

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA-AMERICAN WATER)
COMPANY, INC. FOR (1) AUTHORITY TO)
INCREASE ITS RATES AND CHARGES FOR)
WATER AND WASTEWATER UTILITY)
SERVICE THROUGH A THREE-STEP RATE)
IMPLEMENTATION, (2) APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES)
APPLICABLE TO WATER AND WASTEWATER)
UTILITY SERVICE, INCLUDING A NEW)
UNIVERSAL AFFORDABILITY RATE, (3))
APPROVAL OF REVISED DEPRECIATION) CAUSE NO. 45870
RATES APPLICABLE TO WATER AND)
WASTEWATER PLANT IN SERVICE, (4))
APPROVAL OF NECESSARY AND)
APPROPRIATE ACCOUNTING RELIEF, (5))
APPROVAL OF THE EXTENSION OF)
SERVICE TO AN INFRASTRUCTURE)
DEVELOPMENT ZONE IN MONTGOMERY)
COUNTY, INDIANA AND AUTHORITY TO)
IMPLEMENT A SURCHARGE UNDER IND.)
CODE § 8-1-2-46.2, AND (6) APPROVAL OF)
PETITIONER’S PLANS TO DEVELOP FUTURE)
WATER SOURCES OF SUPPLY UNDER IND.)
CODE § 8-1-2-23.5.)**

PUBLIC’S EXHIBIT NO. 3 – MARGARET A. STULL

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JULY 21, 2023

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 3 – Margaret A. Stull on behalf of the OUCC* has been served upon the following in the captioned proceeding by electronic service on July 21, 2023.

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TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO.45870
INDIANA-AMERICAN WATER COMPANY, INC.

I. INTRODUCTION

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

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as
6 a Chief Technical Advisor in the Water/Wastewater Division. My qualifications are
7 set forth in Appendix A.

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

9 A: I present and discuss the OUCC’s recommended rate base for Indiana American
10 Water Company, Inc. (“Indiana American,” “INAWC,” or “Petitioner”). I propose
11 a rate base update process to be implemented in each step. I present the OUCC’s
12 recommended capital structure and weighted average cost of capital. I support
13 various adjustments to Indiana American’s projected operating expenses and taxes,
14 including service company costs, depreciation expense, amortization expense,
15 property tax expense, and income tax expense. I respond to Indiana American’s
16 proposals regarding recovery of deferred COVID-19 costs and a separate surcharge
17 on its Montgomery County customers related to investment in an infrastructure
18 development zone. I discuss some aspects of Petitioner’s inclusion in rate base of
19 incidental expenses and other costs of acquisition under IC 8-1-30.3. Finally, I

1 discuss issues related to the calculation of capital trackers, including property taxes
2 and costs of removal.

3 **Q: To the extent you do not address a specific item or adjustment, should that be**
4 **construed to mean you agree with Petitioner's proposal?**

5 A: No. Not addressing a specific item or adjustment Petitioner proposes does not
6 indicate my agreement or approval. Rather, the scope of my testimony is limited to
7 the specific items addressed herein.

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

9 A: I read Indiana American's case-in-chief testimony and reviewed the schedules and
10 workpapers it filed in this Cause. I reviewed Petitioner's books and records as they
11 relate to this rate case. I reviewed Petitioner's 2022 IURC annual report. I prepared
12 discovery questions and reviewed Indiana American's responses; and in some
13 cases, where I considered the responses to not provide the information requested, I
14 followed up to procure more complete responses.

15 **Q: Are any schedules or attachments submitted with your testimony?**

16 A: Yes. I submit the following schedules with my testimony.

17 **Original Cost Rate Base:**

- 18 OUCC Schedule 8TC – Total Company
- 19 OUCC Schedule 8W – Water Operations
- 20 OUCC Schedule 8S – Wastewater Operations

21 **Capital Structure:**

- 22 OUCC Schedule 9TC – Total Company
- 23 OUCC Schedule 9W – Water Operations
- 24 OUCC Schedule 9S – Wastewater Operations

II. INDIANA AMERICAN PROPOSED RATE BASE

1 **Q: What final rate base did the Indiana Utility Regulatory Commission**
2 **("Commission") approve for Indiana American in Cause No. 45142?**

3 A: In Cause No. 45142, the Commission approved an April 30, 2020 Total Company
4 rate base of \$1,182,170,152 in accordance with the settlement agreement reached
5 in that case.

6 **Q: What was the difference between the forecasted rate base approved in Cause**
7 **No. 45142 and Indiana American's actual investment as of April 30, 2020**
8 **(adjusted for settlement issues)?**

9 A: The settlement agreement and order in Petitioner's last rate case, Cause No. 45142,
10 established an end of test year (April 30, 2020) rate base cap of \$1,182,170,152. As
11 of April 30, 2020, Indiana American claimed investment in plant that exceeded the
12 cap by \$43,784,128. In accordance with the settlement agreement, this additional
13 investment could be included in a subsequent DSIC filing (if eligible) or Indiana
14 American's next base rate case.

15 **Q: Did Indiana American include any of the additional investment in its**
16 **subsequent DSIC filings or this rate case?**

17 A: Yes. DSIC-12 included \$22,909,725 of DSIC-eligible additions included in the
18 \$43,784,128 of additional investment in Cause No. 45142. (See Cause No. 42351-
19 DSIC 12, Hoffman Direct at 25.) And in this case, INAWC witness Matthew Hobbs
20 said, "I have included projects that were placed in service before the close of the
21 last test year but that were not included in the last general rate base because they
22 were above the rate base cap in Cause No. 45142." (Cause No. 45870, Hobbs
23 Direct, page 17.)

III. INAWC PROPOSED RATE BASE

1 **Q: What total company rate base does Indiana American propose in this Cause?**

2 A: Indiana American proposes a total company rate base of \$1,845,347,834 compared
3 to the \$1,182,170,152 rate base authorized in Cause No. 45142, an increase of
4 \$663,177,682 or 56.1%. Table 1 presents a comparison of Indiana American's Total
5 Company proposed rate base in this case with that authorized in Cause No. 45142.

Table 1: Total Company Rate Base Comparison

	CN 45142 Authorized	CN 45870 Proposed	CN 45870 More (Less)	Percent Change
Utility Plant in Service	\$ 1,925,347,359	\$ 2,837,545,776	\$ 912,198,417	47.4%
BT SOP 98-01	-	7,170,944	7,170,944	0.0%
Deferred Depreciation	7,662,755	8,311,140	648,385	8.5%
Post in Service AFUDC	7,313,814	7,137,440	(176,374)	-2.4%
Total Utility Plant in Service	1,940,323,928	2,860,165,300	919,841,372	47.4%
Accumulated Depreciation	530,513,803	712,016,851	181,503,048	34.2%
BT SOP 98-01	-	6,619,332	6,619,332	0.0%
Deferred Depreciation (Amort)	3,587,002	5,515,957	1,928,955	53.8%
Post in Service AFUDC (Amort)	3,482,431	4,600,670	1,118,239	32.1%
Total Accumulated Depreciation	537,583,236	728,752,810	191,169,574	35.6%
Net Utility Plant	1,402,740,692	2,131,412,490	728,671,798	51.9%
<u>Deduct:</u>				
Contributions in aid of Construction	171,505,936	213,576,982	42,071,046	24.5%
Customer Advances	50,231,287	78,573,679	28,342,392	56.4%
Northwest Billing Change	197,031	-	(197,031)	-100.0%
Capacity Adjustment (Somerset)	272,515	313,011	40,496	14.9%
	222,206,769	292,463,672	70,256,903	31.6%
<u>Add:</u>				
Acquisition Adjustment	11,847	6,734	(5,113)	-43.2%
SEI Deferred	-	4,150,345	4,150,345	0.0%
Wabash Billing Change	195,907	-	(195,907)	-100.0%
Materials and Supplies	1,428,475	2,241,938	813,463	56.9%
	1,636,229	6,399,017	4,762,788	291.1%
Original Cost Rate Base	\$ 1,182,170,152	\$ 1,845,347,835	\$ 663,177,683	56.1%

1 **Q: What rate base does Indiana American propose for its water and wastewater**
2 **operations in this Cause?**

3 A: Table 2 presents INAWC's proposed rate base for its water and wastewater
4 operations as of Step Three (April 30, 2025).

Table 2: INAWC Proposed Rate Base

	Water Operations	Wastewater Operations	Total Company
Utility Plant in Service	\$ 2,812,403,614	\$ 25,142,162	\$ 2,837,545,776
BT SOP 98-01	7,119,313	51,631	7,170,944
Deferred Depreciation	8,277,794	33,346	8,311,140
Post in Service AFUDC	7,123,318	14,122	7,137,440
Total Utility Plant in Service	<u>2,834,924,039</u>	<u>25,241,261</u>	<u>2,860,165,300</u>
Accumulated Depreciation	708,084,029	3,932,822	712,016,851
BT SOP 98-01	6,571,673	47,659	6,619,332
Deferred Depreciation (Amort)	5,490,377	25,580	5,515,957
Post in Service AFUDC (Amort)	4,590,524	10,147	4,600,671
Total Accumulated Depreciation	<u>724,736,603</u>	<u>4,016,208</u>	<u>728,752,811</u>
Net Utility Plant	2,110,187,436	21,225,053	2,131,412,489
<u>Deduct:</u>			
Contributions in aid of Construction	213,400,179	176,803	213,576,982
Customer Advances	78,115,570	458,109	78,573,679
Capacity Adjustment (Somerset)	194,631	118,380	313,011
	<u>291,710,380</u>	<u>753,292</u>	<u>292,463,672</u>
<u>Add:</u>			
Acquisition Adjustment	-	6,734	6,734
SEI Deferred	4,150,346	-	4,150,346
Materials and Supplies	2,227,653	14,285	2,241,938
	<u>6,377,999</u>	<u>21,019</u>	<u>6,399,018</u>
Original Cost Rate Base	<u>\$ 1,824,855,055</u>	<u>\$ 20,492,780</u>	<u>\$ 1,845,347,835</u>

5 **Q: On what dates does Indiana American propose each phase of its rate base be**
6 **measured?**

7 A: Indiana American proposes a three-step rate increase in this Cause. Each phase or
8 step is based upon projected rate base as of the following dates:

- 9
- Step 1 -- Projections as of July 31, 2023
 - 10 • Step 2 -- Projections as of April 30, 2024
 - 11 • Step 3 -- Projections as of April 30, 2025

1 **Q: Does Indiana American propose including any new elements in its rate base?**

2 A: Yes. Indiana American proposes to include deferred costs associated with System
3 Enhancement Improvements (“SEI”) approved in Cause Nos. 45609-SEI 1 and SEI
4 1-S1. Specifically, Indiana American included total company net SEI deferred costs
5 of \$4,364,489 (Step 1), \$4,287,385 (Step 2), and \$4,150,345 (Step 3) .

6 Indiana American also proposes to include costs related to its Business
7 Transformation Project – a net increase to rate base of \$551,612¹ (as of Step Three).
8 These costs have not previously been included in INAWC’s rate base, but INAWC
9 has been recovering these costs through amortization expense since the
10 Commission authorized recovery of these costs in its final order in Cause No. 44450
11 dated January 28, 2015.

A. Water Operations

12 **Q: What rate base does Indiana American propose for its water operations?**

13 A: Indiana American projects a water operations rate base of \$1,824,855,055 as of
14 Step Three. Table 3 summarizes Indiana American’s forecasted water operations
15 rate base by component for each Step.

