

BEFORE THE

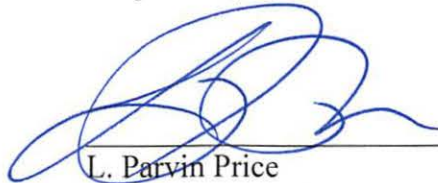
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF CWA AUTHORITY, INC. FOR )  
REVIEW OF CERTAIN AGREEMENTS FOR )  
WASTEWATER TREATMENT AND DISPOSAL ) CAUSE NO. 44685-S1  
SERVICE WITH VARIOUS SATELLITE )  
CUSTOMERS AND FOR REVIEW OF COST )  
ALLOCATION ISSUES RELATED TO )  
THOSE AGREEMENTS. )

**INTERVENOR SATELLITE COMMUNITIES**  
**SUBMISSION OF SUPPLEMENTAL TESTIMONY**

Comes now the Ben Davis Conservancy District, the City of Greenwood, and the City of Lawrence (collectively, "Intervenor Satellite Communities"), and files the settlement testimony of its witness John R. Skomp in support of the March 23, 2017 Settlement Agreement in this Cause.

Respectfully submitted,



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On behalf of Intervenor Satellite Communities  
Ben Davis, Lawrence and Greenwood.

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**TESTIMONY OF JOHN R. SKOMP**

**On behalf of  
BEN DAVIS CONSERVANCY DISTRICT, CITIES OF GREENWOOD AND  
LAWRENCE**

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**On behalf of**  
**BEN DAVIS CONSERVANCY DISTRICT, CITIES OF GREENWOOD AND**  
**LAWRENCE**  
**IURC Cause No. 44685-S1**

1 **Q1. MR. SKOMP, WHAT IS YOUR BUSINESS ADDRESS?**

2 A1. My name is John R. Skomp and my business address is 135 North Pennsylvania Street,  
3 Suite 200, Indianapolis, Indiana 46204-2407.

4 **Q2. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
5 **EXPERIENCES WHICH YOU BELIEVE ARE RELEVANT TO THE**  
6 **CONCLUSIONS YOU DESCRIBE IN THIS TESTIMONY.**

7 A2. I am currently a Partner with Crowe Horwath LLP (“Crowe”), a certified public  
8 accounting and consulting firm. Crowe’s Performance Municipal Advisory group and its  
9 predecessor, Municipal Consultants, have been providing rate and financial consulting  
10 services to various types of utility companies for over fifty years. I have been employed  
11 by Crowe since 1992 and my responsibilities within Crowe’s municipal advisory practice  
12 related to utility companies would include supervising and performing analysis on  
13 various rate engagements, fuel cost adjustment filings of electric utilities, feasibility  
14 studies, cost of service studies, cost of capital analysis, utility financial analysis, utility  
15 business valuations, asset valuation projects, and other projects related to a variety of  
16 utility issues.

17

18 I have worked with banks and financial institutions with regard to both financing and  
19 investing opportunities that were presented to our clients. While at Crowe, the utility

1 engagements that I have worked on and been responsible for have included water, sewer,  
2 electric, and gas utilities that were established as not-for-profit, for-profit, governmental,  
3 or quasi-governmental entities. I have prefiled and given oral testimony to the Indiana  
4 Utility Regulatory Commission (“Commission”) and courts on a variety of issues over  
5 the years including, but not limited to, revenue requirements calculations, accounting  
6 methodology and related areas, utility historical and pro forma financial information, cost  
7 of capital analysis, rate structure and cost of service issues, issuance of both long and  
8 short term debt, utility operating information, utility valuations and a variety of other  
9 utility related issues.

10  
11 Prior to joining Crowe, I was employed in various capacities in the Accounting Division  
12 of the Commission beginning as a staff accountant, advancing to the position of Principal  
13 Water and Sewer Accountant and moving into the administrative offices where I was  
14 employed as the Commission’s Comptroller. I was then employed by the Office of  
15 Utility Consumer Counselor (OUCC) as the Director of Utility Analysis with the  
16 responsibility for supervising the Accounting, Engineering, and Economics and Finance  
17 Divisions. I have prepared and given testimony on behalf of the Commission, the  
18 OUCC, utility companies, interveners and municipalities during proceedings before the  
19 Commission and other courts. I am a Certified Public Accountant licensed in the State of  
20 Indiana and am a member of the American Water Works Association, the American  
21 Institute of Certified Public Accountants, and the Indiana CPA Society.

