STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE TOWN OF WINFIELD, LAKE COUNTY, INDIANA, FOR APPROVAL OF A REGULATORY ORDINANCE ESTABLISHING A SERVICE AREA FOR THE TOWN'S MUNICIPAL SEWER SYSTEM PURSUANT TO IND. CODE § 8-1.5-6 *ET SEQ.*	**CAUSE NO. 45992**

PREFILED REBUTTAL TESTIMONY AND EXHIBITS OF JENNIFER Z. WILSON

Prefiled Rebuttal Testimony of Jennifer Z. Wilson	Petitioner's Exhibit 54
Calculation of Crown Point's Debt Service Coverage	Petitioner's Exhibit 55

Respectfully submitted,

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Petitioner's Exhibit 54

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PREFILED REBUTTAL TESTIMONY

OF

JENNIFER Z. WILSON

ON BEHALF OF

THE TOWN OF WINFIELD, LAKE COUNTY, INDIANA

I.
INTRODUCTION

1. Q PLEASE STATE YOUR NAME, ON WHOSE BEHALF YOU ARE TESTIFYING, AND BUSINESS ADDRESS.

A My name is Jennifer Z. Wilson, and I am testifying on behalf of the Petitioner, the Town of Winfield, Indiana ("Winfield" or "Petitioner"). My business address is 3815 River Crossing Parkway, Suite 400, Indianapolis, Indiana 46240.

2. Q ARE YOU THE SAME JENNIFER Z. WILSON WHO FILED DIRECT TESTIMONY ON APRIL 21, 2025 AND AUGUST 19, 2025 IN THIS PROCEEDING?

A Yes.

3. Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A The purpose of my testimony is to respond to the responsive testimony and exhibits offered by Mr. Gregory T. Guerrettaz in the filing by the City of Crown Point, Indiana ("Crown Point") in this Cause. My testimony has the additional purpose of explaining why Winfield would be the better provider of wastewater collection and treatment service to its requested territory ("Winfield Regulated Territory"), including the area that overlaps with a similar request from Crown Point ("Disputed Area").

II.
<u>REBUTTAL OF ASSERTIONS CONCERNING WINFIELD'S FINANCIAL PRACTICES AND COVERAGE ANALYSIS</u>

A. <u>Winfield's Financial Analysis Report is Not Deficient</u>

4. Q MR. GUERRETTAZ CRITICIZED THE WINFIELD FINANCIAL ANALYSIS FOR NOT INCLUDING REVENUE REQUIREMENT ELEMENTS TYPICAL OF A RATE STUDY. HOW DO YOU RESPOND?

A The Financial Analysis I prepared on behalf of Winfield (<u>Petitioner's Exhibit 16</u>) was **<u>not a rate study</u>**. As I clearly stated in my testimony on page 7 in response to question 12, "The purpose of the (Financial Analysis) Report was to calculate the debt service coverage of the Utility for current debt service payments." As I stated in my direct testimony, the Financial Analysis Report was a historical coverage analysis, not a justification for a rate increase. Winfield is not proposing and does not need a rate increase at this time. Therefore, my Financial Analysis Report did not include revenue requirements, operating adjustments, or extensions and replacements funding. Crown Point's criticism of the Financial Analysis Report for not containing rate study elements is misleading, unfair, and is hypocritical. When Crown Point submitted a Consultant's Report to justify its rate increase (<u>Petitioner's Exhibit 19</u>), its report lacked the support for many of the same elements that Mr. Guerrettaz now claims are essential. Unfortunately, Crown Point's criticism of my Financial Analysis Report is not the only example of Crown Point's hypocrisy.

B. Crown Point's Operating Fund Criticism is Overstated and Hypocritical

5. Q PLEASE COMMENT ON THE OPERATING FUND DEFICIENCY OF WINFIELD.

A Winfield has maintained an operating fund balance of $80,000 since 2016. Winfield should increase the balance of the operating fund to maintain compliance with its outstanding bond ordinances. While this particular fund is below the bond ordinance requirement, sufficient funds exist in the depreciation fund to address the shortfall without jeopardizing operations. Winfield had sufficient funds in the depreciation fund as of December 31, 2024, to increase the operating fund to its minimum balance. Because of the overall healthy balance as of year-end 2024, Winfield has not experienced any of the consequences that Mr. Guerrettaz warned of in his testimony. Although Mr. Guerrettaz warned that these circumstances could lead to an "insecure creditor" and "future higher interest rates," Winfield did not experience any of these issues when issuing sewer revenue debt in 2022. In my professional opinion, this has been and will continue to be a non-issue for Winfield.