¹ Original cost of \$7,170,344 less \$6,619,332 of accumulated amortization.

Table 3: Indiana American Projected Rate Base – Water Operations

	<u>09/30/2022</u>	<u>Step One</u>	<u>Step Two</u>	<u>Step Three</u>	<u>Overall</u>
	<u>Rate Base</u>	<u>Rate Base</u>	<u>Rate Base</u>	<u>Rate Base</u>	<u>Increase</u>
					<u>(Decrease)</u>
Utility Plant in Service	\$ 2,341,367,468	\$ 2,493,295,286	\$ 2,610,181,637	\$ 2,834,924,039	\$ 493,556,571
Accumulated Depreciation	(592,734,179)	(630,596,606)	(667,932,548)	(724,736,603)	(132,002,424)
Contributions and Advances	(251,427,101)	(272,337,775)	(280,452,490)	(291,515,749)	(40,088,648)
Regulatory Assets/Liabilities	-	4,364,489	4,287,385	4,150,346	4,150,346
Materials and Supplies	2,810,651	2,227,653	2,227,653	2,227,653	(582,998)
Other Miscellaneous	17,290,888	(182,091)	(181,380)	(194,631)	(17,485,519)
	<u>\$ 1,517,307,727</u>	<u>\$ 1,596,770,956</u>	<u>\$ 1,668,130,257</u>	<u>\$ 1,824,855,055</u>	<u>\$ 307,547,328</u>

1 **Q: What acquired water utility systems does Indiana American include in its**
2 **forecasted water operations rate base?**

3 A: Indiana American includes two asset purchases in its forecasted water operations
4 utility plant in service in this Cause: (1) Town of Claypool - \$856,337 and (2) the
5 Sunset Village system - \$270,000. The Claypool acquisition was approved by the
6 Commission on February 22, 2023 in Cause No. 45753 and is included in proposed
7 Step One additions. The Sunset Village acquisition is still pending before the
8 Commission in Cause No. 45852 and is included in proposed Step Two additions.

9 **Q: What other water systems did Petitioner acquire since Cause No. 45142?**

10 A: Since Cause No. 45142, Indiana American acquired the River's Edge system and
11 the Town of Lowell's system. These acquisitions were completed prior to
12 September 30, 2022 and, therefore, are included in base year water operations rate
13 base.

B. Wastewater Operations

14 **Q: What rate base does Indiana American propose for its wastewater operations?**

15 A: Indiana American projects a wastewater operations rate base of \$20,492,780 as of
16 Step Three. Table 4 summarizes Indiana American's forecasted wastewater
17 operations rate base by component for each Step.

Table 4: Indiana American Projected Rate Base – Wastewater Operations

	<u>09/30/2022</u>	<u>Step One</u>	<u>Step Two</u>	<u>Step Three</u>	<u>Overall</u>
	<u>Rate Base</u>	<u>Rate Base</u>	<u>Rate Base</u>	<u>Rate Base</u>	<u>Increase</u>
					<u>(Decrease)</u>
Utility Plant in Service	\$ 19,637,454	\$ 20,786,728	\$ 23,230,679	\$ 25,241,261	\$ 5,603,807
Accumulated Depreciation	(1,786,524)	(2,456,182)	(3,060,430)	(4,016,208)	(2,229,684)
Contributions and Advances	(726,493)	(770,093)	(763,518)	(753,292)	(26,799)
Materials and Supplies	21,525	14,285	14,285	14,285	(7,240)
Acquisition Adjustment, net	130,913	8,524	7,757	6,734	(124,179)
	<u>\$ 17,276,875</u>	<u>\$ 17,583,262</u>	<u>\$ 19,428,773</u>	<u>\$ 20,492,780</u>	<u>\$ 3,215,905</u>

1 **Q: What wastewater systems has Indiana American acquired since Cause No.**
2 **45142?**

3 **A:** Indiana American has acquired two systems since Cause No. 45142: (1) Town of
4 Riley and (2) River's Edge. These acquisitions were completed prior to September
5 30, 2022 and therefore are included in base year wastewater rate base.

IV. OUCC RECOMMENDED RATE BASE

A. Total Company

6 **Q: Does the OUCC accept Indiana American's proposed total company rate**
7 **base?**

8 **A:** No. The OUCC disagrees with many aspects of Indiana American's proposed rate
9 base. Through its review, the OUCC has identified asset addition costs that are
10 imprudent, unnecessary, unreasonable, or not used and useful, including the (1)
11 Lake Station water wells and treatment plant; (2) Sheridan water treatment plant;
12 (3) Winchester water treatment plant; (4) Sheridan main extensions to Hamilton
13 County Regional Utility District; and (5) Sheridan 6th Street lift station replacement.
14 In addition, the OUCC does not accept Indiana American's proposal to include
15 Business Transformation SOP 98-01 costs in its rate base.

1 **Q: What total company rate base does the OUCC recommend?**

2 A: The OUCC proposes a total company rate base of \$1,774,964,040 as of Step Three.

3 Table 5 compares INAWC's proposed total company rate base with the OUCC's

4 recommendation (OUCC Schedule 9TC).

Table 5: Total Company Rate Base Comparison

	<u>INAWC Proposed</u>	<u>OUCC Recommended</u>	<u>OUCC More (Less)</u>
Utility Plant in Service	\$2,837,545,776	\$2,768,745,303	\$ (68,800,473)
BT SOP 98-01	7,170,944.00	-	(7,170,944)
Deferred Depreciation	8,311,140	8,311,140	-
Post in Service AFUDC	7,137,440	7,137,440	-
Total Utility Plant in Service	<u>2,860,165,300</u>	<u>2,784,193,883</u>	<u>(75,971,417)</u>
Accumulated Depreciation	712,016,851	713,048,559	1,031,708
BT SOP 98-01	6,619,332	-	(6,619,332)
Deferred Depreciation (Amort)	5,515,957	5,515,957	-
Post in Service AFUDC (Amort)	4,600,670	4,600,671	1
Total Accumulated Depreciation	<u>728,752,810</u>	<u>723,165,187</u>	<u>(5,587,623)</u>
Net Utility Plant	2,131,412,490	2,061,028,696	(70,383,794)
<u>Deduct:</u>			
Contributions in aid of Construction	213,576,982	213,576,984	2
Customer Advances	78,573,679	78,573,679	-
Capacity Adjustment (Somerset)	313,011	313,011	-
	<u>292,463,672</u>	<u>292,463,674</u>	<u>2</u>
<u>Add:</u>			
Acquisition Adjustment	6,734	6,734	-
SEI Deferred	4,150,345	4,150,346	1
Materials and Supplies	2,241,938	2,241,938	-
	<u>6,399,017</u>	<u>6,399,018</u>	<u>1</u>
Original Cost Rate Base	<u>\$1,845,347,835</u>	<u>\$1,774,964,040</u>	<u>\$ (70,383,795)</u>

5 **Q: What rate base does the OUCC recommend for INAWC's water and**
6 **wastewater operations?**

7 A: Table 6 breaks down water and wastewater operations rate base as recommended

8 by the OUCC (OUCC Schedules 9W and 9S).

Table 6: OUCC Recommended Rate Base

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Total Company</u>
Utility Plant in Service BT SOP 98-01	\$ 2,745,916,360	\$ 22,828,943	\$ 2,768,745,303
Deferred Depreciation	-	-	-
Post in Service AFUDC	8,277,794	33,346	8,311,140
Total Utility Plant in Service	<u>2,761,317,472</u>	<u>22,876,411</u>	<u>2,784,193,883</u>
Accumulated Depreciation BT SOP 98-01	709,102,905	3,945,654	713,048,559
Deferred Depreciation (Amort)	-	-	-
Post in Service AFUDC (Amort)	5,490,377	25,580	5,515,957
Total Accumulated Depreciation	<u>4,590,524</u>	<u>10,147</u>	<u>4,600,671</u>
Net Utility Plant	<u>719,183,806</u>	<u>3,981,381</u>	<u>723,165,187</u>
	2,042,133,666	18,895,030	2,061,028,696
<u>Deduct:</u>			
Contributions in aid of Construction	213,400,179	176,805	213,576,984
Customer Advances	78,115,570	458,109	78,573,679
Capacity Adjustment (Somerset)	194,631	118,380	313,011
	<u>291,710,380</u>	<u>753,294</u>	<u>292,463,674</u>
<u>Add:</u>			
Acquisition Adjustment	-	6,734	6,734
SEI Deferred	4,150,346	-	4,150,346
Materials and Supplies	2,227,653	14,285	2,241,938
	<u>6,377,999</u>	<u>21,019</u>	<u>6,399,018</u>
Original Cost Rate Base	<u>\$ 1,756,801,285</u>	<u>\$ 18,162,755</u>	<u>\$ 1,774,964,040</u>

B. Water Operations Rate Base Adjustments:

1 **Q: What adjustments does the OUCC recommend to Indiana American's**
2 **proposed water operations rate base?**

3 **A:** The OUCC proposes seven changes to INAWC's proposed water operations rate
4 base, including changes to utility plant in service ("UPIS"), cost of removal,
5 ("COR"), retirements, and accumulated depreciation. Table 7 lists the OUCC's
6 recommended changes to water operations rate base and indicates the rate base
7 components each change affects. (See also OUCC Attachment MAS-1.)

Table 7: OUCC Recommended Adjustments to Water Operations Rate Base

Project #	Description	UPIS	COR	Retirements	Accumulated Depreciation	OUCC Witness
I10-100020	Sheridan - Land for future wellfield	\$ (779,950)	\$ -	\$ -	\$ -	Willoughby
I10-100018	Sheridan Water Treatment Plant	(29,542,795)	(275,000)	(1,243,030)	748,417	Parks
I10-100019-01	Sheridan Main Extensions	(7,136,058)	(20,000)	-	208,551	Parks
I10-100019-02	Sheridan Main Extensions	(2,102,244)	(20,000)	-	55,586	Parks
I10-250018	Winchester Water Treatment Plant	(22,957,990)	-	(1,328,138)	-	Parks
	Lake Station Wells and Treatment Plan	(6,539,385)	-	-	854,738	Parks
	BT SOP 98-01 Costs	(7,119,313)	-	-	6,571,673	Stull
Water Rate Base Adjustments		\$ (76,177,735)	\$ (315,000)	\$ (2,571,168)	\$ 8,438,965	

1 **Q: What is the source for the project related adjustments shown in Table 7?**

2 A: Indiana American's model provided in this case, includes three utility plant in
3 service workpapers: (1) IN 2023 Rate Case – Utility Plant in Service.xlsx; (2)
4 IN2023 UPIS_Support.xlsx; and (3) SCEP 2022 to 2025 Support.xlsx. I found the
5 detail for utility plant in service additions in SCEP 2022 to 2025 Support.xlsx. This
6 file includes a tab labeled "LinkOut" that provides project-specific information on
7 utility plant additions by project number. This workpaper also indicates in-service
8 dates and forecasts the account to which these asset additions will be recorded. This
9 file also provides detail on forecasted additions, retirements, and costs of removal.

10 **Q: Which OUCC witnesses discuss the exclusion of these projects from the**
11 **OUCC's recommended water operations rate base?**

12 A: The last column of Table 7 identifies the OUCC witness that supports the exclusion
13 of these projects from rate base. OUCC witness Kristen Willoughby discusses
14 Project No. I10-100018, the purchase of land for a future wellfield in Sheridan. I
15 discuss my recommended removal of the BT SOP 98-01 Project Costs. The
16 remainder of the projects are discussed by OUCC witness James T. Parks.