22  
23 Prior to beginning my career in public accounting and consulting, I received a bachelor’s

1 degree in business with a major in accounting and a minor in economics from Indiana  
2 University-Purdue University at Indianapolis. During my employment, I have attended  
3 and made presentations at numerous seminars and conferences pertaining to accounting,  
4 utility and rate issues. Universities, utility associations, accounting organizations, state  
5 regulatory associations, governmental entities and other organizations sponsored these  
6 seminars.

7 **Q3. HAVE YOU COMPLETED THE REQUIREMENTS NECESSARY TO BE**  
8 **DESIGNATED AS A MUNICIPAL ADVISOR BY THE MUNICIPAL**  
9 **SECURITIES RULEMAKING BOARD (MSRB)?**

10 A3. Yes. As part of its expanded mandate under the Dodd-Frank Wall Street Reform and  
11 Consumer Protection Act, the MSRB is implementing the first qualifying examination for  
12 municipal advisors. MSRB Rule G-3, effective April 27, 2015, creates two  
13 classifications of municipal advisor professionals, representative and principal, with firms  
14 required to designate at least one principal to oversee the municipal advisory activities of  
15 the firm. All municipal advisor representatives and principals are required to take and  
16 pass the Series 50 exam to demonstrate the level of knowledge needed to be sufficiently  
17 qualified to perform municipal advisory activities. I passed the Series 50 pilot exam in  
18 2016 and, because of that, am a Series 50-qualified municipal advisor representative.  
19 Crowe has designated me as one of the municipal advisor principals of the firm.

20 **Q4. MR. SKOMP WHO ARE YOU REPRESENTING IN THESE PROCEEDINGS?**

21 A4. I am representing the Ben Davis Conservancy District ("Ben Davis"), the City of  
22 Greenwood ("Greenwood"), and the City of Lawrence ("Lawrence"). It is my

1 understanding that each of these entities is described as a satellite community by the  
2 Petitioner, CWA Authority, Inc. in this Cause and each of these entities has intervened in  
3 this Cause. Therefore, I will refer to them collectively as the Intervenor Satellite  
4 Communities.

5 **Q5. PLEASE DESCRIBE ANY REVIEW OR ANALYSIS THAT YOU HAVE**  
6 **PERFORMED RELATIVE TO CWA AUTHORITY, INC. (“CWA”), AND/OR THE**  
7 **INTERVENOR SATELLITE COMMUNITIES.**

8 A5. As part of the engagement of Crowe by the Intervenor Satellite Communities, I have  
9 reviewed many documents from past rate filings that the Petitioner has made with the  
10 Commission. Specifically, I have reviewed the Commission Orders in Cause Nos. 44305  
11 and 44685 and the accounting and rate design testimonies and exhibits that were  
12 incorporated within those filings. I have also reviewed the Commission’s Docket Entry  
13 which established this Subdocket (“Cause No. 44685-S1”) and other rulings on various  
14 issues under the Subdocket.

15  
16 As part of my work with the Intervenor Satellite Communities, I have reviewed their  
17 financial information in order to understand the impact that changes in Petitioner’s rates  
18 and charges would have on their financial operations. I have also reviewed the system  
19 maps provided to me by the Intervenor Satellite Communities and Petitioner in order to  
20 understand the parts of Petitioner’s collection and treatment systems that are actually  
21 being used by the Intervenor Satellite Communities. This information was used in my  
22 analysis of the Cost of Service Model that was provided to me by Petitioner.