6. Q HAS CROWN RECENTLY EXPERIENCED THE SAME TYPE OF OPERATING FUND DEFICIENCY?

A Yes, it has. Crown Point also violated its bond covenants as it did not meet its two months of operating fund balance as of December 31, 2022. Crown Point had $842,110 as the balance and was $460,928 short of the required two-month operating disbursements of the Crown Point Sewage Works. Using the data found on Exhibit A and Exhibit B of Attachment B to Mr. Guerrettaz's direct testimony, the total operating expense in 2022 of $9,148,329 less the Storm Water Operation and Maintenance Expense of $1,415,101 plus the Payment in Lieu of Taxes of $85,000 equals $7,818,228. This amount divided by twelve months times two months equals the two-month operating balance requirement of $1,303,038. Crown Point's sewer operating fund balance of $842,110 was $460,928 short of the operating balance requirement. Crown Point was able to issue debt even though it too had an operating fund deficiency. The takeaway from Crown Point's claim that Winfield had an operating fund deficiency is two-fold. First, Crown Point's warning or concern about "unsecured creditors" and "higher interest rates" was fabricated or at a minimum overstated. Second, much like Crown Point's criticism of the Financial Analysis Report, Crown Point cast stones at Winfield for its failure to maintain sufficient operating funds when Crown Point has failed to do the same thing.

C. Mr. Guerrettaz Has Incorrectly Calculated Winfield's Debt Service Reserve Requirement

7. Q MR. GUERRETTAZ STATED THE DEBT SERVICE RESERVE FOR WINFIELD IS NOT ADEQUATE. IS HE CORRECT?

A No, Mr. Guerrettaz's supposition of the inadequacy of the debt service fund is incorrect. Winfield Sewage Works issued the 2022 Bonds debt in May of 2022 and opted to fund the debt service reserve over five years to fund the debt service reserve to $521,103.50. Funding this reserve over a five-year period is legally permissible, appropriate, and used by many utilities to minimize the rate impact on customers. According to the debt service reserve funding plan, Winfield Sewer started funding $5,888.96 a month in May of 2022 to fund the required debt service reserve build-up in sixty months. The debt service reserve balance as of December 31, 2024, was $362,102 which is $5,889 greater than the required calculated amount of $356,213 as of that date. Contrary to Mr. Guerrettaz's allegations, Winfield is ahead of schedule and compliant.

D. Mr. Guerrettaz Has Misread the Report and Testimony and Misstated Winfield's Debt Service Coverage

8. Q DO YOU HAVE AN OPINION ON MR. GUERRETTAZ'S STATEMENT THAT WINFIELD HAS INADEQUATE COVERAGE RATIOS?

A Yes. Crown Point's testimony regarding Winfield's coverage ratios is flat out wrong and misstates Winfield's financial condition. As I state in my direct testimony and clearly demonstrate on page 10 of the Winfield Financial Analysis Report (Petitioner's Exhibit 16), the **coverage including System Development Charges** is 231% in 2022, 271% in 2023, and 330% in 2024. The Financial Analysis I prepared is transparent and states in the note on page 10 that the **coverage excluding System Development Charges** was 130% in 2022, 150% in 2023, and 178% in 2024. Mr. Guerrettaz clearly misstates in his responsive testimony that page 10 "shows coverage of 130% for 2022, 150% for 2023 and 178% for 2024 is overstated by use of System

Development Charge revenue and interest income." (See Intervenor Crown Point's Exhibit 5, p. 3, lines 16-18). The coverage of 178% he states is "overstated by use of System Development Charge revenue" in his responsive testimony is incorrect. The 330% coverage for 2024 includes System Development Charge revenue, and the 178% coverage does not include System Development Charge revenue. In Mr. Guerrettaz's Exhibit 5-2, Crown Point correctly calculates Winfield's 2024 coverage as 178% without System Development Charges. Winfield's debt service coverage in 2024 without System Development Charges is 178% -- Winfield's debt service coverage is not 178% including System Development Charges. Based on the debt service calculations in Mr. Guerrettaz's schedules, Crown Point should have known that Mr. Guerrettaz's testimony about Winfield's coverage ratios was incorrect.

It is then ironic (and hypocritical) that Crown Point included System Development Charges in its coverage analysis on Exhibit V of the Rate Consultant's Report dated April 7, 2025, included as Attachment B to Mr. Guerrettaz's direct testimony. However, it is not apparent that it is there as it is hidden in the terminology of "Other Wastewater Revenue." Exhibit V of Attachment B to his direct testimony shows Other Wastewater Revenue of $4,380,790. A reader of the Report has to go back to Exhibit C to discern that Other Wastewater Revenue is comprised of Stormwater Fees of $1,058,716, Stormwater Penalties of $13,831, Tap Ins of $1,426,100, System Development