C. Wastewater Rate Base Adjustments

1 **Q: What changes does the OUCC recommend to Indiana American’s proposed**
2 **wastewater operations rate base?**

3 A: The OUCC recommends two changes to wastewater operations rate base affecting
4 utility plant in service (“UPIS”), cost of removal (“COR”), retirements and
5 accumulated depreciation. Table 8 lists the OUCC’s recommended adjustments to
6 wastewater operations rate base and identifies the rate base category each change
7 affects. OUCC witness Kristen Willoughby discusses and supports the OUCC’s
8 exclusion of both projects listed in Table 8. (See also OUCC Attachment MAS-2.)

Table 8: OUCC Recommended Adjustments to Wastewater Operations Rate Base

<u>Project #</u>	<u>Description</u>	<u>UPIS</u>	<u>COR</u>	<u>Retirements</u>	<u>Accumulated Depreciation</u>
110-110002	Sheridan 6th Street Lift Station Replacemen 03.31.25	\$ (1,791,005)	\$ (50,000)	\$ (8,181)	\$ -
110-110003	Sheridan Maple Run Lift Station Improveme 10.31.23	(530,395)	-	-	43,349
Wastewater Rate Base Adjustments		<u>\$ (2,321,400)</u>	<u>\$ (50,000)</u>	<u>\$ (8,181)</u>	<u>\$ 43,349</u>

D. BT Project SOP 98-01 Costs

9 **Q: What are the “BT Project SOP 98-01” costs Indiana American proposed to**
10 **include in rate base in this Cause?**

11 A BT SOP 98-01 refers to some expenditures associated with Indiana American’s
12 Business Transformation (“BT”) project. The BT project included implementation
13 of American Water’s customized SAP software system, which was added to
14 Indiana American’s rate base in Cause No. 44450. SOP stands for “Statement of
15 Position” issued by the American Institute of Certified Public Accountants.
16 Although not a pronouncement of the Financial Accounting Standards Board, it is
17 considered one of the sources of generally accepted accounting principles. SOP 98-
18 01 provides guidance on accounting for the costs of computer software developed

1 or obtained for internal use. Specifically, this SOP requires that training and data
2 conversion costs, as well as costs incurred in a project's preliminary stage, should
3 be *expensed* as incurred. However, in Cause Nos. 44450 and 45142 Indiana
4 American sought to capitalize these costs for ratemaking purposes to be included
5 in rate base. The OUCC opposed the inclusion of these costs in rate base but did
6 not object to the *recovery* of these costs over time through amortization. In
7 settlement, these costs were excluded from rate base but amortized over a thirteen
8 (13) year period (7.69%, the then current depreciation rate for computer software).
9 Therefore, Petitioner was effectively allowed a "return of" these expenditures but
10 not a "return on" them.

11 **Q: Do you propose in this case that Petitioner not be allowed to recover these**
12 **expenditures?**

13 A: No. In Cause Nos. 44450 and 45142, the OUCC proposed these expenditures be
14 recovered through amortization over the anticipated life of the software. Indiana
15 American was authorized to do so and has been doing so.

16 **Q: Do these SOP 98-01 costs qualify to be included in rate base?**

17 A: No. These costs do not qualify to be included in rate base because they are not
18 construction costs used to produce plant that is used and useful in the provision of
19 utility service under I.C. § 8-1-2-6. Indiana American should not earn a return on
20 these expenditures.

1 **Q: Did Indiana American explain in this rate case why it believes this sub-**
2 **category of BT Project costs should be included in rate base?**

3 A: No. The only discussion regarding the inclusion of these BT Project costs in rate
4 base is on page 20 of Mr. Shimansky's testimony where he simply stated where in
5 the workpapers the entry could be found:

6 The accumulated amortization balances for BT SOP 98-01, Deferred
7 Depreciation, and Post In-Service AFUDC are included on lines 11 –
8 13, the supporting schedules are Schedule RB3, RB4 and RB5,
9 respectively. The amortization schedules are continued through April
10 2025.

11 (Shimansky Direct at page 20, lines 12 – 15.)

12 Mr. Shimansky's testimony neither supported including these costs in rate base nor
13 explained why the treatment of these costs should deviate from the Commission's
14 findings in Cause Nos. 44059, 44450 and 45142. None of those orders authorized
15 Indiana American to capitalize its BT SOP 98-01 costs and include them in rate
16 base. Rather, Indiana American was only authorized to amortize these costs as an
17 expense to receive a return "of" not earn a return "on."

18 **Q: What do you recommend in response to Petitioner's request to include these**
19 **costs in rate base?**

20 A: Indiana American's request should be denied.

V. RECOMMENDED PROCESS TO UPDATE RATE BASE

21 **Q: What process does Indiana American propose to update rate base?**

22 A: I could not find any testimony on, or reference to, an update process in Indiana
23 American's case-in-chief filing. In a footnote, Indiana American stated "[a]t each
24 rate base cutoff date, Indiana-American will submit a rate base and capital

1 *reconciliation compliance filing to certify that all utility plant in service is used and*
2 *useful as of that date.”* (See Shimansky Direct at page 8, footnote 2.)

3 **Q: What is the purpose of the update process you recommend?**

4 A: My recommendation provides due process for all parties involved in this case. The
5 OUCC and other parties should have an opportunity to review Indiana American's
6 update filings, conduct discovery as necessary, and be afforded a meaningful
7 opportunity to respond to Indiana American's update to assure adherence to the
8 Commission's findings. Indiana American should be allotted adequate time to put
9 together its compliance filing and the OUCC and other parties should be allotted
10 adequate time to conduct their review and respond as necessary. The process I
11 propose is consistent with the process the Commission has approved in other cases
12 involving updates to rate base in forward-looking test year cases.

13 **Q: Do you have any recommendation with respect to each phase or step of Indiana**
14 **American's proposed rate increase?**

15 A: Yes. Indiana American has used a forward-looking test period based on “projected
16 data” as authorized by I.C. § 8-1-2-42.7. Since Cause No. 45142, Indiana American
17 proposes to increase its rate base by an additional \$663.2 million. Both I.C. § 8-1-
18 2-42.7 and I.C. § 8-1-2-6 apply to this proceeding, which means Petitioner may
19 increase its rate base to the end of its forward-looking test year, but a return cannot
20 be earned on the rate base additions until they are in service and the plant has been
21 determined to be both used and useful for the provision of water service or
22 wastewater service. This requires an additional process. As part of the process, each
23 component of rate base and capital structure should be updated to actual costs at

1 July 31, 2023 (Step One), April 30, 2024 (Step Two), and April 30, 2025 (Step
2 Three). These updates should compare the actual amounts to the amounts approved
3 by the Commission in its final order in this case, with an explanation for any
4 variance of 5% or greater. Petitioner's rate base updates should be subject to review
5 to determine whether identified projects have been completed and placed in service
6 by the end of the test year and whether the costs authorized to be added to rate base
7 have actually been incurred and paid by the end of the test year.

8 **Q: Does your recommended process for updating rate base require a hearing?**

9 A: There could be some disputed issues among the parties that might ultimately need
10 to be resolved by the Commission. As part of this process, all parties should be
11 accorded the opportunity to respond to Indiana American's rate base update filings.
12 A hearing may be appropriate and necessary, but only in the event of a factual
13 dispute requiring the submission of evidence.

14 **Q: Should the authorized increase to utility plant in service or total rate base be**
15 **limited or capped?**

16 A: Yes. In each phase, or step, total rate base should not exceed the value of rate base
17 approved by the Commission in the final order. To the extent the total value of rate
18 base components at July 31, 2023, April 30, 2024 or April 30, 2025 exceed
19 approved rate base, the difference should be removed from utility plant in service.

20 Any asset additions excluded from Step One or Step Two rate base may
21 properly be included in a subsequent step - provided the inclusion does not cause
22 the rate base in the next step to exceed the amount approved for that step. Any asset
23 addition cost excluded from Step Three rate base because it was not completed and

1 in service by the end of the test year or because it would cause rate base to exceed
2 the cap or any other reason, would presumably be considered in the next rate case
3 or, if eligible, presented in a subsequent distribution system improvement charge
4 (“DSIC”) or system enhancement improvement (“SEI”) charge.

5 **Q: What information should be included, at a minimum, for the general ledger**
6 **transaction data to be provided in each Step?**

7 A: I recommend Indiana American be required to provide the following general ledger
8 transaction data: (1) account number, (2) account name; (3) transaction date; (4)
9 transaction description; (5) transaction number or other identifying information; (6)
10 project number; (7) project description; (8) vendor name (where applicable); (9)
11 transaction amount; (10) cost center number; and (11) cost center description.

12 Indiana American should be prepared to provide invoices and other supporting
13 documentation of the costs incurred and paid.

A. Step One Process

14 **Q: How do initial rates in this case differ from initial rates in prior Indiana**
15 **American forward-looking test year cases?**

16 A: In prior cases, the initial rate increase (Step One) was implemented after the
17 beginning of the forward-looking test year. In this case, Indiana American's
18 forward-looking test year will begin after the anticipated date of a final order.
19 Indiana American has proposed implementing a rate increase before the beginning
20 of its forward-looking test year creating the first of three phases or steps. Indiana
21 American witness Gregory D. Shimansky described the first step (Step 1):

22 The first step (“Step 1”) incorporates rate base in service, capital
23 structure, and depreciation as of 60 days before the scheduled

1 hearing date, which is consistent with the draft language for
2 proposed amendments to the Minimum Standard Filing
3 Requirement (“MSFR”) rules. We have estimated that date to be
4 July 31, 2023 and are including an estimate of the rate base and
5 projected capital structure and depreciation at that time for the
6 purposes of this filing.

7 (Shimansky Direct at page 8, lines 16 - 21)

8 **Q: What specific update process do you recommend for Step One?**

9
10 For Step One rates, I recommend Indiana American be required to provide the
11 following information pertaining to actual rate base, capital structure, and
12 depreciation expense as of July 31, 2023, once the Commission issues its final order
13 in this case:

14 (1) Comparisons between actual rate base achieved as of July 31, 2023 and
15 approved rate base.

16 (2) Comparisons between actual and approved capital structure
17 components.

18 (3) Updated revenue requirement calculation.

19 (4) Updated tariff.

20 (5) Updated utility plant in service listing by asset account, clearly
21 identifying any disallowed plant or other adjustments, and separately
22 identifying those accounts that are water, wastewater, or corporate.

23 (6) Updated utility plant in service listing by project number, including
24 updated in-service dates and actual expenditures, that ties to the actual
25 additions to utility plant in service.

26 (7) Detailed general ledger transaction listing supporting utility plant
27 additions.

28 (8) Updated accumulated depreciation by asset account, clearly identifying
29 any disallowed plant or other adjustments, and separately identifying
30 those accounts that are water, wastewater, or corporate.

1 (9) Updated contributions in aid of construction and customer advances for
2 construction by asset account.

3 (10) Updated depreciation expense calculation in the same format as
4 Schedule DEPR1W, DEPR1WW, and DEPR1C.

5 All these supporting schedules should be provided in Excel format with formulas
6 intact except the updated tariff. Indiana American should also provide a
7 certification that the Step One plant is in service and verification that the
8 construction costs have been incurred and paid. The OUCC and intervenors should
9 have 30 days to raise any issues or concerns or otherwise object to Indiana
10 American's Step One compliance filing. Any finding resulting in a decrease in rate
11 base from the amount used to implement Step One rates should result in a refund
12 to customers.