1 **Q6. BASED ON YOUR REVIEW OR ANALYSIS, DID YOU HAVE ANY CONCERNS**  
2 **AS IT RELATES TO THE COST OF SERVICE STUDY FILED BY CWA IN THE**  
3 **UNDERLYING BASE RATE CASE – CAUSE NO. 44685?**

4 A6. Yes. The underlying cost of service study, which was filed in Cause No. 44685 and used  
5 as a starting point for our analysis in this Subdocket, contained certain assumptions and  
6 calculations that caused concern for the Intervenor Satellite Communities with respect to  
7 their use of the CWA system for conveyance and treatment of their wastewater. Some of  
8 the assumptions that caused concern for the Intervenor Satellite Communities included: the  
9 inclusion of smaller diameter mains that are not used to provide service to the Intervenor  
10 Satellite Communities in the calculated cost for those customers; inclusion of all Satellite  
11 Communities into a single rate class despite the differences in those specific customers;  
12 the inclusion of costs related to Petitioner’s volumes of inflow and infiltration that were  
13 not specifically attributable to the Satellite Customer class; the inclusion of costs related to  
14 Petitioner’s Long-Term Control Plan; and the allocation of certain costs based on the  
15 original cost of property.

16 **Q7. BASED ON THOSE CONCERNS, DID YOU SUGGEST ANY CHANGES BE**  
17 **MADE BY THE PETITIONER TO ITS COST OF SERVICE STUDY?**

18 A7. Yes. After initial meetings with the entire working group from each of the Parties  
19 (Petitioner, OUCC and the Intervenor Satellite Communities), a smaller group of  
20 representatives met to discuss proposed changes and concerns and how proposed changes  
21 might affect the cost of service conclusions reached by the previously filed model. This  
22 smaller group consisted of Mr. Michael C. Borchers, from Black & Veatch Management

1 Consulting, LLC on behalf of Petitioner, Mr. Jerome D. Mierzwa, from Exeter Associates,  
2 Inc. on behalf of the OUCC, and me. Mr. Borchers, Mr. Mierzwa and I had a number of  
3 conference calls to discuss the issues and determine how the cost of service model could  
4 be changed through a potential settlement of disputed issues to address the various  
5 concerns. These conference calls with the smaller group took place in-between the regular  
6 (many times weekly) meetings of the larger working group. These smaller group meetings  
7 allowed for a more stream-lined discovery process than would have normally been  
8 available in this type of proceeding.

9 **Q8. DID YOU DISCUSS THESE POTENTIAL CHANGES TO THE MODEL WITH**  
10 **CWA REPRESENTATIVES AS PART OF A SETTLEMENT DIALOGUE? IF SO,**  
11 **PLEASE DESCRIBE THOSE DISCUSSIONS WITHOUT DIVULGING THE**  
12 **CONFIDENTIALITY OF SETTLEMENT COMMUNICATIONS.**

13 A8. Yes, I did. After the conference calls referenced above, these suggested changes were  
14 normally discussed as part of the larger working group meetings. I was present at many of  
15 those meetings and the specific changes were discussed in detail.

16 **Q9. DID YOU HAVE ANY COMMUNICATION WITH THE OUCC ABOUT THESE**  
17 **CHANGES TO THE PETITIONER'S COST OF SERVICE STUDY? IF SO,**  
18 **PLEASE DESCRIBE THOSE COMMUNICATIONS.**

19 A9. As mentioned earlier, Mr. Mierzwa was present during the conference calls, was on the  
20 phone during many of the larger group meetings and other representatives of the OUCC  
21 were in attendance at all of the larger group meetings. Also, representatives of the



1 Intervenor Satellite Communities met with the Utility Consumer Counselor and OUCC  
2 staff to discuss concerns and issues with the cost of service model.

3 **Q10. HAVE THE INTERVENOR SATELLITE COMMUNITIES MET WITH THE**  
4 **PETITIONER AND THE OUCC RELATIVE TO AN ALTERNATIVE COST OF**  
5 **SERVICE STUDY APPROACH AND/OR ALTERNATIVE RESULTS FROM**  
6 **SUCH STUDY?**

7 A10. Yes. As mentioned previously, I along with counsel of record for each of the Intervenor  
8 Satellite Communities attended a series of settlement meetings with the Petitioner and its  
9 representatives, and the OUCC and its representatives; those meetings included my  
10 explanation of the conclusions I reached relative to the original cost of service study; a  
11 thorough discussion of an alternative cost of service study approach; a request to rerun the  
12 cost of service study using suggested alternative inputs; and discussion of the results of the  
13 revised cost of service study.

