 PILT	187,360	516,960	516,960
32 Total Operating Expenses	<u>10,578,112</u>	<u>10,250,250</u>	<u>9,185,033</u>
33 Net Operating Income	496,756	1,170,269	2,285,300
34 Other Income: (Expenses):			
35 Interest Income	65,119	31,181	1,637
36 Revenues from Jobbing	1,409	-	-
37 Non-Utility Income	876	598,351	586,643
38 Total Other Income (Expenses)	<u>67,404</u>	<u>629,532</u>	<u>588,280</u>
39 Other Expenses			
40 Interest Expense	256,993	332,480	444,824
41 Amortization of Premium on Debit	-	84,226	30,489
42 Total Other Expenses	<u>256,993</u>	<u>416,706</u>	<u>475,313</u>
43 Net Income	<u><u>\$ 307,167</u></u>	<u><u>\$ 1,551,547</u></u>	<u><u>\$ 2,459,245</u></u>

City of Anderson
CAUSE NUMBER 46171

***Pro Forma* Net Operating Income Statement**

<i>Phase 1</i>							
	Test Year Ended 12/31/2023	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Phase 1 Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
1 Operating Revenues							
2 Subject to Increase	\$ 10,961,131			\$ 10,961,131	\$ 1,924,155		\$ 12,885,286
3 Other Water Revenues	113,737			113,737			113,737
4 Total Operating Revenues	11,074,868	-		11,074,868	1,924,155	1	12,999,023
5 O&M Expense							
6 Salaries and Wages	3,451,804			3,549,543			3,549,543
7 Annualized Salaries		201,961	6-1				
8 3% Wage Increase		97,665	6-2				
9 Reduction in Incentive Payments		(201,887)	6-3				
10 Vacant Positions							
11 PERF	387,109	10,440	6-4	397,549			397,549
12 Payroll Taxes	257,265	14,275	6-5	271,540			271,540
13 Purchased Power	900,000			900,000			900,000
14 Chemicals	406,009			406,009			406,009
15 Materials and Supplies	753,951			753,951			753,951
16 Contractual Services	1,689,682			1,648,541			1,648,541
17 Tank Maintenance Contract		80,209	6-6				
18 Union Arbitration		(15,364)	PET				
19 Capital and Nonrecurring		(105,986)	PET				
20 Rental of Building/Real Property	92,116	35,000	PET	127,116			127,116
21 Transportation Expense	249,298			249,298			249,298
22 General Liability Insurance	174,999	58,333	6-7	233,332			233,332
23 Other Insurance Expense	901,334	-		901,334			901,334
24 Bad Debt Expense	110,435			110,435			110,435
25 Miscellaneous Expense	35,947			35,947			35,947
26 Depreciation Expense	980,803	-		980,803			980,803
27 Payment in Lieu of Taxes	187,360	405,332	PET	592,692			592,692
28 Total Operating Expenses	10,578,112	579,978		11,158,090	-		11,158,090
29 Net Operating Income	\$ 496,756	\$ (579,978)		\$ (83,222)	\$ 1,924,155		\$ 1,840,933

City of Anderson
CAUSE NUMBER 46171

Pro Forma Net Operating Income Statement

<i>Phase 2</i>							
	Phase 1 Ended 12/31/2025	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Phase 2 Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
1 Operating Revenues							
2 Subject to Increase	\$ 12,885,286			\$ 12,885,286	\$ 109,733		\$ 12,995,019
3 Other Water Revenues	113,737			113,737			113,737
4 Total Operating Revenues	12,999,023	-		12,999,023	109,733	1	13,108,756
5 O&M Expense	9,584,595			9,584,595			9,584,595
6 Rate Case Expense	-	99,833	6-8	99,833			99,833
7 Depreciation Expense	980,803			980,803			980,803
8 Payment in Lieu of Taxes	592,692			592,692			592,692
9 Total Operating Expenses	11,158,090	99,833		11,257,923	-		11,257,923
10 Net Operating Income	\$ 1,840,933	\$ (99,833)		\$ 1,741,100	\$ 109,733		\$ 1,850,833