B. Step Two

13 **Q: What specific update process do you recommend for Step Two?**

14 **A:** I propose a similar process to that recommended for Step One, which is to begin on
15 May 1, 2024. Within 30 days of the implementation of Step 2 rates, Indiana
16 American should provide the following information for actual rate base, capital
17 structure, and depreciation expense as of April 30, 2024:

18 (1) Updated utility plant in service listing by asset account, clearly
19 identifying any disallowed plant or other adjustments, and separately
20 identifying those accounts that are water, wastewater, or corporate.

21 (2) Updated utility plant in service listing by project number, including
22 updated in-service dates and actual expenditures, that ties to the actual
23 additions to utility plant in service.

24 (3) Detailed general ledger transaction listing supporting utility plant
25 additions.

- 1 (4) Updated accumulated depreciation by asset account, clearly identifying
2 any disallowed plant or other adjustments, and separately identifying
3 those accounts that are water, wastewater, or corporate.
- 4 (5) Updated contributions-in-aid of construction and advances for
5 construction by asset account.
- 6 (6) Updated capital structure in the same format as Schedule CC1.
- 7 (7) Updated depreciation expense calculation in the same format as
8 Schedule DEPR1W, DEPR1WW, and DEPR1C.
- 9 (8) Updated revenue requirement.
- 10 (9) Revised tariff if applicable.

11 All these supporting schedules should be provided in Excel format with formulas
12 intact. Indiana American should also provide a certification that the Step Two plant
13 is in service and verification that the construction costs have been incurred and paid
14 as of April 30, 2024. OUCC and intervenors would have 30 days to raise any issues
15 or concerns with Indiana American's Step Two compliance filing. Any finding
16 resulting in a decrease in rate base from the amount used to implement Step Two
17 rates should result in a refund to customers.

C. Step Three

18 **Q: What specific update process do you recommend for Step Three?**

19 A: In order to expedite the update process, I recommend two filings to allow adequate
20 time for the OUCC and intervenors to review actual asset additions while at the
21 same time reducing any delay in the implementation of Step Three rates. I
22 recommend Indiana American file all supporting documentation for Step Three
23 utility plant additions as of December 31, 2024. This filing would include the
24 following:

- 1 (1) Updated utility plant in service listing by asset account, clearly
2 identifying any disallowed plant or other adjustments, and separately
3 identifying those accounts that are water, wastewater, or corporate.
- 4 (2) Updated utility plant in service listing by project number, including
5 updated in-service dates and actual expenditures.
- 6 (3) Detailed general ledger transaction listing supporting utility plant
7 additions.
- 8 (4) Updated accumulated depreciation by asset account, clearly identifying
9 any disallowed plant or other adjustments, and separately identifying
10 those accounts that are water, wastewater, or corporate.
- 11 (5) Updated contributions-in-aid of construction and customer advances for
12 construction by asset account.

13 All these supporting schedules should be provided in Excel format with formulas
14 intact. This compliance filing should be provided to the OUCC and other
15 intervenors by February 1, 2025.

16 **Q: What should be included in the second filing you recommend?**

17 A: I recommend Indiana American provide the following for actual asset additions
18 from January 1, 2025 through April 30, 2025:

- 19 (1) Updated utility plant in service listing by asset account, clearly
20 identifying any disallowed plant or other adjustments, and separately
21 identifying those accounts that are water, wastewater, or corporate.
- 22 (2) Updated utility plant in service listing by project number, including
23 updated in-service dates and actual expenditures.
- 24 (3) Detailed general ledger transaction listing supporting utility plant
25 additions.
- 26 (4) Updated accumulated depreciation by asset account, clearly identifying
27 any disallowed plant or other adjustments, and separately identifying
28 those accounts that are water, wastewater, or corporate.
- 29 (5) Updated contributions-in-aid of construction and customer advances for
30 construction by asset account.

1 (6) Following information for actual rate base, capital structure, and
2 depreciation expense as of April 30, 2024: Updated capital structure in
3 the same format as Schedule CC1.

4 a. Updated depreciation expense calculation in the same format as
5 Schedule DEPR1W, DEPR1WW, and DEPR1C.

6 b. Updated revenue requirement, if applicable.

7 c. Updated tariff, if applicable.

8 All these supporting schedules should be provided in Excel format with formulas
9 intact. This information should be provided by May 31, 2025. The OUCC and other
10 intervenors would have until July 30, 2025 to raise any issues or concerns regarding
11 Indiana American's Step Three update. Indiana American should also provide a
12 certification that the Step Three plant is in service and verification that the
13 construction costs have been incurred and paid. Any finding resulting in a decrease
14 in rate base from the amount used to implement Step Three rates should result in a
15 refund to customers.

VI. REGULATORY ACCOUNTING TREATMENT FOR PRODUCTION COSTS

16 **Q: What is Indiana American's proposal regarding regulatory accounting**
17 **treatment?**

18 **A:** Indiana American proposes regulatory accounting deferral treatment for production
19 costs and costs related to its proposed affordability tariff. Under Indiana
20 American's proposal, the annual level of expense for each of these costs are to be
21 established in this rate case as part of INAWC's base rates. Upon the effective date
22 of new rates in this case, INAWC will compare its actual expenses incurred to the
23 amount included within base rates, with any difference between the two deferred to

1 a regulatory asset or liability. Recovery of these deferred costs would be determined
2 in INAWC's next general rate case. (See Shimansky Direct at 24.)

A. Production Costs

3 **Q: What operating expenses does Petitioner include in its definition of**
4 **“production costs”?**

5 A: Indiana American includes (1) chemical costs, (2) purchased water, (3) fuel and
6 power, and (4) waste disposal.

7 **Q: Does the OUCC accept Petitioner's proposal?**

8 A: No. This proposal would remove any incentive for Petitioner to efficiently manage
9 and operate its utility operations and otherwise negates basic regulatory principles.

10 **Q: How does this proposal negate basic regulatory principals?**

11 A: When a utility's rates are set by the IURC, a utility is given the *opportunity* to earn
12 its authorized return. The utility does not receive a *guarantee* it will earn its
13 authorized return. Nor is it prevented from exceeding its authorized return. This
14 system promotes efficiency because it incents utilities to hone their operations --
15 eliminating waste and finding more efficient ways of producing and delivering
16 water to customers. Through good management, a utility may retain more of its
17 earnings. But through poor management or failure to operate efficiently, a utility
18 may earn less than its authorized net income. Allowing a utility to track costs and
19 recover the difference between the amount included in rates and the actual expense
20 discourages efficient management and negates a basic principle of ratemaking for
21 regulated monopolies.

1 **Q: Does Indiana American intend to track any and all differences between actual**
2 **and projected production costs?**

3 A: Yes. Petitioner proposes to track any and all differences between production costs
4 included in its revenue requirement and the actual expense incurred by Indiana
5 American. In OUCC Data Request No. 9-20 (OUCC Attachment MAS-3), the
6 OUCC asked whether all variances in production costs would be tracked:

7 **Information Requested:**

8 For purposes of Petitioner's proposed regulatory treatment of production costs, does
9 Petitioner intend to differentiate between production cost increases due to increased
10 demand because of customer growth or customer consumption versus increases in
11 price? Please explain why or why not.

12 **Information Provided:**

13 No. The proposed regulatory treatment of production costs would be all-inclusive
14 since there are varying drivers that must be taken into consideration.

15 **Q: Is this plan problematic?**

16 A: Yes. Indiana American is not limiting its proposal to only increases or decreases in
17 production cost pricing. It is also including increases and decreases that result from
18 changes due to variances in customer consumption. Indiana American has not
19 allowed for the fact there could be offsetting changes to operating revenues that
20 would already compensate Indiana American for certain types of changes (in
21 production costs. Examples of these types of differences are (1) higher than
22 projected customer growth and (2) higher than projected customer consumption,
23 which can be caused by such things as a drought. Both these factors would create
24 increased production costs that would be recovered through increased operating
25 revenues. Indiana American acknowledges that "*there are varying drivers that must*
26 *be taken into consideration*" but doesn't appear to care that it's "*all-inclusive*"

1 approach will allow it to potentially over-recover these cost increases (or
2 decreases).

3 **Q: Does Indiana American already have the ability to track increases to its**
4 **purchased water expense?**

5 A: Yes. If an unprojected cost increase occurs, Indiana American already has the
6 option of submitting a purchased water tracker under the Commission's 30-day
7 administrative filing process (170 IAC 1-6) to recover the increase in its purchased
8 water expense. There is no need to provide another mechanism for Indiana
9 American to recover these cost increases.

B. Proposed Affordability Tariff

10 **Q: What "costs" does Indiana American project regarding its proposed**
11 **affordability tariff?**

12 A: Indiana American proposes to track the difference between actual and projected
13 discounts claimed under its requested affordability tariff. INAWC assumes 10% of
14 eligible customers will participate in its proposed universal affordability tariff in
15 this proceeding.

16 **Q: What does Indiana American propose to defer as part of its regulatory**
17 **accounting proposal?**

18 A: Indiana American has projected approximately \$1.3 million (Step Two) and \$1.4
19 million (Step Three) affordability tariff discounts in this Cause. If more or fewer
20 customers participate in Petitioner's proposed affordability tariff, INAWC
21 proposes to include the difference between actual and projected discounts in a
22 deferred asset or liability account and recover these costs in its next general rate
23 order.

1 **Q: Does the OUCC accept Petitioner's proposal?**

2 A: The OUCC is recommending denial of this request as proposed, for the reasons
3 explained in the testimony of witness Scott Bell. Therefore, no deferred accounting
4 treatment is warranted.

VII. RECOVERY OF DEFERRED COVID-19 COSTS

5 **Q: What level of COVID-19 cost recovery does Indiana American propose?**

6 A: INAWC proposes recovery of \$383,817 of COVID-19 costs to be amortized over
7 three years, an annual amortization expense of \$127,944. Of this amount, \$127,023
8 is charged to water operations and \$921 is charged to wastewater operations. (See
9 INAWC 2023 Rate Case – Amortization Expense.xlsx; tab "Exhibit," line 23 and
10 tab "Workpaper 1," lines 20 – 23.)

11 **Q: Do you accept Indiana American's methodology for determining its deferred
12 COVID-19 costs?**

13 A: While I disagree with its conclusions, I accept the basic methodology it used.

14 **Q: Did Indiana American offset its COVID-19 costs with all costs being recovered
15 through rates but not incurred due to COVID-19?**

16 A: No. INAWC did offset its COVID-19 costs with bad debt expense not incurred as
17 well as travel and conference expense savings. However, a logical application of
18 INAWC's methodology would be to recognize the line locate costs not incurred
19 during the pandemic but recovered through rates.

20 **Q: What additional costs does the OUCC consider were not incurred due to the
21 pandemic?**

22 A: In Cause No. 45142, INAWC was authorized \$500,000 of additional contract
23 services expense to outsource a portion of its line locates. INAWC witness Kari C.

1 Britto explained, “Non-essential frontline service work was deferred from March
2 2020 through December 2021 to help protect the safety of our employees and
3 customers, consequently, we did not contract out work such as locates during the
4 pandemic.” (Britto Testimony, page 32.). In response to discovery, INAWC
5 confirmed it did not outsource any line locates from 2016 through 2022 (OUCC
6 Attachment MAS-4). Thus, this cost avoidance is directly related to the pandemic.