14 **Q11. PLEASE DESCRIBE IN GENERAL WHAT CHANGES WERE MADE IN THE**  
15 **COST OF SERVICE STUDY.**

16 A11. As a result of the analysis and the negotiation process, the cost of service model being  
17 presented as part of the settlement of this Subdocket includes the following changes: the  
18 exclusion of collection mains smaller than sixty-six inches ("66") in diameter (other than  
19 specific consolidating or relief sewers) from the costs allocated to the Satellite Customer  
20 class; the elimination of the allocation of the cost of CWA system inflow and infiltration  
21 to the Satellite Customer class. We also discussed certain modifications to the formulas.

1 **Q12. DID THE INTERVENOR SATELLITE COMMUNITIES, THE PETITIONER,**  
2 **AND THE OUCC ULTIMATELY AGREE ON THE REASONABLENESS OF THE**  
3 **ALTERNATIVE COST OF SERVICE STUDY METHODOLOGY?**

4 A12. Yes, for purposes of settling the issues within this Subdocket, they did.

5 **Q13. WERE CHANGES PROPOSED BY YOU OR THE INTERVENOR SATELLITE**  
6 **COMMUNITIES TO THE COST OF SERVICE STUDY WHICH THE**  
7 **PETITIONER OR THE OUCC DID NOT ACCEPT?**

8 A13. Yes. There were proposals made by myself and the Intervenor Satellite Communities that  
9 were not accepted by the OUCC or Petitioner and are therefore not incorporated into the  
10 terms of the settlement of this Subdocket. But, no party to the Settlement Agreement got  
11 everything that it wanted in the settlement, which is the nature of a resolution of disputed  
12 issues without litigation. For example, the revised cost of service model still allocates  
13 certain costs related to the Long Term Control Plan to the Satellite Customers. If that is  
14 correct, it is my opinion that the Satellite Customers are not causing these costs and,  
15 therefore, would not be required to share in the funding requirements. However, after the  
16 discussions mentioned above, it was determined that the above mentioned concerns could  
17 be put aside to settle the current Subdocket.

18 **Q14. HAVE THE INTERVENOR SATELLITE COMMUNITIES, THE PETITIONER,**  
19 **AND THE OUCC ENTERED INTO A SETTLEMENT AGREEMENT OF ALL**  
20 **THE ISSUES IN THIS CAUSE?**

1 A14. Yes, they have. It is my understanding that the Petitioner has filed the Settlement  
2 Agreement that was reached in this Cause, and has also described that Settlement in the  
3 testimony of Petitioner's witnesses.

4 **Q15. HAVE THE INTERVENOR SATELLITE COMMUNITIES AGREED TO AN**  
5 **INCREASE TO THE CURRENT RATES CHARGED BY PETITIONER UNDER**  
6 **THE CURRENT CONTRACTS OVER A PERIOD OF TIME?**

7 A15. Yes.

8 **Q16. CAN YOU DESCRIBE THE PERIOD OF TIME WHICH THE RATES CHARGED**  
9 **TO INTERVENOR SATELLITE COMMUNITIES ARE PROPOSED TO BE**  
10 **INCREASED?**

11 A16. The increase essentially occurs over a twelve year period. The first phase (Phase One) is  
12 an eight year period that includes a two year period of continued charges under the current  
13 Intervenor Satellite Community contracts ("Current Contracts") with minor changes which  
14 will allow the Intervenor Satellite Communities to prepare for the increase in Petitioner's  
15 rates. The two year delay is needed for the Intervenor Satellite Communities to prepare  
16 their retail customers for the impending rate increases and, in some cases, to change the  
17 manner in which the community recovers costs from their retail customers. It also  
18 recognizes a willingness of the Intervenor Satellite Communities to forego any appeal of  
19 the final order in this case, including on the issue of jurisdiction. Had the Parties taken an  
20 appeal from the final decision of the Commission, the attorneys representing the Intervenor  
21 Satellite Communities have suggested that appeal process would take at least two years.  
22 During the course of that two year period, these Intervenor Satellite Communities will