Charges of $837,216, Miscellaneous Revenue of $914,894, and Penalties of $130,033 (1,058,716+13,831+1,426,100+837,216+914,894+130,033= 4,380,790). Crown Point's Consultant's Report includes System Development Charges in the calculation of its coverage by hiding it in Other Wastewater Revenues. There is no note, indication, or hint that Crown Point's calculation of its coverage includes System Development Charges and Tap In Fees. I have recreated the page listed as Exhibit V as <u>Petitioner's Exhibit 55</u> with the explicit listing of all the "Other Wastewater Revenue" and the recalculation of the coverage without the connection fees of System Development Charges and Tap In Fees. The Crown Point coverage amounts without Tap Ins and System Development Charges is a dismal 60% in 2024, increases to 122% in 2025, and only increases to a somewhat acceptable level of 135% in 2026 after the 2026 revenue increase. Crown Point has lower coverage than Winfield, yet Crown Point criticizes Winfield for the 178% coverage without System Development Charges in 2024 as being inadequate. To me, Crown Point's inaccurate (and hypocritical) attacks on Winfield's coverage and its lack of transparency in its own coverage calculations is troubling.

9. Q DO YOU AGREE WITH MR. GUERRETTAZ THAT THE INCLUSION OF NON-RECURRING SYSTEM DEVELOPMENT CHARGES TO COVER DEBT SERVICE IS A CONCERN?

A I do agree with Mr. Guerrettaz on this point. As I stated, Winfield's coverage in 2024 without System Development Charge revenues is 178% and 330%

with System Development Charges as clearly stated on page 10 on the Winfield Financial Analysis Report and in the answer to question 14 of my direct testimony. Crown Point's proposed coverage in 2025 is 172% with System Development Charges and Tap In Fees and 122% without. The bare minimum, industry standard for issuing parity debt is 125%. In 2026, the proposed coverage is 161% as presented by Crown Point (inclusive of connection charges) and 135% without the connection charges. Crown Point obscures the coverage calculation by including the System Development Charge and Tap In Fees in Other Wastewater Revenues. I agree with Mr. Guerrettaz answer in his responsive testimony to question 11:

> Using non-recurring System Development Charge for debt service coverage is concerning because if development were to slow down or even stop than the coverage would most likely drop below the coverage requirements. Not meeting minimum coverage requirements is bad because it makes the municipal utility's bonds out of compliance, insecure and could harmfully impact future bond issuance interest rates or even the availability of future bonds.

10. Q DO YOU AGREE THAT THE SRF PROGRAM DOES NOT ALLOW SYSTEM DEVELOPMENT CHARGES IN A BORROWING UTILITY'S COVERAGE CALCULATION?

A Yes, I agree that SRF financing prohibits inclusion of SDCs in coverage as a looking forward basis. This is irrelevant to Winfield, which has not applied for SRF debt. It is, however, relevant to Crown Point as it hopes to be closing on multiple loans with the State Revolving Fund Loan Program (assuming the SRF Program finds that Crown Point has sufficient coverage). Considering that

Winfield's coverage ratios are currently better than Crown Point's and Crown Point is the Utility that is seeking to enter into a SRF loan, it is unclear to me why Mr. Guerrettaz: (i) has inappropriately attacked Winfield on its debt service coverage; and (ii) believes it is appropriate to include SDCs in Crown Point's coverage calculations.

11. Q IS WINFIELD RELIANT ON SDC REVENUES AS MR. GUERRETTAZ CLAIMS?

A No. Winfield has been transparent by showing coverage both with and without SDCs. Crown Point, by contrast, included SDCs and Tap-Ins without disclosure, creating the impression of stronger coverage than actually exists. He ironically states in his answer to question 13:

> Q In your experience is Winfield's reliance on System Development Charge revenue appropriate and common in municipal utility accounting and financial reporting?
>
> A No, it is not because the result again distorts Winfield's supposed financial condition into looking better than it really is.

It apparently **is** common to include System Development Charge revenue in the coverage calculation as Mr. Guerrettaz includes it in Crown Point's calculation, and I include it in Winfield's calculation. The difference is that I clearly state that System Development Charges are included in the 330% coverage and provide the resulting 178% coverage in 2024 excluding System Development Charges. Crown Point hides that its coverage in 2024 (using the numbers as provided on Crown Point Consultant's Report Exhibit V) was 60%

excluding System Development Charge and Tap In Fees, is projected to be 122% in 2025, and increases to only 135% in 2026 after the implementation of the second phase rate increase. Mr. Guerrettaz is doing exactly what he erroneously accuses Winfield of doing. Crown Point's coverage calculations in Mr. Guerrettaz's report distort Crown Point's "supposed financial condition into looking better than it really is."

E. Crown Point's Criticism Due to Lack of Adjustments for O&M, Extensions and Replacements, and Payment in Lieu of Taxes is Misplaced

12. Q DO YOU AGREE WITH THE CRITICISM THAT YOUR FINANCIAL ANALYSIS REPORT DOES NOT CONTAIN ADJUSTMENTS FOR THE ABOVE REFERENCED ITEMS?