7 **Q: Did the OUCC ask any further discovery questions about Indiana American**
8 **not outsourcing line locates?**

9 A: Yes. In Data Request No. 48-19 (OUCC Attachment MAS-5), the OUCC requested
10 and received the following response:

11 **Information Requested:** In Cause No. 45142, Petitioner
12 proposed to outsource line locates and requested approximately
13 \$1.0 million for additional contract services expense. To the
14 extent Petitioner did not outsource the expected line locates,
15 please explain the reasons for not doing so and how Petitioner
16 performed the line locates that were to be outsourced.

17 **Information Provided:** Due to shifting priorities and business
18 needs at the time, Indiana American did not contract out the
19 locates and Indiana American employees completed the locates.

20 **Q: What amount of line locate costs were avoided by Indiana American due to**
21 **COVID-19?**

22 A: COVID-19 costs were deferred during the period March 2020 through December
23 2021, or approximately 22 months. Annual expense included in the revenue
24 requirement was approximately \$500,000 or \$41,667 per month. Multiplying this
25 monthly cost times 22 months yields an avoided cost of \$916,667.

1 **Q: What amount of Deferred COVID-19 costs do you recommend?**

2 A: I recommend a deferred COVID-19 regulatory *liability* of \$532,850. This amount
3 includes the net regulatory asset proposed by INAWC of \$383,817 reduced by the
4 avoided line locate costs of \$916,667.

5 **Q: Do you agree with INAWC's proposal to amortize deferred COVID-19 costs**
6 **over three years?**

7 A: No. Five years is a more appropriate amortization period. The time between rate
8 case filings has been approximately five years for INAWC's last three rate cases.²
9 Because the Indiana General Assembly has recently added a capital tracker (System
10 Enhancement Improvement ("SEI")) and increased the cap and expanded the costs
11 to be recovered under the Distribution System Improvement Charge ("DSIC"),
12 INAWC has been able to extend the period between its rate case filings. Further,
13 the use of too short of an amortization period creates the potential for over-recovery
14 of any non-recurring costs amortized for ratemaking purposes. If an order in this
15 case is issued in January 2024, the use of a three-year amortization period would
16 allow over collection of amortized expenses if Indiana American does not file its
17 next rate case by January of 2026.

18 **Q: What amount of COVID-19 cost recovery do you recommend?**

19 A: I recommend a deferred COVID-19 regulatory liability of \$532,850 be amortized
20 over a five-year period as a *reduction* of \$106,570 to INAWC's annual total
21 company operating expenses.

² INAWC filed Cause No. 44450 on 01/24/2014; Cause No. 45142 on 09/14/2018; and Cause No. 45780 on 03/31/2023.

VIII. OPERATING EXPENSES

A. Support Services Expense

1 **Q: What level of support services expense did Indiana American propose?**

2 A: Indiana American proposes forecasted total support services expense of
3 \$27,411,536 in Step One and \$28,657,034 in Step Two. This represents a 44.44%³
4 increase over Cause No. 45142 Step Two expense.

5 **Q: Do you accept Indiana American's forecasted adjustments to support services**
6 **expenses?**

7 A: Yes.

8 **Q: Do you propose any additional adjustments to support services expenses?**

9 A: Yes. I recommend the removal of all business development department costs, which
10 are forecasted to be \$241,552 in Step One and \$251,285 in Step Two.

11 **Q: Why do you recommend the removal of all business development department**
12 **costs?**

13 A: For the same reasons the Commission stated in Cause No. 44022, the Commission
14 "found no evidence that the business development activities provide a benefit to
15 ratepayers – in fact, the Commission is concerned that ratepayers may be
16 subsidizing business development with limited offsetting benefits." (Commission
17 Final Order in Cause No. 44022, page 70.) I therefore propose to eliminate all
18 operating expenses included in service company expenses for the business
19 development department. Total test year operating expenses for the business
20 development department are \$251,285. (See IN/AWC 2023 Rate Case – Support

³ \$28,657,034 (total projected expense in CN 45870) divided by \$19,809,367 (total projected expense in CN 45142),

1 Services.xlsx included in the Expense section of INAWC's model) See OUCC
 2 Schedule 6W, Adjustment No. 5, for the calculation of service company expense
 3 for Water Operations and OUCC Schedule 6S, Adjustment No. 5, for the
 4 calculation of service company expense for Wastewater Operations.

Table 9: Total Company Business Development Department Expenses

	<u>Base Year</u>	<u>Increase (Decrease)</u>	<u>Step One</u>	<u>Increase (Decrease)</u>	<u>Step Two</u>
Labor & Related	\$ 165,642	\$ 5,202	\$ 170,844	\$ 7,126	\$ 177,970
Other Charges	68,362	2,346	70,708	2,607	73,315
	<u>\$ 234,004</u>	<u>\$ 7,548</u>	<u>\$ 241,552</u>	<u>\$ 9,733</u>	<u>\$ 251,285</u>

Table 10: OUCC Recommended Support Services Expense

	<u>Total Company</u>	<u>Water</u>	<u>Wastewater</u>
Base Year Service Company Expense	\$ 25,647,618	\$ 25,462,958	\$ 184,660
Indian American Proposed Adjustments Removal of Business Development expense	1,763,917 (241,552)	1,751,217 (239,813)	12,700 (1,739)
Step One Service Company Expense	<u>27,169,983</u>	<u>26,974,362</u>	<u>195,621</u>
Indian American Proposed Adjustments Removal of Business Development expense	1,245,796 (9,733)	1,236,828 (9,663)	8,968 (70)
Step Two Service Company Expense	<u>\$ 28,406,046</u>	<u>\$ 28,201,527</u>	<u>\$ 204,519</u>

B. Depreciation Expense

5 **Q: How did Petitioner determine its projected depreciation expense?**

6 A: Indiana American applied the relevant depreciation rates from its proposed
 7 depreciation studies (Attachment LEK-2 (water) and LEK-3 (wastewater)) to each
 8 class or category of assets projected to be in service at December 31, 2023 (Step
 9 One): April 30, 2024 (Step Two): and April 30, 2025 (Step Three).

1 **Q: What level of forecasted test year depreciation expense does Petitioner**
2 **propose?**

3 A: Based on this methodology, Indiana American proposes an overall increase to
4 depreciation expense of \$25,299,008. Table 11 presents the depreciation expense
5 Indiana American proposes for each step.

Table 11: Petitioner Proposed Depreciation Expense⁴

	Total Company	Water	Wastewater
Base Year	\$ 54,616,606	\$ 53,265,802	\$ 1,350,804
Adjustments	12,977,981	13,401,162	(423,181)
Step One	67,594,587	66,666,964	927,623
Adjustments	4,782,552	4,648,432	134,120
Step Two	72,377,139	71,315,396	1,061,743
Adjustments	9,030,520	8,923,801	106,719
Step Three	<u>\$ 81,407,659</u>	<u>\$ 80,239,197</u>	<u>\$ 1,168,462</u>
Total Adjustments	<u>\$ 26,791,053</u>	<u>\$ 26,973,395</u>	<u>\$ (182,342)</u>

6 **Q: Do you accept Indiana American's forecasted depreciation expense?**

7 A: No. The OUCC recommends its own depreciation rates as discussed and presented
8 in the testimony of OUCC witness David Garrett. The OUCC also recommends
9 several adjustments to utility plant in service that change the value of utility plant
10 in service on which depreciation rates will be applied.

⁴ See Indiana American Workpaper "IN 2023 Rate Case – Base File.xlsx," tab labeled "LinkOut," cells C45 and C47.

1 **Q: How did you determine your projected depreciation expense?**

2 A: I applied the depreciation rates recommended by Mr. Garrett to the OUCC's
3 recommended utility plant in service balance by account for each step. I did this
4 calculation for both water and wastewater (OUCC Attachment MAS-6).

5 **Q: What *pro forma* depreciation expense do you recommend?**

6 A: I recommend a total company *pro forma* depreciation expense of \$64,121,749,
7 \$61,561,491, and \$67,674,641 for Steps One, Two, and Three, respectively. See
8 OUCC Schedule 6W, Adjustment No. 18, for the calculation of depreciation
9 expense for Water Operations and OUCC Schedule 6S, Adjustment No. 19, for the
10 calculation of depreciation expense for Wastewater Operations. Table 12 presents
11 the *pro forma* depreciation expense broken out for water and wastewater
12 operations.

Table 12: OUCC Recommended Depreciation Expense

	<u>Total Company</u>	<u>Water</u>	<u>Wastewater</u>
Base Year	\$ 54,616,607	\$ 53,265,802	\$ 1,350,805
Adjustments	<u>9,505,142</u>	<u>9,825,483</u>	<u>(320,341)</u>
Step One	64,121,749	63,091,285	1,030,464
Adjustments	<u>(2,560,258)</u>	<u>(2,561,282)</u>	<u>1,024</u>
Step Two	61,561,491	60,530,003	1,031,488
Adjustments	<u>6,113,150</u>	<u>6,113,211</u>	<u>(61)</u>
Step Three	<u>\$ 67,674,641</u>	<u>\$ 66,643,214</u>	<u>\$ 1,031,427</u>
Total Adjustments	<u>\$ 13,058,034</u>	<u>\$ 13,377,412</u>	<u>\$ (319,378)</u>

1 **Q: How does your recommended depreciation expense compare to Indiana**
2 **American's proposed depreciation expense?**

3 A: As of Step Three, my total company *pro forma* depreciation expense is
4 \$67,674,641, a decrease of \$13,733,018 from Petitioner's proposed \$81,407,659.

5 See Table 13 below for a complete comparison.

Table 13: Comparison of Proposed Depreciation Expense

	<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
<u>Step One</u>			
Water	\$ 66,666,964	\$ 63,091,285	\$ (3,575,679)
Wastewater	927,623	1,030,464	102,841
Total Company	<u>\$ 67,594,587</u>	<u>\$ 64,121,749</u>	<u>\$ (3,472,838)</u>
<u>Step Two</u>			
Water	\$ 71,315,596	\$ 60,550,003	\$ (10,765,593)
Wastewater	1,061,743	1,031,488	(30,255)
Total Company	<u>\$ 72,377,339</u>	<u>\$ 61,581,491</u>	<u>\$ (10,795,848)</u>
<u>Step Three</u>			
Water	\$ 80,239,197	\$ 66,643,214	\$ (13,595,983)
Wastewater	1,168,462	1,031,427	(137,035)
Total Company	<u>\$ 81,407,659</u>	<u>\$ 67,674,641</u>	<u>\$ (13,733,018)</u>

C. Amortization Expense

6 **Q: What level of amortization expense does Indiana American propose?**

7 A: Indiana American proposes forecasted total company amortization expense of
8 \$354,326 in Step One and \$1,030,973 in Step Two. These amounts include the
9 amortization of regulatory assets associated with (1) comprehensive planning
10 studies, (2) EPA risk and resiliency assessments, (3) COVID-19 costs, (4) low-
11 income pilot program discounts, and (5) deferred SEI revenues and costs.

1 **Q: Do you accept Indiana American's forecasted adjustment to amortize deferred**
2 **COVID-19 costs?**

3 A: No. I disagree with the amortization expense proposed for Indiana American's
4 deferred COVID-19 costs. As discussed previously, when all COVID-19 related
5 costs incurred and avoided are included, Indiana American has a deferred
6 regulatory liability rather than a deferred regulatory asset.