<i>Phase 3</i>							
	Phase 2 Ended 12/31/2026	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Phase 3 Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
1 Operating Revenues							
2 Subject to Increase	\$ 12,995,019			\$ 12,995,019	\$ 1,302,282		\$ 14,297,301
3 Other Water Revenues	113,737			113,737			113,737
4 Total Operating Revenues	13,108,756	-		13,108,756	1,302,282	1	14,411,038
5 O&M Expense	9,584,595			9,584,595			9,584,595
6 Rate Case Expense	99,833			99,833			99,833
7 Depreciation Expense	980,803			980,803			980,803
8 Payment in Lieu of Taxes	592,692			592,692			592,692
9 Total Operating Expenses	11,257,923	-		11,257,923	-		11,257,923
10 Net Operating Income	\$ 1,850,833	\$ -		\$ 1,850,833	\$ 1,302,282		\$ 3,153,115

City of Anderson
CAUSE NUMBER 46171

Pro Forma Net Operating Income Statement

<i>Phase 4</i>							
	Phase 3 Ended 12/31/2027	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Phase 4 Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
1 Operating Revenues							
2 Subject to Increase	\$ 14,297,301			\$ 14,297,301	\$ 2,734,941		\$ 17,032,242
3 Other Water Revenues	113,737			113,737			113,737
4 Total Operating Revenues	14,411,038	-		14,411,038	2,734,941	1	17,145,979
5 O&M Expense	9,584,595			9,584,595			9,584,595
6 Rate Case Expense	99,833			99,833			99,833
7 Depreciation Expense	980,803			980,803			980,803
8 Payment in Lieu of Taxes	592,692			592,692			592,692
9 Total Operating Expenses	11,257,923	-		11,257,923	-		11,257,923
10 Net Operating Income	\$ 3,153,115	\$ -		\$ 3,153,115	\$ 2,734,941		\$ 5,888,056

<i>Phase 5</i>							
	Phase 4 Ended 12/31/2028	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Phase 5 Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
1 Operating Revenues							
2 Subject to Increase	\$ 17,032,242			\$ 17,032,242	\$ 2,190,034		\$ 19,222,276
3 Other Water Revenues	113,737			113,737			113,737
4 Total Operating Revenues	17,145,979	-		17,145,979	2,190,034	1	19,336,013
5 O&M Expense	9,584,595			9,584,595			9,584,595
6 Rate Case Expense	99,833	(99,833)	6-8	-			-
7 Depreciation Expense	980,803			980,803			980,803
8 Payment in Lieu of Taxes	592,692			592,692			592,692
9 Total Operating Expenses	11,257,923	(99,833)		11,158,090	-		11,158,090
10 Net Operating Income	\$ 5,888,056	\$ 99,833		\$ 5,987,889	\$ 2,190,034		\$ 8,177,923

City of Anderson
CAUSE NUMBER 46171

OUCG Revenue Adjustments

**Petitioner did not propose any operating revenue adjustments and the OUCG accepts
Petitioner's proposal.**

City of Anderson
CAUSE NUMBER 46171

OUCC Expense Adjustments

(1)

Salaries and Wages - Annualization

To annualize test year regular salaries and wages expense.

Annualized Regular Time Wages	\$ 2,938,650
Less: Test Year Regular Time Wages	<u>(2,736,689)</u>

Adjustment More (Less) \$ 201,961

(2)

Salaries and Wages - 3% Pay Raise

To increase annualized regular time wages and over time wages for the 3% increase that occurred January 1, 2024.

Regular Salaries

Annualized Regular Salaries and Wages	\$ 2,938,650	
Multiplied by:	<u>3.0%</u>	
3% Increase to Annualized Regular Salaries		\$ 88,160

Overtime Salaries

Overtime Salaries and Wages	316,859.21	
Multiplied by:	<u>3.0%</u>	
3% Increase to Over Time Wages		<u>9,506</u>

Adjustment More (Less) \$ 97,665

City of Anderson
CAUSE NUMBER 46171

OUCG Expense Adjustments

(3)

Salaries and Wages - Longevity Pay

To remove retroactive longevity payments from salaries and wages expenses and increase longevity rate for 2024.