A No, I do not. As I stated above, Winfield is not seeking to adjust its rates at this time. Unlike Crown Point, Winfield's coverage ratios and cash flows are adequate and there is no need for a rate increase at this time. Therefore, I have not prepared a rate study detailing each of the above-referenced adjustments. Instead, I have prepared a Financial Analysis Report which calculates Winfield's debt service coverage, not its revenue requirement and adjustments thereto. Whether intentional or not, Mr. Guerrettaz has misrepresented the nature of my financial report.

F. Gateway Reporting Is a Non-Issue and Is Being Addressed

13. Q PLEASE COMMENT ON MR. GUERRETTAZ'S COMMENTS REGARDING THE DISCREPANCIES BETWEEN YOUR FINANCIAL

STATEMENTS AND GATEWAY?

A For towns in Indiana, the Clerk-Treasurer is an elected position. After many years of having the same Clerk-Treasurer, Winfield now has a new Clerk-Treasurer who was, unfortunately, unfamiliar with the Gateway reporting. The Gateway reporting is being corrected and will match the balances that I have set forth in the Financial Analysis Report. From an accounting, borrowing, and rate-making perspective, the Gateway Reporting has no impact on the Financial Analysis Report or opinions herein.

14. Q PLEASE COMMENT ON MR. GUERRETTAZ'S CLAIMS REGARDING PROPERTY TAX SUBSIDIES?

A All Winfield residents have the option to connect to the sewer system so in their taxes they are paying for the option to connect to the system. Having lower sewer rates also: (i) encourages more connections which leads to greater economies of scale and lower rates for all customers; and (ii) attracts economic development opportunities that benefit all residents. The use of property tax revenue to support the sewage works was a choice made by Winfield to keep the monthly sewage charge at a reasonable level. While Mr. Guerrettaz may be correct in his calculation of the supposed property tax subsidy, it is not likely that property taxes would decrease by his $240 calculation if the Town had not issued the Building Corporation debt. I am granting latitude to Mr. Guerrettaz's schedule Responsive Exhibit 5-1 on the presumption that the reference to "County Property Tax Rate" of $0.1418 was inadvertently mislabeled, and that it should properly be identified as the "Winfield Lease Rental Payment Rate" applicable to Pay 2025 Taxes.

15. Q WOULD THE TAX PAYMENT GO DOWN IF THE BUILDING CORPORATION DID NOT HAVE DEBT?

A No. I am not an expert on property taxes, but my understanding is that residential properties are capped at one percent (1%) of their assessed valuation and this is the case for a majority of Winfield residents. Thus, Winfield has chosen to allocate a portion of a resident's maximum property tax bill toward Building Corporation debt. The Building Corporation inclusion in the property tax was not an addition to the taxes paid, it was a re-allocation of the taxes paid.

16. Q WHAT IS YOUR OPINION OF MR. GUERRETTAZ STATEMENT "IMAGINE THE PUBLIC UPROAR THAT WOULD ARISE IF ALL UTILITIES WERE ALLOWED TO USE A PORTION OF PROPERTY TAX REVENUES TO SUBSIDIZE THEIR UTILITY DEBT COSTS"?

A In my opinion, Mr. Guerrettaz's statement is another attempt to create an issue that does not exist and it overlooks the fact that sanitary districts already do precisely that. Sanitary districts, including those in Gary, Michigan City, Hammond, Anderson, and Muncie, have statutory authority to issue debt to finance sewage works capital projects, which are supported through property tax revenues.

17. Q HOW MUCH DEBT CAN WINFIELD ISSUE CURRENTLY

WITHOUT A RATE INCREASE?

A I have calculated that Winfield could issue parity debt in 2025 of approximately $2.75 million without a rate increase. This analysis is calculated using level debt service for a 20-year term using five percent (5%) coupon rates. At this rate and term, the annual debt service for each $1 million in debt will increase annual debt service by approximately $80 thousand dollars. Parity requirements require that coverage of 125% be obtained using the prior year financials and may include an adjustment for any rate increases. However, I must emphatically state that Winfield is not currently considering the issuance of sewer revenue debt in 2025. The parity coverage calculation is based on the most recent fiscal year completed. The calculation will need to be recalculated in 2026 based upon the year-end 2025 amounts if Winfield chooses to issue debt in 2026.

18. Q DO YOU ANTICIPATE THAT WINFIELD'S BORROWING POWER WILL INCREASE OVER THE NEXT FEW YEARS?

A Yes, I do. Winfield continues to add customers to its system at a fairly rapid pace. With the addition of new customers and revenues, Winfield's borrowing authority should increase in the coming years, especially since Winfield has already made the improvements to its system that would allow for such growth without major upgrades to its treatment plant.