7 **Q: What annual amortization expense do you recommend related to Indiana**
8 **American's COVID-19 costs?**

9 A: I recommend an annual amortization of \$(106,570) to recognize Petitioner's
10 deferred regulatory liability. I amortize my recommended \$532,850 regulatory
11 liability over five years, the OUCC's estimated life of the rates being established in
12 this case. This is a \$234,514 decrease to Indiana American's proposed amortization
13 expense of \$127,941 for deferred COVID-19 costs.

14 **Q: Do you accept Indiana American's forecasted adjustment to amortize deferred**
15 **costs related to its low-income pilot program?**

16 A: No. I disagree with the three-year amortization period proposed by Petitioner.

17 **Q: What annual amortization expense do you recommend related to Indiana**
18 **American's low-income pilot program?**

19 A: I recommend annual amortization of \$15,425 to recognize Petitioner's deferred
20 regulatory liability. I amortize deferred low-income program costs of \$77,127 over
21 five years, the OUCC's estimated life of the rates being established in this case.
22 This is a \$10,279 decrease to Indiana American's proposed amortization expense
23 of \$25,704.

1 **Q: Do you have concerns with any other amortization expenses being recovered**
2 **in this case?**

3 A: Yes. Petitioner proposes to recover \$717,093 of annual amortization expense for its
4 business transformation costs.⁵ However, as of April 30, 2025, INAWC will only
5 have a net balance of \$551,612 of costs to recover. Allowing Indiana American to
6 recover this annual amortization expense over the life of these rates would result in
7 over-recovery of its costs. Therefore, I recommend Petitioner be required to reduce
8 its rates to remove the \$717,093 of business transformation cost expense it has been
9 authorized to amortize once Petitioner has fully recovered this cost. According to
10 Indiana American's workpaper INAWC 2023 Rate Case – Amortization
11 Expense.xlsx (tab Workpaper 3), full recovery of these costs is estimated to occur
12 in January of 2026.

13 **Q: What level of amortization expense do you recommend?**

14 A: I recommend forecasted total company amortization expense of \$354,325 in Step
15 One and \$786,179 in Step Two. See OUCC Schedule 6W, Adjustment No. 19, for
16 the calculation of amortization expense for Water Operations and OUCC Schedule
17 6S, Adjustment No. 19, for the calculation of amortization expense for Wastewater
18 Operations.

⁵ The amortization of business transformation costs is included in miscellaneous expenses rather than amortization expense.

Table 14: OUCC Recommended Amortization Expense

	<u>Total</u>		
	<u>Company</u>	<u>Water</u>	<u>Wastewater</u>
Base Year Amortization Expense	\$ 288,185	\$ 285,871	\$ 2,314
<i>Pro forma</i> Adjustments	66,140	65,831	309
Step One Amortization Expense	<u>354,325</u>	<u>351,702</u>	<u>2,623</u>
<i>Pro forma</i> Adjustments	431,854	432,513	(659)
Step Two Amortization Expense	<u>\$ 786,179</u>	<u>\$ 784,215</u>	<u>\$ 1,964</u>

IX. TAXES

A. Property Tax Expense

1 **Q: What level of property tax expense does Indiana American propose?**

2 A: Indiana American proposes Step Three property tax expense of \$19,132,323 for

3 water operations and \$524,681 for wastewater operations. This represents a

4 \$5,994,739 increase over base year water property tax expense and a \$524,385

5 increase over base year wastewater property tax expense. Indiana American’s

6 adjustment reflects additional property tax expense related to the acquisition of

7 Claypool and Sunset Village as well as the additional property tax that will result

8 from the utility plant additions proposed by Indiana American. Indiana American’s

9 proposed Step Two property tax expense adjustment is based on property values as

10 of December 31, 2024. INAWC did not propose an additional Step Three property

11 tax expense adjustment. Table 15 reflects Indiana American’s proposed property

12 tax expense for each Step.

Table 15: INAWC Proposed Property Tax Expense

	<u>Total</u>	<u>Water</u>	<u>Waste water</u>
Base Period	\$ 13,137,880	\$ 13,137,584	\$ 296
<i>Pro forma</i> Adjustment	4,046,578	3,588,086	458,492
Step One	17,184,458	16,725,670	458,788
<i>Pro forma</i> Adjustment	2,455,698	2,389,805	65,893
Step Two	19,640,156	19,115,475	524,681
<i>Pro forma</i> Adjustment	16,848	16,848	-
Step Three	<u>\$ 19,657,004</u>	<u>\$ 19,132,323</u>	<u>\$ 524,681</u>

1 **Q: Do you accept Indiana American’s methodology for calculating its property**
2 **tax expense?**

3 A: Yes. Petitioner’s methodology takes into consideration the *tax basis* of its utility
4 plant in service, which is appropriate.

5 **Q: Please explain how your calculation of *pro forma* Property Tax expense differs**
6 **from Indiana American’s calculation.**

7 A: I accept Indiana American’s methodology for calculating property tax expense.
8 However, the OUCC’s recommended utility plant additions differ from those
9 proposed by INAWC and, therefore, the amount of utility plant additions to which
10 the property tax rates are applied is different. I also disagree with Indiana
11 American’s use of the estimated December 31, 2024 assessment to calculate its
12 Step 2 property tax expense. Property taxes are based on an assessment conducted
13 on December 31 each year. December 31, 2023 will be the latest assessment as of
14 May 1, 2024, which is the beginning of the forward-looking test year. Therefore,
15 for ratemaking purposes, Step 2 rates should be based on the assessed value of the
16 property as of the beginning of the test year (effectively December 31, 2023), and
17 similarly, Step 3 rates should be based on the December 31, 2024 assessment.

1 Therefore, I selected the December 31, 2023 assessment to calculate the Step 2
2 property tax expense and December 31, 2024 to calculate the Step 3 property tax
3 expense.

4 **Q: Do you propose any other adjustment to property tax expense?**

5 A: Yes. In its calculation of property tax expense, Petitioner included utility plant that
6 is not subject to property tax. First, the main extension to the Montgomery County
7 Development Zone is exempt from property taxes. Second, while Petitioner is
8 allowed to recover a return on and of its investment in customer-owned lead service
9 line replacements, it does not actually own these assets and therefore does not owe
10 property taxes on this investment. My recommended property tax expense excludes
11 this non-taxable utility plant.

12 **Q: How do you know that the Montgomery County main extension is tax exempt?**

13 A: Indiana American's response to OUCC Data Request No. 2-6 confirmed that the
14 main extension to the Montgomery County Infrastructure Development Zone is
15 exempt from property taxes. However, Indiana American also indicated it did not
16 exclude this utility plant addition from its calculation of *pro forma* property tax
17 expense. (See OUCC Attachment MAS-7.) While INAWC's net investment in this
18 main extension is only \$2,777,506, the total investment included in utility plant in
19 service is \$18,000,000. The value upon which property taxes are applied does not
20 consider whether any of the value was contributed to the property owner (INAWC).

21 **Q: What level of property tax expense do you recommend?**

22 A: I recommend Step Three property tax expense of \$18,518,224 for water operations
23 and \$513,003 for wastewater operations. This represents a \$5,380,640 increase over

1 base year water property tax expense and a \$512,707 increase over base year
 2 wastewater property tax expense. See OUCC Schedule 7W, Adjustment No. 4 for
 3 the calculation of property tax expense for Water Operations and OUCC Schedule
 4 7S, Adjustment No. 4, for the calculation of property tax expense for Wastewater
 5 Operations. Table 16 reflects Indiana American's proposed property tax expense
 6 for each Step.

Table 16: OUCC Recommended Property Tax Expense

	<u>Total</u>	<u>Water</u>	<u>Waste water</u>
Base Period	\$ 13,137,880	\$ 13,137,584	\$ 296
<i>Pro forma</i> Adjustment	3,703,354	3,244,862	458,492
Step One	16,841,234	16,382,446	458,788
<i>Pro forma</i> Adjustment	929,160	882,627	46,533
Step Two	17,770,394	17,265,073	505,321
<i>Pro forma</i> Adjustment	1,260,833	1,253,151	7,682
Step Three	<u>\$ 19,031,227</u>	<u>\$ 18,518,224</u>	<u>\$ 513,003</u>

B. Income Tax Expense

7 **Q: What level of income tax expense does Indiana American propose?**

8 A: Indiana American proposes Step Three federal income tax expense of \$16,982,194
 9 for water operations and \$200,836 for wastewater operations. Indiana American
 10 proposes Step Three state income tax expenses of \$4,755,916 for water operations
 11 and \$55,536 for wastewater operations.

12 **Q: Do you accept Indiana American's basic methodology for calculating its**
 13 **income tax expense?**

14 A: Yes.

1 **Q: Do you make an additional adjustment in determining your recommended**
2 **income tax expense for ratemaking purposes?**

3 A: Yes. I recommend an additional deductible operating expense to recognize
4 INAWC's portion of the repair deduction American Water includes in its
5 calculation of taxable income for federal and state income tax purposes.

6 **Q: What do you mean by a "repair deduction"?**

7 A: The repair deduction refers to expenditures that are *capitalized* for book purposes
8 but *expensed* for tax purposes as allowed by the Internal Revenue Code.

9 **Q: Is this adjustment included in the OUCC's *pro forma* operating expenses**
10 **included in its revenue requirement?**

11 A: No. This adjustment is only for purposes of calculating income tax expense for
12 ratemaking purposes. All capital expenditures proposed by INAWC are included in
13 rate base for both book and ratemaking purposes.

14 **Q: Why do you propose to include this additional deductible expense for purposes**
15 **of calculating *pro forma* income tax expense?**

16 A: Expensing these costs for tax purposes reduces Indiana American's taxable income
17 and the amount of income tax due and payable. Expensing these costs while
18 capitalizing them for book purposes creates a temporary tax difference and
19 generates accumulated deferred income taxes. Therefore, the rates paid by
20 customers include income taxes Indiana American will not pay until some future
21 period and unnecessarily increases customers' current rates.

22 **Q: Is this type of income tax expense adjustment for ratemaking purposes**
23 **prohibited by IRS normalization rules?**

24 A: No. The IRS normalization rules pertain to differences in depreciation
25 methodologies and depreciation rates used for book and tax purposes. These

1 differences are protected under the normalization rules. However, the repair
2 deduction creates a basis difference, which is not protected under the IRS
3 normalization rules. Therefore, it is not necessary for ratepayers to pay rates that
4 include deferred income taxes related to the repair deduction.

5 **Q: How much additional repair expense have you included in your calculation of**
6 **taxable income for ratemaking purposes?**

7 A: I include \$35,135,595 in Step One, \$43,007,543 in Step Two, and \$46,525,494 in
8 Step Three as adjustments to the calculation of water operations *pro forma* income
9 tax expense. These amounts are based on information included in INAWC
10 Financial Exhibit OPER, Schedule TX1, which is included in the Expense section
11 of INAWC's model (INAWC 2023 Rate Case – Income tax Expense-State and
12 Federal.xlsx, tab labeled "Taxable Income NOL Analysis," line 33). I did not split
13 the adjustment between water and wastewater operations because the amount for
14 wastewater is immaterial and INAWC is proposing that water operations provide a
15 significant subsidy to wastewater operations in this case.