Increase to Longevity Incentive	\$ 33,227	
Removal of Retroactive Longevity Incentive	<u>(235,114)</u>	
Adjustment More (Less)		<u>\$ (201,887)</u>

(4)

Pension

To adjust test year pension expense to pro forma.

<i>Pro forma</i> Salaries and Wages Expense	\$ 3,549,543	
Multiplied by PERF Rate: 11.2%	<u>11.2%</u>	
<i>Pro forma</i> Pension Expense	\$ 397,549	
Less: Test Year Pension Expense	<u>(387,109)</u>	
Adjustment More (Less)		<u>\$ 10,440</u>

(5)

Payroll Taxes

To adjust test year payroll taxes to *pro forma*.

<i>Pro forma</i> Salaries and Wages Expense	\$ 3,549,543.00	
Multiplied by Tax Rate: 7.65%	<u>7.65%</u>	
<i>Pro forma</i> Payroll Tax Expense	\$ 271,540	
Less: Test Year Payroll Tax Expense	<u>\$ (257,265)</u>	
Adjustment More (Less)		<u>\$ 14,275</u>

City of Anderson
CAUSE NUMBER 46171

OUCS Expense Adjustments

(6)

Tank Maintenance Contract

To adjust test year tank maintenance expense to 2024's contract amount.

2024 Utility Contract	\$ 393,110
Less: Test Year Expense (See WP-7 Tank Maint)	<u>(312,901)</u>

Adjustment More (Less) \$ 80,209

(7)

General Liability Insurance

To adjust to test year general liability insurance expense to the actual 2024 general liability insurance

Date	Reference	Amount
01/10/24	CK 2422	\$ 58,333
04/30/24	CK 2614	58,333
07/22/24	CK 2726	58,333
10/31/24	CK 2899	<u>58,333</u>

Pro forma Liability Insurance	\$ 233,332
Less: Test Year Expense	<u>(174,999)</u>

Adjustment More (Less) \$ 58,333

City of Anderson
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OUCG Expense Adjustments

(8)

Rate Case Expense

To include recovery of estimated rate case expense through amortization over the life of the rates.

Phase 2 Adjustment

Revenue Requirement Consultant	\$ 125,000
Cost of Service Study Consultant	29,500
Regulatory Counsel	<u>145,000</u>

Total Estimated Rate Case Expense	\$ 299,500
Divide by Amortization Period: :	<u>3</u>

Phase 2 Adjustment

Adjustment More (Less) \$ 99,833

Phase 5 Adjustment

To reverse amortization once cost is fully recovered.

Adjustment More (Less) \$ (99,833)

City of Anderson
CAUSE NUMBER 46171

Extensions and Replacements

**Schedule not applicable as the OUCC accepts Petitioner's proposed
E&R revenue requirement.**

City of Anderson
CAUSE NUMBER 46171

Payment in Lieu of Property Taxes

**Schedule not applicable as the OUCC accepts Petitioner's proposed
PILT revenue requirement.**

City of Anderson
CAUSE NUMBER 46171

Working Capital

	Petitioner	OUCG	OUCG More (Less)
1 Operation & Maintenance Expense	\$ 10,327,225	\$ 9,584,595	\$ (742,630)
2 Plus: PILT	908,049	-	(908,049)
3 Less: Purchased Power	-	(900,000)	(900,000)
4 Adjusted Operation & Maintenance Expense	11,235,274	8,684,595	(2,550,679)
5 Multiplied by Two Month Requirement	16.667%		
6 Multiplied by: FERC 45 Day Factor		12.500%	
7 Working Capital Revenue Requirement	1,872,546	1,085,574	(786,972)
8 Less: Cash on Hand	1,317,168	1,217,060	(100,108)
9 Net Working Capital Revenue Requirement	\$ 555,378	\$ (131,486)	\$ (686,864)

10 Cash on Hand			
11 PILT	\$ 639,660	\$ -	\$ (639,660)
12 Customer Deposits (75%)	-	539,553	539,553
13 Well and Tank Maintenance Fund	170,488	170,488	-
14 Operating Fund	507,019	507,019	-
15 Total Cash on Hand	1,317,168	1,217,060	(100,108)

City of Anderson
CAUSE NUMBER 46171

Debt Service

**Please see the Testimony of OUCC witness Shawn Dellinger for an explanation of the
OUCCs recommended Debt Service Revenue Requirement.**

City of Anderson
CAUSE NUMBER 46171

Debt Service Reserve

**Please see the Testimony of OUCG witness Shawn Dellinger
for an explanation of the OUCGs recommended
Debt Service Reserve Revenue Requirement.**

City of Anderson
CAUSE NUMBER 46171

Current and Proposed Rates and Charges

Schedule not applicable as Petitioner proposes to implement rates in accordance with an approved cost of service study.