Winfield added 180 customers in 2023 and 170 customers in 2024. An addition of 175 customers increases the annual proforma revenues by approximately $125 thousand per year. Assuming the annual debt service on $1 million par amount is approximately $80,000 and adding for coverage of 125%, a revenue increase of $125 thousand increases the bonding capacity of Winfield by $1 million to $1.25 million for every 175 customers connected. With every 175 customers connected, Winfield will also add $558,250 in System Development Charges.

19. Q WHAT DO YOU ANTICIPATE IS WINFIELD'S AMOUNT FOR MAKING CAPITAL IMPROVEMENTS CURRENTLY AND OVER THE NEXT FEW YEARS WITHOUT A RATE INCREASE?

A Above, I calculated that Winfield can currently issue approximately $2.75 million in debt and as of December 31, 2024, had $2.5 million in the SDC fund so it currently has the ability to fund $5.25 million in projects. With each 175 customers it connects, another $1 million in bonding capacity is added with the addition of $550 thousand in SDC charges for a total of $1.55 million. Within the next year, Winfield could have approximately $7 million available to fund capital projects without a rate increase.

20. Q WHAT DO YOU THINK ABOUT MR. GUERRETTAZ'S ANALYSIS OF WINFIELD'S FUTURE RATES?

A Mr. Guerrettaz assumes that Winfield would issue debt now to cover a wide range of capital projects projected over several years. However, it is unreasonable to finance many years of projects upfront, especially when spending requirements typically call for a two- to three-year limit for arbitrage purposes. His proposed financing approach is not practical. Winfield intends to fund its improvements gradually, as needed over time.

21. Q DO YOU AGREE WITH THE PROPOSED RATE INCREASES FOR WINFIELD AS CALCULATED BY MR. GUERRETTAZ?

No. Mr. Guerrettaz has based his proposed rates on construction estimates from Mr. Stong. As explained by Winfield's professional engineers, Mr. Duffy and Mr. Lin, Crown Point's construction estimates are simply inaccurate and exceedingly high. Apparently, Crown Point does not understand the nature and limited scope of the improvements that actually need to be made by Winfield to serve the Disputed Area. In their respective testimonies, Mr. Duffy and Mr. Lin provide updated estimates and a quote from a local contractor as to the cost of extending service to the Disputed Area. These estimates are significantly lower than the estimates proposed by Mr. Stong. I think the old phrase "garbage in, garbage out" applies to Crown Point's calculation of Winfield's proposed rates. Mr. Stong's estimate of the construction costs for Winfield to extend service are inaccurate (i.e. the "garbage in"); thus, the calculation of proposed rates by Mr. Guerrettaz are inaccurate as well (i.e. the "garbage out"). Mr. Guerrettaz's calculation of future rates also fail to recognize that some of the costs may be covered by developers in accordance with the Commission's Main Extension Rules. For these reasons, the Commission should ignore Crown Point's estimate of what Winfield's rates could be in the future. With future growth and cost sharing arrangements with potential developers, Winfield should be able to meet its needs while maintaining its highly competitive sewer rates.

22. Q DO YOU AGREE WITH CROWN POINT'S ESTIMATES OF FUTURE RATES REGARDING SERVICE TO THE REQUESTED TERRITORY OUTSIDE OF THE DISPUTED AREA?

A No, I do not. Mr. Stong has provided an estimate of $139,000,000 to serve the entire Winfield Service Area. Notably, Mr. Stong provides no cost estimates as to how much it will cost Crown Point to serve its proposed service area. In other words, Crown Point does not calculate the potential impact to its proposed rates based on the cost of serving its entire area (i.e. 16,000-20,000 acres); however, Crown Point seeks to convince the Commission that Winfield's current user rates will be exorbitant when factoring in all the costs of servicing Winfield's area. Again, the double standard is surprising. As noted by Mr. Duffy, Mr. Stong's costs estimates are wrong. Even if they were accurate, I understand that the improvements to Winfield's system to serve the requested areas outside the Disputed Area will not likely occur for many years. Planning and estimating the cost of providing service for development that may not occur for many years (if not decades) is speculative at best and should not be relied upon as a basis for future rates.

23. Q IS MR. GUERRETTAZ NOW PROPOSING TO FUND CROWN POINT'S PHASE IV PROJECTS WITH INCOME AND PROPERTY

TAXES COLLECTED?

A Surprisingly yes. It is undisputed that Crown Point must complete the Phase IV improvements in the relatively near future. Mr. Guerrettaz now states for the first time that Crown Point may possibly not use sewer revenues to fund the Phase IV improvements and is considering financing the final phase of sewer improvements with "**general obligation bonds, food and beverage bonds, local income tax bonds...**" General obligation bonds, food and beverage bonds, and local income tax bonds are only used when a municipality pledges or uses some or all of its income or property taxes as repayment for the debt. To be clear, the new financing structure proposed by Crown Point will be supported by income tax and property taxes generated from individuals and businesses that are located exclusively within the City. Considering Crown Ponit's prior testimony, this new financing proposal is very surprising.