16 **Q: Does your inclusion of this repair deduction in the determination of income**
17 **tax expense affect the amount of accumulated deferred income taxes ("ADIT")**
18 **included in the capital structure?**

19 A: Yes. This adjustment reduces the increase to ADIT. I discuss the inclusion of this
20 adjustment in the determination of ADIT included in the OUCC's recommended
21 capital structure.

1 **Q: Does your calculation of state and federal income tax expense differ in any**
2 **other way from that proposed by Petitioner?**

3 A: No. Other than the differences in various proposed revenue and expense items,
4 there are no other differences between my calculation of income taxes and Indiana
5 American's.

6 **Q: Where is the detailed calculation of your recommended *pro forma* present rate**
7 **federal and state income taxes?**

8 A: My calculation of *Pro forma* present rate federal and state income tax adjustments
9 is at OUCC Schedule 7W, Adjustment Nos. 1- 3, and OUCC Schedule 7S,
10 Adjustment Nos. 1 - 3.

Excess Accumulated Deferred Income Taxes

11 **Q: What are excess accumulated deferred income taxes (“EDIT”)?**

12 A: EDIT is a regulatory liability that was created when accumulated deferred income
13 taxes were revalued at the 21% federal tax rate due to the Tax Cuts and Jobs Act of
14 2017 (“TCJA”). This liability is being amortized over the average remaining life of
15 utility plant in service consistent with the settlement between Indiana American and
16 the OUCC approved in Cause No. 45032-S4.

17 **Q: Did Indiana American include amortization of Excess Accumulated Deferred**
18 **Income Tax in its determination of *pro forma* income tax expense?**

19 A: Yes. INAWC included a reduction to income tax expense to reflect EDIT
20 amortization of \$1,059,746, \$1,244,845, and \$1,196,381 in each of Steps One,
21 Two, and Three, respectively.

22 **Q: How did Indiana American calculate its proposed EDIT amortization?**

23 A: The total EDIT balance is divided by the average life to determine the annual EDIT
24 amortization. Indiana American calculated the average remaining life using the

1 average rate assumption method (“ARAM”) as required by IRS regulations.
2 INAWC calculated an ARAM of approximately 74 years, 63 years, and 65 years
3 for Steps One, Two, and Three, respectively.

4 **Q: Do you accept Indiana American’s proposed EDIT amortization?**

5 A: No. The ARAM used at the time of settlement was approximately 41 years. While
6 ARAM will vary from one period to the next, an increase of this magnitude (41
7 years compared to 65 to 74 years) is not reasonable. Indiana American’s
8 workpapers do not provide any useful support for its calculation of EDIT
9 amortization or its calculation of ARAM. The amortization amounts reflected in IN
10 2023 Rate Case – Deferred Taxes.xlsx, tab “IN EADIT Amort,” link to a pivot table
11 but the source of the data in this pivot table is not disclosed nor is any information
12 provided as to how ARAM was calculated or even what ARAM was used. While
13 it is understandable that INAWC used PowerTax to perform the detailed
14 calculations, it is incumbent upon INAWC as a petitioner in this rate case to provide
15 basic information about the calculation, such as the ARAM used in the calculation
16 along with an explanation of why this differs significantly from that used in prior
17 cases. I do not consider the average lives used by Indiana American to be correct
18 or reasonable.

19 **Q: If Indiana American did not provide the ARAM used in its calculation, how**
20 **did you determine the ARAM used?**

21 A: I reverse-engineered them. I took the EDIT balance and divided it by the
22 amortization amounts to determine the ARAM used for each Step.

1 **Q: What ARAM did you use to calculate your recommended EDIT amortization?**

2 A: Based on the OUCC's depreciation studies, OUCC witness David Garrett
3 calculated remaining lives for water plant (48.99 years), wastewater plant (28.15
4 years), and total plant (48.70 years). (See Exhibit DIG-5, tab "5 Rate
5 Development," column [7], lines 133, 170, and 174.) While Indiana American
6 cannot amortize EDIT any faster than ARAM without violating the IRS
7 normalization rules, I consider the ARAM it has calculated in this case to be an
8 error. Based on the results of the OUCC's depreciation study and in the absence of
9 support in its case-in-chief to explain its ARAM calculation, I consider 41 years to
10 be a reasonable basis on which to calculate the EDIT amortization in this case.

11 **Q: What level of EDIT amortization do you recommend?**

12 A: I recommend an annual amortization of \$1,908,310 with \$1,900,935 allocated to
13 water and \$7,375 allocated to wastewater. This amount is calculated by taking the
14 EDIT balance (\$78,240,700) and dividing by 41 years. (See also OUCC
15 Attachment MAS-21 (SFAS 109 Amortization.))

X. CAPITAL STRUCTURE

A. Indiana American's Proposal

16 **Q: What capital structure does Indiana American propose?**

17 A: Indiana American provided its actual capital structure at September 30, 2022 and
18 then projected its capital structure at July 31, 2023 for Step One, April 30, 2024 for
19 Step Two, and April 30, 2025 for Step Three. (See Indiana American Financial
20 Exhibit CC, Schedule CC1.) Indiana American's proposed capital structure consists

1 of the following seven components: (1) long-term debt; (2) accumulated deferred
 2 income taxes; (3) accumulated depreciation on Muncie sewer contributed utility
 3 plant (ordered in a prior rate case); (4) prepaid other post-employment benefits
 4 (“OPEB”) asset; (5) job development investment tax credits (post 1970); (6)
 5 prepaid pension asset; and (7) equity.

6 **Q: Does the OUCC take issue with the debt/equity ratios proposed by Indiana**
 7 **American?**

8 **A:** Yes. As discussed in more detail in OUCC Witness Shawn Dellinger’s testimony,
 9 Indiana American presents a capital structure with a much higher equity portion
 10 that it has done in past cases. In those past cases, Indiana American proposed an
 11 approximate 50%/50% debt/equity ratio. In this case, its debt/equity ratio as of Step
 12 Three increased to 44%/56%. In this case, Indiana American’s capital structure
 13 consists of the following debt/equity ratios:

Table 17: Indiana American’s Proposed Debt/Equity Ratio

	<u>Base Year</u>		<u>Step One</u>		<u>Step Two</u>		<u>Step Three</u>	
Debt	\$ 557,783,013	46.06%	\$ 557,418,248	43.75%	\$ 570,746,268	43.84%	\$ 651,443,865	43.85%
Equity	653,279,538	53.94%	716,559,651	56.25%	731,237,765	56.16%	834,238,915	56.15%
	<u>\$ 1,211,062,551</u>		<u>\$ 1,273,977,899</u>		<u>\$ 1,301,984,033</u>		<u>\$ 1,485,682,780</u>	

14 Mr. Dellinger addresses how Petitioner’s equity-laden capital structure affects his
 15 return on equity analysis and recommendation.

B. OUCC's Recommendation

1 **Q: Do you accept Indiana American's proposed capital structure?**

2 A: No. I recommend adjustments to Indiana American's projected balance of
3 accumulated deferred income taxes to account for adjustments I propose to the
4 amortization of EDIT and the calculation of income tax expense.

5 **Q: What capital structure do you recommend?**

6 A: As of Step Three, I recommend a total capital structure of \$1730229021 compared
7 to Indiana American's proposed total capital structure of \$1,720,789,126. (See
8 OUCC Schedule 9TC, Pages 1 - 4.)

Table 18: Comparison of Step Three Capital Structure

	<u>IAWC</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Long-term Debt	\$ 651,443,865	\$ 651,443,865	\$ -
Common Equity	834,238,915	834,238,915	-
Accumulated Deferred Income Taxes	266,474,818	256,136,559	(10,338,259)
Accumulated Depreciation - Muncie contributed sewer plant	102,776	102,776	-
Prepaid Pension	(10,463,715)	(10,463,716)	(1)
Prepaid OPEB	(11,254,406)	(11,254,406)	-
JDITC - Post 1970	585,133	585,133	-
Total Capital Structure	<u>\$ 1,731,127,386</u>	<u>\$ 1,720,789,126</u>	<u>\$ (10,338,260)</u>

C. Accumulated Deferred Income Taxes

9 **Q: Please explain the adjustments you recommend to the amount of accumulated**
10 **deferred income taxes ("ADIT") included in Indiana American's capital**
11 **structure.**

12 A: As discussed above, I recommend two adjustments that affect the amount of ADIT
13 to be included in Indiana American's capital structure: (1) a reduction to income
14 tax expense to incorporate the repairs deduction for ratemaking purposes and (2)
15 an adjustment to the amortization of EDIT. Both these adjustments are discussed
16 above in the Income Tax Expense section of my testimony.

1 **Q: How does your recommended repairs deduction affect the balance of ADIT?**

2 A: The ADIT balance at September 30, 2022 includes an amount related to the
3 additional repairs deduction included in American Water's federal income tax
4 return. This historical balance should continue to be included in ADIT. However,
5 because I propose to include this repairs deduction in the determination of income
6 tax expense for ratemaking purposes, there will be no difference between book and
7 tax (at least for ratemaking purposes). Therefore, no additional ADIT should be
8 projected for Steps One, Two, or Three in this case.

9 **Q: What adjustment do you recommend to the ADIT balance included in the**
10 **capital structure?**

11 A: I acknowledge a reduction to the ADIT balance should result from this
12 recommendation. Because of the way Indiana American has projected and
13 presented its ADIT balances, the effect on ADIT as a result of this recommended
14 adjustment is not readily transparent. I estimated the effect to ADIT by multiplying
15 my repair deduction by 25% and reducing ADIT accordingly. The effect of my
16 proposed adjustment is a \$2,927,966 reduction to ADIT in the Step Two capital
17 structure and a \$9,439,895 reduction to ADIT in the Step Three capital structure
18 (OUCC Attachment MAS-8).

19 **Q: How does your recommended EDIT amortization adjustment affect the**
20 **balance of ADIT?**

21 A: Because I recommend a larger EDIT amortization expense, this adjustment will
22 reduce the ADIT balance more than what Indiana American has projected. I
23 calculate a total reduction of \$899,364 to the ADIT balance included in the capital
24 structure as of April 30, 2025 (OUCC Attachment MAS-9).

D. Weighted Average Cost of Capital

1 **Q: What Weighted Average Cost of Capital did Indiana American propose?**

2 A: Indiana American proposed a Step Three weighted average cost of capital of 6.88%,
3 based on a 10.6% cost of equity and a 4.71% cost of long-term debt. (See Indiana
4 American Financial Exhibit CC, Schedule CC1.)

5 **Q: Does the OUCC accept Petitioner's proposed Weighted Average Cost of**
6 **Capital?**

7 A: No. The OUCC recommends a Step Three weighted cost of capital of 6.14%, based
8 on a 9.0% cost of equity and a 4.71% cost of long-term debt. The OUCC also
9 calculated a capital structure that includes less ADIT than that proposed by Indiana
10 American (OUCC Schedule 9TC, page 4 of 4). Mr. Dellinger discusses the OUCC's
11 proposed cost of equity.

XI. INFRASTRUCTURE DEVELOPMENT ZONE SURCHARGE

12 **Q: What does Indiana American propose regarding a Montgomery County**
13 **Infrastructure Development Zone ("IDZ") Surcharge?**

14 A: INAWC proposes to charge customers in its Crawfordsville District a \$3.54 flat
15 monthly surcharge to recover INAWC's investment in the main extension
16 constructed to connect the Montgomery County IDZ. See Attachment GDS-4 for
17 INAWC's calculation of the per meter monthly charge.