Q-9-7: Please confirm Petitioner used the average salary paid to union employees the last quarter of calendar year 2023 to calculate pro forma union salaries in Petitioner's Adjustment No. 1. If not confirmed, please state how Petitioner calculated pro forma union salaries in Petitioner's Adjustment No. 1.

Response: Confirmed.

Q-9-8: Please confirm the vacant positions identified in Petitioner's Adjustment No. 4 represent vacancies as of April 2024 and were not necessarily vacant during the last three months of calendar year 2023. If not confirmed, please identify each position that was vacant during the last quarter of 2023, including the date the position became vacant.

Response: Confirmed.

Q-9-6: Please confirm the Anderson Water Utility consists of the following 38 full-time positions:

Union

Locator(2)

Utility Person (3 positions)

Control Operator (4 positions)

Pipefitter (5 positions)

Locator (0 positions)

Storeroom (2 positions)

Equipment Operator (3 position)

Pipefitter Helper (3 position)

Meter Service (3 positions) one is listed as Locator/meter service

Meter Repair (1 position)

Drafting Clerks (2 positions)

Drafting Clerk/Office (1 positions)

***Missing Equipment Mechanic, Utility Electrician, Distribution**

Technician as listed on Appendix A of the Union Contract.

Q-9-9: Please confirm Petitioner transferred \$58,333 to the “Lost Fund” four times a year during calendar year 2024, which was Petitioner’s share of general liability insurance. If not confirmed, please state the amount transferred to the “Lost Fund” by Petitioner during calendar year 2024.

Response: Confirmed.

Q-7-21: According to Ms. Wilson’s testimony Petitioner’s proposed annual extensions and replacements revenue (“E&R”) requirement is \$2,842,400. Ms. Wilson explained that Petitioner is limiting the amount of its E&R revenue requirement to \$1,000,000 annually for each of the Phases 1 – 4. (Wilson Direct, page 9, line 3.) Please state how Petitioner will prioritize and determine the use of its E&R funds in Phases 1 – 4.

Objection: The City objects to Data Request 7-21 to the extent that it mischaracterizes Ms. Wilson’s testimony.

Response: Subject to and without waiver of the foregoing Objection, see Table DR 7-21.

<i>Table DR 7-21</i>						
	Phases I , October to December 2025	Phase II 2026	Phase III 2027	Phase IV 2028	Phase V 2029	Total (all years)
Water Meter Replacement	\$0.00	\$50,000.00	\$125,400.00	\$500,000.00	\$820,000.00	\$1,495,400.00
Hydrogeological Investigation	\$0.00	\$80,000.00	\$80,000.00	\$150,000.00	\$150,000.00	\$460,000.00
Water Main/Service Line Replacement	\$0.00	\$282,000.00	\$242,000.00	\$251,000.00	\$1,500,000.00	\$2,275,000.00
Service Fleet Replacement	\$250,000.00	\$588,000.00	\$552,600.00	\$99,000.00	\$372,400.00	\$1,862,000.00
TOTAL	\$250,000.00	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	\$2,842,400.00	\$6,092,400.00

Q-7-22: Please refer to the meter reading system upgrade included in Petitioner's proposed E&R revenue requirement (\$350,000 = \$70,000 x 5 years):

a) State when Petitioner expects to begin this system upgrade and what this upgrade entails.

Objection: The City objects to Data Request 7-22 as it mischaracterizes the City's proposed E&R revenue requirement insofar as it improperly assumes expenditures of \$70,000 annually for 5 years. Because the City is not fully funding its revenue requirement until Phase V, the City may not decide to allocate \$350,000 to this project due to the meter reading system upgrade.