24. Q WHY IS THE NEW FINANCING PLAN SO SURPRISING TO YOU, MS. WILSON?

A Mr. Guerrettaz's proposed financing plan is contradictory to his responsive testimony, undermines his own credibility, and, again, is hypocritical. Crown Point has repeatedly criticized Winfield for issuing tax-supported bonds in his direct and responsive testimonies and argued that the use of this type of funding distorts the calculation of charges and the cost of serving customers (e.g. Intervenor Exhibit No. 5, p.7, line 10-p. 8, line 3). Now, he states that Crown Point is considering doing the exact same thing. This is a clear aboutface in his testimony and is a classic example of "talking out of both sides of your mouth." Mr. Guerrettaz laments and criticizes Winfield's use of property tax supported debt, all the while knowing (and now stating) that Crown Point plans on doing the same. To complete the IDEM required Phase IV improvements, Crown Point has two options: (i) Crown Point either increases its user rates to $161 per month for a 5,000 gallon user in the Disputed Area (Crown Point outside city user); or (ii) uses income and property taxes to support a new bond that will avoid the $161 per month rate. In other words, Crown Point must increase its rates to $161 per month for customers in the Disputed Area or use the same financing technique that Crown Point has spent pages in its prefiled papers criticizing Winfield for using.

25. Q DOES CROWN POINT HAVE A FIRM PLAN TO FINANCE THE IDEM-REQUIRED PHASE IV IMPROVEMENTS?

A No, it does not appear to have a firm plan. Throughout this case, Crown Point has disparaged Winfield for using income or property tax backed bonds. Now, in an effort to avoid admitting that its sewer rates could go to $161 per month for a 5,000 gallon per month user in the Disputed Area, Crown Point is proposing a new funding program that it has previously testified is inappropriate.

III.
WINFIELD'S SERVICE TO DISPUTED AREA WILL BE FINANCIALLY BENEFICIAL TO ULTIMATE CUSTOMER

26. Q MS. WILSON, HAVE YOU REVIEWED CROWN POINT'S

AUGUST 19, 2025, RESPONSIVE TESTIMONY?

A Yes, I have.

27. Q ARE YOU AWARE THAT CROWN POINT STATES THAT THE DONATION AGREEMENT BETWEEN CROWN POINT AND LBL DEVELOPMENT, LLC ("LBL") AND CONSTRUCTION OF THE NEW PLANT ARE A FINANCIAL BENEFIT TO CROWN POINT'S EXISTING AND FUTURE CUSTOMERS?

A Yes, I am aware that their witnesses have made these statements.

28. Q DO YOU AGREE WITH THESE STATEMENTS?

A No, I do not. As Mr. Duffy and Mr. Beaver explained in their testimonies, the location of the new Crown Point Wastewater Treatment Plant ("WWTP") is immediately adjacent to LBL's proposed development in the Disputed Area. The location of the new WWTP benefits LBL in the sense that LBL would have lower off-site sewer costs due to the proximity of the WWTP to its proposed development. However, the location of the new WWTP is far away from Crown Point's existing WWTP and the municipal limits. As Mr. Duffy explains in his testimony, Crown Point proposes in its preliminary engineering report ("PER") to reduce the load from its existing WWTP by diverting flows from the existing municipal limits out to the new WWTP at a cost of approximately $64,000,000 ("$64 Million Diversion Project"). The cost of the $64 Million Diversion Project is larger than it otherwise would need to be due to the distance between the City users and the new WWTP and the need to install a series of lift stations (i.e. "daisy-chain" lift stations) and a force main to transport the sewage to the new WWTP. In his original rate calculations, Mr. Guerrettaz estimated that the cost of the $64 Million Diversion Project would increase Crown Point's rates for the Disputed Area from $131 per month to approximately $161 per month for a customer using 5,000 gallons per month in the Disputed Area. In addition to the extra costs of transporting sewage to the new WWTP, the cost of the new WWTP is extremely expensive and has already required a significant rate increase. Even without factoring in the cost of the $64 Million Diversion Project, the monthly user rates are $131.63 per month for a 5,000 gallon per month user (beginning on January 1, 2026). This amount includes a 25% surcharge for the out-of-town customers. As I mentioned in my prefiled direct testimony, Winfield's monthly user rate is a flat amount of $59.75 per month with a system development charge of $3,190 for a meter size of 5/8 inch or ¾ inch meter. Crown Point has connection fees of $3,590 and a system development charge of $2,052 per equivalent dwelling unit. Crown Point has indicated that it hopes to double or triple those in the not so distance future. (See <u>Petitioner's Exhibit 15</u>, p. 61, lines 8-23). While the Donation Agreement and proposed location (and construction) of the WWTP will be financially beneficial to LBL, they have resulted in exceedingly high rates and charges for Crown Point's existing and future customers.