1 essentially continue operating under the Current Contracts with the exception that any fixed  
2 charges paid by the Intervenor Satellite Communities be frozen at 2016 levels. Thus, for  
3 all of these reasons, the Parties agree that a two year period under the Current Contracts  
4 was reasonable. This two year period would be followed by a change to bring all of the  
5 Intervenor Satellite Communities volumetric charges to a single uniform treatment charge  
6 of \$0.9718 per one thousand gallons on January 1, 2019. This new rate for the Intervenor  
7 Satellite Communities would be followed by proportional steps each year until the agreed  
8 upon rate of \$2.4852 per thousand gallons for transportation and treatment service has been  
9 reached on January 1, 2025.

10 Phase Two, which is expected to last four years, is designed to increase the rates beyond  
11 \$2.4852 per thousand gallons to the extent that Petitioner has petitioned and obtained  
12 approval from this Commission for any additional base rate changes or tracker mechanisms  
13 applicable to the Satellite Customers that occur during the eight year period of Phase One  
14 and the four year period of Phase Two. Phase Two is also designed to spread those  
15 increases proportionately to avoid rate shock. However, rate increases related to  
16 Petitioner's base rate cases that occur during Phase Two will be absorbed by the Intervenor  
17 Satellite Communities as they occur.

18 **Q17. MR. SKOMP, DO YOU BELIEVE THAT THE SETTLEMENT AGREEMENT**  
19 **REACHED BY THE INTERVENOR SATELLITE COMMUNITIES, THE**  
20 **PETITIONER, AND THE OUCC IS REASONABLE?**

21 A17. Yes, I do.

1 **Q18. MR. SKOMP, THE PARTIES HAVE ALSO SOUGHT APPROVAL OF**  
2 **INDIVIDUAL SPECIAL CONTRACTS. CAN YOU DESCRIBE WHAT IS BEING**  
3 **PROPOSED AND WHY?**

4 A18. Each of the Intervenor Satellite Communities have been and are currently operating under  
5 individual Current Contracts with Petitioner that allowed for various operating parameters,  
6 payments for guaranteed capacities and other items specific to each community. In order  
7 to allow for the transition of these contract customers to a newly developed tariffed  
8 customer class, I believe the Special Contracts are needed to preserve some of the rights  
9 and privileges that had already been relied upon by these communities and, in some cases,  
10 already been paid for by the communities. For example, each Special Contract allows for  
11 the recognition of the capacity levels that the Intervenor Satellite Communities believe they  
12 have already purchased or now require and, by doing so, allows the communities to  
13 continue to receive certain benefits from the payment of past costs and other previous  
14 consideration. I believe the Special Contracts are a reasonable and important part of the  
15 settlement of all issues in this Subdocket.

16 **Q19. HAVE THE SETTLING PARTIES WORKED THROUGH, AND AGREED UPON,**  
17 **THE TERMS OF A NEW WHOLESALE SEWAGE SERVICE TARIFF?**

18 A19. Yes. Part of the negotiations included discussions on the terms of a tariff. CWA's proposed  
19 Sewer Rate No. 6 contains those agreed terms for wholesale sewer service.

20 **Q20. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN THIS**  
21 **CAUSE?**

1 A20. I recommend that the Commission approve the Settlement Agreement, approve the Special  
2 Contracts, approve Petitioner's Wholesale Sewage Disposal Service described as Sewer  
3 Rate No. 6, and enter a final order which acknowledges the reasonableness of the  
4 settlement and the work by the Petitioner, the OUCC and the Intervenor Satellite  
5 Communities to reach settlement in this Cause.

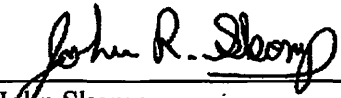
6 **Q21. DOES THIS CONCLUDE YOUR PREFILED TESTIMONY IN THIS CAUSE?**

7 A21. Yes, it does

8

**VERIFICATION**

I affirm under the penalties of perjury that the foregoing is true to the best of my knowledge,  
information and belief as of the date here filed.

  
\_\_\_\_\_  
John Skomp

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served upon the following by delivering a copy thereof electronically or by U.S. Mail, postage prepaid, this 3<sup>rd</sup> day of April, 2017.


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