Response: Subject to and without waiver of the foregoing Objection, the meter reading system upgrade began in 2024. It includes replacement of all meters over a ten-year period, replacement of meter reading software/customer service software, replacement of meter reading equipment, replacement of collectors that receive the radio signals from the meters. See Table 7-21 for expenditures for both the infrastructure and meters, for a total combined amount of \$820,000 by Phase V.

b) Provide a copy of the contract entered into to perform these services.

Response: Meter changes will be performed in house by Anderson Water Department employees. The meter vendor will employ personnel to install infrastructure for the collectors that receive and collect the data. The meter vendor is Utility Supply Company. See Attachment DR 7-22(b).

c) What is the total cost of the system update and how long will this upgrade take to complete?

Response: Anderson estimates it will take at least 6 to 7 years to complete the upgrade beyond Phase V. The total cost of the system update is not known. In Table DR 7-21, the City has provided the known information through Phase V.

d) Provide support for the estimated cost of this upgrade.

Response: See Data Response 7-22(c).

Q-7-23: Please refer to the hydrogeological investigation, testing, & valuation project included in Petitioner's proposed E&R revenue requirement (\$750,000).

- a) What does a hydrogeological investigation involve?
- b) When does Petitioner expect to begin this project and how long does Petitioner expect this project will take to complete?
- c) What is the total cost estimate to complete this project?
- d) Provide a copy of the contract entered into to perform these services.
- e) Provide support for the cost estimate of \$750,000 included in this case.
- f) Please identify the amount to be spent on this project in each of the five years encompassed in this capital improvement plan ("CIP").

Response:

- a) **Hydrogeological investigation includes work performed by the hydrogeologist (Eagon & Associates), study and recommendation of sites for test well drilling, analysis of aquifer formation, water quality analysis, aquifer analysis, and overall work with the Water Department and engineering team to identify and develop water resources for the City of Anderson.**
- b) **This project is a continuation of Anderson's ongoing effort to locate and develop water resources. The phased in rate increase will provide \$460,000 for the five-year horizon. It will be fully funded in approximately 7 years.**
- c) **A budget of \$750,000 has been identified to include costs for hydrogeological consultants and well drilling contractors to identify sites, perform test well drilling and test production well drilling and development where warranted.**
- d) **No contract exists because Anderson does not have the funds to enter into a long-term agreement. The work has been an ongoing hourly-rate basis arrangement, funded primarily from time to time by TIF proceeds. A contract will be entered into when funding is secured.**
- e) **This figure is based on prior experience including what the City has already paid for the wells to be drilled and what the City has paid the hydrogeologist.**
- f) **It is not practical to specifically control expenditures in a given year, as the expenditure depends on field conditions that change from time to time. See Table DR 7-21 for anticipated expenditures. The City will use funds for test holes which, at approximately \$7,000-\$10,000/each, would be the focus for early**

phases (2025-2027). By phases 4-5 (2028-2029), the City could continue with higher cost test production well(s).

Q-7-24: Referencing the water main replacement program (with lead service lines) included in Petitioner's proposed E&R revenue requirement (\$7,500,000), please identify the amount to be spent on this project in each of the five years encompassed in this capital improvement plan ("CIP").

Response: See Data Response 7-21. A total of \$2,275,000 is anticipated over the 5-year period due to the phased-in rate increase. Given the SRF Projects will be replacing a significant amount of water mains and service lines, this scope is reduced for phase 1-IV (2025-2028). By phase V (2029), the City will fully fund water main and service line replacement to allow for continued replacement of aged infrastructure.

Q-7-25: Referencing the water main replacement program (with lead service lines) included in Petitioner's proposed E&R revenue requirement, please state how much of the \$7,500,000 is expected to be spent on lead service line replacements.

Objection: The City objects to Data Request 7-25 as it mischaracterizes the City's proposed E&R revenue requirement insofar as it improperly assumes expenditures of \$750,000 for lead line service replacements.

Response: Subject to and without waiver of the foregoing Objection, see Data Response 7-21. A total of \$2,275,000 is anticipated for water main and service line replacement over the 2025-2029 5-year period due to the phased in rate increase. Priority for this funding will be given to areas with 2" galvanized water mains with likely service line lead connectors. The exact number of lead connectors and associated cost cannot be conclusively stated. Replacement of lead connectors is anticipated in other areas of the City outside of the SRF project areas. Following the SRF funded projects which will remove lead service lines and lead connectors, the City anticipates continued replacement of lead connectors.