29. Q MS. WILSON, HAVE YOU QUANTIFIED THE EXTRA COST TO THE

CUSTOMERS IF CROWN POINT WERE THE PROVIDER TO THE DISPUTED AREA?

A Yes, I have generally calculated these costs. According to the most recent filings from LBL, its proposed development will have 4,000 EDUs. There are also approximately 1,000 additional acres in the Disputed Area that is outside of the LBL development. If we accept Crown Point's estimate that there will be approximately two EDU's per acre for the undeveloped 1,000 acres, then the total EDU's within the Disputed Area will be 6,000 EDUs. At present, the difference in monthly user rates (assuming 5,000 gallon monthly usage) between Winfield and Crown Point is approximately $72 per month (i.e. $131 - $59 = $72 per month). If we were to multiply 6,000 EDUs times the rate differential of $72 per month, it equates to $432,000 more per month that the customers in the Disputed Area would pay if they were connected to Crown Point as compared to Winfield. If Crown Point uses sewer revenue bonds to construct the Phase IV improvements (and implement the final proposal of the rates from Crown Point's Rate Consultant's Report), the rate differential would be $102 per month (i.e. $161-$59=$102 per month), and the customers in the Disputed Area would be paying $612,000 (i.e. $102 times6,000=$612,000) more per month for user fees if service were provided by Crown Point as compared to Winfield. I have not calculated the extra monies that would be spent by customers in the Disputed Area for higher connection fees if they were served by Crown Point, but this could be well in excess of $14 Million, especially if Crown Point increases its system development charges. When considering that the monthly rate differential (i.e. $432,000 or $612,000 per month) would continue on in perpetuity, the financial impact on the future businesses and residents in the Disputed Area would climb into the tens of millions of dollars. The significant costs associated with receiving service from Crown Point far outweighs any benefit to LBL. The Commission should not allow LBL to reap relatively small additional profits at the expense of the ultimate ratepayers.

30. Q CAN YOU COMMENT ON MR. GUERRETTAZ'S COMMENTS THAT LBL DOES NOT BELIEVE CROWN POINT'S HIGH RATES AND CHARGES WILL IMPACT ECONOMIC DEVELOPMENT, SEND DESTRUCTIVE SIGNALS TO CSO COMMUNITIES AND IMPACT ON ECONOMIC DEVELOMENT?

A Yes, I can. With respect to LBL, I understand LBL's desire to limit off-site sewer costs; however, the ongoing monthly cost to ratepayers in the Disputed Area (ongoing extra costs associated with receiving service from Crown Point in the Disputed Area (i.e. either $432,000 or $612,000 per month) is simply too much for the ratepayers. The relatively small profit to LBL does not offset the significant harm to the ratepayers. While I am not an attorney, I understand that the applicable statute requires the Commission to focus on the impact on monthly user rates, not the potential profit to the developer.

With respect to Mr. Guerrettaz's statement that the Commission's order could send destructive signals to the CSO communities and negatively impact economic development, I completely disagree. Crown Point has a long history of non-compliance (i.e. more than 20 years). It has also been using its system development charges for many years to fund a shortfall in user rates (See Petitioner's Exhibit 25, February 3, 2025 Transcript, p. 46, lines 8-23; Petitioner's Exhibit 26 at 1:15:17). Now, it is proposing all new facilities that require a $64 Million Diversion Project. The cost of these improvements, including the $64 Million Diversion Project, result in rates that are simply cost prohibitive and detrimental to economic impact. For all these reasons, as well as the reasons stated above, the Commission should grant the Disputed Area to Winfield.

IV.
CONCLUSION

31. Q WHAT IS YOUR OPINION OF MR. GUERRETTAZ'S RESPONSIVE TESTIMONY?

A Mr. Guerrettaz's responsive testimony is riddled with errors and contradictions. He makes an erroneous statement regarding Winfield's coverage, only to then present an exhibit that confirms Winfield's figures as correct. He criticizes Winfield for not meeting operating fund balance requirements yet fails to acknowledge that Crown Point also did not meet its own requirements. He condemns Winfield's coverage calculations—based on his own misstatements—while Crown Point's actual coverage position reflects the very shortcomings he attributes to Winfield, compounded by a lack of transparency. He chastises Winfield for utilizing property tax revenues but then touts that Crown Point is considering the same approach. Overall, his positions are entirely inconsistent and hypocritical.

32. Q DOES THIS CONCLUDE YOUR TESTIMONY?

A Yes.