A connector pipe must be replaced when encountered as per the Lead and Copper Rule Regulations. As per <https://www.federalregister.gov/d/2023-26148/p-321> . *The LCRR does not include lead connectors in the mandatory or goal-based LSLR program requirements. Lead connectors are short segments of lead pipe that are used for connections, usually between the service line and the water main.* The City anticipates lead connector replacement and incorporating the replacement records into updates to the service line inventory as per the Lead and Copper Rule requirements.

Q-7-26: Referencing the meter replacement program included in Petitioner's proposed E&R revenue requirement (\$3,750,000), please identify the amount to be spent on this project in each of the five years encompassed in this capital improvement plan ("CIP").

Objection: The City objects to Data Request 7-26 as it mischaracterizes the City's proposed E&R revenue requirement insofar as it improperly assumes expenditures of \$3,750,000 for the meter replacement program.

Response: Subject to and without waiver of the foregoing Objection, see Data Response 7-21. Bulk order meter purchase was already completed by the City in 2024 of 2,000 residential meters as well as large meters, and necessary technology (i.e. antenna). This is anticipated to reduce needs for meter replacement in initial phases. By phase V (2029), E&R allows for 10% annual replacement of approximately 2,400 meters/year.

Q-7-27: Please refer to the meter replacement program included in Petitioner's proposed E&R revenue requirement (\$3,750,000):

- a) Please identify the type of meters that will be installed, e.g. manual read, touch read, radio read, etc.?
- b) Please state the estimated cost per meter and provide cost support.
- c) Please state the replacement period used for Petitioner's meter replacement program. Are meters being replaced every 10 years, 15 years, etc.?
- d) Please explain whether the meter replacement program includes replacing meters larger than 1". If not, what meter replacement program does Petitioner have in place for larger meters?

Objection: The City objects to Data Request 7-27 as it mischaracterizes the City's proposed E&R revenue requirement insofar as it improperly assumes expenditures of \$3,750,000 for the meter replacement program.

Response: Subject to and without waiver of the foregoing Objection:

- a) Radio/cellular
- b) $5/8 \times 3/4 = \$250$
 $3/4 = \$381.86$
 $1'' = \$440.36$
 $1 \frac{1}{2}'' = \$887.79$
 $2'' = \$1,042.71$
 $3'' = \$3,073.85$
 $4'' = \$3,946.85$
 $6'' = \$6,437.77$
 $8'' = \$9,682.62$
 $12'' = \$14,006.08$

Q-7-5: Please explain how a charge for service calls are determined to be “regular hours or “overtime hours.” In responding to the foregoing please indicate when and under what circumstances a call received from a customer will result in an overtime charge. Please provide any internal guidance or policies and procedures.

Response: See Data Response 7-19. There are two kinds of overtime. Regular business hours are 7am to 3pm. A call received during regular business hours but where work has not concluded within normal business hours is charged at time and one-half. A call received outside of regular business hours is charged at double time. This is collectively bargained with the union under the most recent contract between the City of Anderson and the Local 108 of the Utility Workers Union of America. (See Attachment DR 7-5).

Q-7-20: Please provide support for the \$40.00 bank charge included in Petitioner's proposed returned check fee cost buildup.

First Supplemental Response: The Utility currently uses Keybank which now charges \$2 per overdraft occurrence and \$1 to redeposit an overdraft check. Keybank charges the Utility a \$50 monthly fee for a returned item report. In January of 2025, there were 11 Check Charge Backs at \$2 each and nine Redeposited Returned fees at \$1 each. The following is the charge from January 2025 from the bank statement:

10 02 24	Branch Per Item Charge	165	\$0.07	\$11.55
10 02 24	Vault Per Item Charge	1,716	\$0.17	\$291.72
10 04 00	Check Charge Backs	11	\$2.00	\$22.00
10 04 02	Redeposited Returned	9	\$1.00	\$9.00
10 04 16	KeyNav Return Item Report	1	\$50.00	\$50.00