VERIFICATION

I affirm under the penalties for perjury that the foregoing testimony is true to the best of my knowledge, information, and belief.

Jennifer Z. Wilson

Jennifer Z. Wilson

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served upon the following counsel electronically this 26th day of September, 2025:

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Petitioner's Exhibit 55

Crown Point Coverage with Connection Charges

Restatement of Exhibit V to Attachment B of Guerrettaz Direct Testimony

Actual and Estimated Debt Service Coverage

	Actual Calendar Year 2024	Estimated Calendar Year 2025	Estimated Calendar Year 2026	Estimated Calendar Year 2027	Estimated Calendar Year 2028
Operating Revenue					
Metered Sales					
Metered Sales (1)	$ 11,071,219	$ 11,071,219	$ 11,071,219	$ 11,071,219	$ 11,071,219
Rate Increase Metered Sales Phase I		3,764,214	5,646,322	5,646,322	5,646,322
Rate Increase Metered Sales Phase II			4,346,561	4,346,561	4,346,561
Total Metered Sales	11,071,219	14,835,433	21,064,102	21,064,102	21,064,102
Other Wastewater Revenues					
Stormwater Fees	1,058,716	1,058,716	1,058,716	1,058,716	1,058,716
Stormwater Penalty	13,831	13,831	13,831	13,831	13,831
Tap Ins	1,426,100	1,426,100	1,426,100	1,426,100	1,426,100
System Development Charges	837,216	837,216	837,216	837,216	837,216
Miscellanous	914,894	914,894	914,894	914,894	914,894
Penalties	130,033	130,033	130,033	130,033	130,033
Total Other Wastewater Revenues	4,380,790	4,380,790	4,380,790	4,380,790	4,380,790
Total Operating Revenues	$ 15,452,009	$ 19,216,223	$ 25,444,892	$ 25,444,892	$ 25,444,892
Operating Expenses	$ 10,472,331	$ 11,408,972	$ 11,408,972	$ 11,408,972	$ 11,408,972
Net Operating Income	$ 4,979,678	$ 7,807,251	$ 14,035,920	$ 14,035,920	$ 14,035,920
Total Combined Debt Service	$ 4,528,585	$ 4,528,586	$ 8,691,913	$ 8,563,770	$ 8,583,553
Estimated Coverage - $	$ 451,093	$ 3,278,665	$ 5,344,007	$ 5,472,150	$ 5,452,367
Estimated Coverage - X	1.10	1.72	1.61	1.64	1.64

(1) Metered Sales summarizes the amounts shown as Residential Revenue, Commercial Revenue, Industrial Revenue and Public Authorities Revenue.

Crown Point Coverage without Connection Charges

Recalculation of Exhibit V to Attachment B of Guerrettaz Direct Testimony

Actual and Estimated Debt Service Coverage

	Actual Calendar Year 2024	Estimated Calendar Year 2025	Estimated Calendar Year 2026	Estimated Calendar Year 2027	Estimated Calendar Year 2028
Operating Revenue					
Metered Sales					
Metered Sales (1)	$ 11,071,219	$ 11,071,219	$ 11,071,219	$ 11,071,219	$ 11,071,219
Rate Increase Metered Sales Phase I		3,764,214	5,646,322	5,646,322	5,646,322
Rate Increase Metered Sales Phase II			4,346,561	4,346,561	4,346,561
Total Metered Sales	11,071,219	14,835,433	21,064,102	21,064,102	21,064,102
Other Wastewater Revenues					
Stormwater Fees	1,058,716	1,058,716	1,058,716	1,058,716	1,058,716
Stormwater Penalty	13,831	13,831	13,831	13,831	13,831
Tap Ins					
System Development Charges					
Miscellanous	914,894	914,894	914,894	914,894	914,894
Penalties	130,033	130,033	130,033	130,033	130,033
Total Other Wastewater Revenues	2,117,474	2,117,474	2,117,474	2,117,474	2,117,474
Total Operating Revenues	$ 13,188,693	$ 16,952,907	$ 23,181,576	$ 23,181,576	$ 23,181,576
Operating Expenses	$ 10,472,331	$ 11,408,972	$ 11,408,972	$ 11,408,972	$ 11,408,972
Net Operating Income	$ 2,716,362	$ 5,543,935	$ 11,772,604	$ 11,772,604	$ 11,772,604
Total Combined Debt Service	$ 4,528,585	$ 4,528,586	$ 8,691,913	$ 8,563,770	$ 8,583,553
Estimated Coverage - $	$ (1,812,223)	$ 1,015,349	$ 3,080,691	$ 3,208,834	$ 3,189,051
Estimated Coverage - X	0.60	1.22	1.35	1.37	1.37

(1) Metered Sales summarizes the amounts shown as Residential Revenue, Commercial Revenue, Industrial Revenue and Public Authorities Revenue.