18 **Q: What statute is INAWC relying on to impose the proposed surcharge?**

19 A: INAWC cites I.C. § 8-1-2-46.2 as support. In relevant part, that statute says:

20 (b) Notwithstanding any law or rule governing extension of
21 service, a water or wastewater utility may, on a
22 nondiscriminatory basis, extend service:

23 (1) for economic development purposes;

1 (2) to rural areas; or
2 (3) to developed but underserved areas;
3 without a deposit or other adequate assurance of performance
4 from the customer, to the extent that the extension of service
5 results in a positive contribution to the utility's overall cost of
6 service over a twenty (20) year period. For the purposes of this
7 subsection, a water or wastewater utility's extension of service
8 to a developed but underserved area will be considered as
9 resulting in a positive contribution to the utility's overall cost
10 of service over a twenty (20) year period to the extent that rates
11 to be paid by fifty percent (50%) or more of the customers who
12 could be served by the extension of service would enable the
13 utility to fully recover the weighted cost of debt and
14 depreciation expense attributable to the cost of the main
15 extension for the extension of service.

16 (c) If a water or wastewater utility determines that an extension
17 of service described in subsection (b) will not result in a
18 positive contribution to the utility's overall cost of service over
19 a twenty (20) year period, the water or wastewater utility, in
20 extending service, may require a deposit or other adequate
21 assurance of performance from:

22 (1) the developer of the project;
23 (2) a local, regional, or state economic development
24 organization; or
25 (3) the customers to be served by the extension of service.

26 (d) Subsection (e) applies if:

27 (1) a county executive, a municipal legislative body, or, in
28 Marion County, the county fiscal body, establishes an
29 infrastructure development zone under IC 6-1.1-12.5-4; and
30 (2) the county executive, municipal legislative body, or county
31 fiscal body requests a public utility to extend water or
32 wastewater utility service to the geographic territory
33 established as the infrastructure development zone.

34 (e) A water or wastewater utility that receives a request
35 described in subsection (d)(2) may file a petition with the
36 commission seeking approval of the requested extension of
37 service. If the commission approves the petition, in future
38 general rate cases, the commission shall approve rate schedules
39 that include a surcharge payable only by customers located in
40 the geographic area within the jurisdiction of the governmental
41 entity described in subsection (d), or, if requested by the
42 governmental entity, only within the geographic area
43 established as an infrastructure development zone. The
44 surcharge shall recover depreciation expense, weighted cost of

1 capital, and federal and state income tax applicable to the
2 extension of water or wastewater utility service.

3 **Q: How does this statute impact INAWC's request?**

4 A: Montgomery County requested INAWC extend water service to an area that had
5 been designated as an IDZ, pursuant to [I.C. § 6-1.1-12.5-4](#), which implies I.C. § 8-
6 1-2-46.2(d)'s terms. Once INAWC received that request, it *could* have sought
7 approval from the Commission for the extension and would have been able to
8 include any resulting surcharge in its rates, as set forth in I.C. § 8-1-2-46.2(e).
9 However, INAWC did not seek Commission approval for the extension prior to
10 filing this case.

11 **Q: Why is the lack of Commission preapproval important to note regarding the
12 surcharge?**

13 A: It is important because INAWC relies on this statute as authorization for
14 implementing the surcharge. Because INAWC did not receive Commission
15 preapproval, the balance of I.C. § 8-1-2-46.2(e) does not apply to INAWC – the
16 section that authorizes imposition of a surcharge to, alternatively, “only by
17 customers located in the geographic area within the jurisdiction of the governmental
18 entity [Montgomery County], or, if requested by the governmental entity, only
19 within the geographic area established as an infrastructure development zone.”

20 **Q: Does INAWC's proposed surcharge comply with this statutory requirement?**

21 A: No. As noted above, because INAWC did not seek Commission approval for the
22 extension, the terms of I.C. § 8-1-2-46.2(e) do not control. Even if INAWC had
23 received Commission approval, its proposed surcharge is in conflict with the
24 agreement it reached with Montgomery County.

1 **Q: What was the total cost of the extension to the IDZ and who paid for it?**

2 A: The total cost of the main extension was approximately \$18.0 million, of which
3 \$2,777,506 was invested by INAWC and the remaining costs were provided by the
4 Montgomery County Redevelopment Commission ("RDC") through bond issues,
5 the State Water Infrastructure Fund, the American Rescue Plan Act, and revenues
6 from Tempur-Sealy (OUCC Attachment MAS-10).⁶

7 **Q: Does the OUCC agree with Indiana American's proposal?**

8 A: No. IAWC's proposed surcharge violates the agreement between INAWC and the
9 RDC (Attachment MAS-11) and should be denied by the Commission.

10 **Q: Why does the OUCC consider that INAWC's proposed surcharge violates its**
11 **agreement with the Montgomery County Redevelopment Commission?**

12 A: The agreement with RDC (OUCC Attachment MAS-11, Paragraph 5) states that
13 INAWC will "recover the cost of design, construction, easement acquisition and
14 other expenses over a period of 20 years by way of a surcharge to users in the
15 Service Territory after approval of such surcharge by the Indiana Utility Regulatory
16 Commission (IURC)." The agreement defines the term "service territory" as
17 follows: "[f]or purposes of this agreement, the term service "territory" means the
18 approved infrastructure development zone." The two areas where INAWC
19 proposes to levy a surcharge are in the City of Crawfordsville and the Town of
20 Waveland. Neither of these locations are inside the IDZ (OUCC Attachment MAS-

⁶ Reporting on the ribbon-cutting when service was commenced, the Crawfordsville local paper reported that "[f]unding for the project came from the State Water Infrastructure Fund, the American Rescue Plan Act, bond issues and capital funds provided by Indiana American Water." *Officials mark completed water project*, Journal Review, December 9, 2022. At: <https://www.journalreview.com/stories/officials-mark-completed-water-project,220359>

1 12). Therefore, INAWC should not be allowed to impose the surcharge on those
2 customers as it is directly contrary to the agreement it reached with RDC.

3 **Q: Should INAWC be authorized to bill the proposed surcharge only to**
4 **customers located within the IDZ?**

5 A: While the agreement between INAWC and RDC requires these costs be paid by
6 customers located within the IDZ, there is only one known customer at this time—
7 Tempur-Sealy. INAWC did not provide information regarding any funds paid by
8 Tempur-Sealy for the extension, so it is unclear whether Sealy's contribution may
9 cover the balance of the cost. As explained further below, INAWC apparently has
10 not included all expected revenues from Tempur-Sealy as part of its case.

11 **Q: What does the OUCC propose regarding INAWC's recovery of its investment**
12 **in the IDZ main extension?**

13 A: The most equitable solution would be for INAWC to recover its investment in the
14 Montgomery County IDZ as it does most all of its investments in utility plant in
15 service - by including the costs in its rate base and recovering these costs through
16 its cost-of-service allocation to the appropriate customer classes.

17 **Q: If a surcharge should be reconsidered in a future rate case, do you agree with**
18 **Indiana American's calculation of its proposed surcharge in this case?**

19 A: No. I have several concerns with the way in which INAWC calculated its proposed
20 surcharge.

21 • The proposed surcharge is the same for every customer, regardless of the size
22 of the meter serving that customer.

23 • The proposed surcharge will not recover all INAWC's investment. The
24 proposed surcharge can only be imposed for a 20-year period under the terms
25 of the agreement with the RDC, but the surcharge as calculated by INAWC
26 would only recover approximately 50% of the costs of the extension primarily
27 because the depreciable life used in the calculation is 37 years (Attachment

1 GDS-4, tab "Data Compilation," line 15). Therefore, after 20 years, the
2 remaining 50% of costs would presumably be recovered from all customers
3 anyway through inclusion in rate base.

- 4 • The proposed surcharge calculation assumes no customer growth over a 20-
5 year period, which is inconsistent with INAWC's own workpapers.⁷
- 6 • It doesn't appear that the Tempur-Sealy revenues have been properly applied in
7 INAWC's calculation of the surcharge. While the calculation in Attachment
8 GDS-4 includes 20 years of cost recovery, including depreciation and return on
9 investment, only \$3,797 of "expected revenues from new source" are included
10 as an offset. The calculation doesn't say whether this is a monthly or annual
11 revenue amount. It also isn't clear how many years of revenue offset INAWC
12 was imputing in its calculation. But the amount seems too small to be correct.

XII. ACQUISITION RELATED COSTS

13 **Q: Do you have other concerns with respect to Petitioner's incidental expenses**
14 **and other costs of acquisition?**

15 A: Yes. My concern relates to the incidental expenses and other costs of acquisition
16 that INAWC has been authorized to include in its rate base as part of the cost
17 differential. In particular, I am concerned with Indiana American's practice of
18 including in its rate base legal expense associated with its acquisition of water and
19 wastewater utilities – especially those legal expenses that are based on fixed fee
20 arrangements. Indiana American has not shown that the legal expenses associated
21 with those fixed fee arrangements are reasonable.

22 **Q: Why is this an issue in this rate case?**

23 A: In Cause No. 45461, the Commission disagreed with the OUCC's arguments that
24 legal fees incurred to secure favorable ratemaking treatment under IC 8-1-30.3-1 *et*

⁷ See OUCC Attachment MAS-13, INAWC Workpaper Vol. 1, MHH-3, p. 1 ("This analysis is intended to provide pipe sizing recommendations for the water main that will extend along CR 200 S from the tank west to the new industrial customer, Tempur Sealy (Tempur), and other potential future industrial sites, as shown in **Exhibit 1.**")

1 *seq.* should not be considered “incidental expenses and other costs of acquisition.”
2 The Commission agreed in concept that such expenses must be reasonable and
3 found that the next rate case was the appropriate time to challenge the
4 reasonableness of such costs. The Commission found in its final order in Cause No.
5 45461, p. 13 regarding the transfer of the River’s Edge/Wastewater One system that
6 “when Indiana American files its next general rate case, the amount actually
7 recorded on its books and records pursuant to the authority granted here will be
8 subject to review for reasonableness.” (Order in Cause No. 45461, June 2, 2021,
9 p. 13)

10 **Q: Did the Commission express any expectation about the transparency of legal**
11 **expenses and other costs of acquisition?**

12 A: Yes. The Commission found Indiana American should do a better job of supporting
13 that expense:

14 We believe Indiana American should work towards providing a
15 more accurate and detailed estimate of incidental expenses and
16 other costs of acquisition in their cases-in-chief. Thus, in future
17 cases, Indiana American should provide a breakout of the
18 expenses (e.g., legal expenses, appraisal expenses,
19 environmental expenses, and expenses charged to any affiliate
20 such as American Water Works Service Company, Inc.). For
21 each category of expense, Indiana American should provide the
22 current actual expenses and estimated future expenses.

23 Order in Cause No. 45461, June 2, 2021, pp. 13-14.

24 In a later case, Cause No. 45550 involving Petitioner’s acquisition of the
25 Town of Lowell’s system, the Commission again found that the next general rate
26 case was the time to evaluate the reasonableness of incidental expenses and other
27 costs of acquisition.

1 The Order in Cause No. 45461 stated that Indiana American
2 should provide a breakout of the expenses (e.g., legal expenses,
3 appraisal expenses, environmental expenses, and expenses
4 charged to any affiliate such as American Water Works Service
5 Company, Inc.), including current actual expenses and estimated
6 future expenses. Mr. Shimansky provided testimony that the
7 \$120,000 estimated incidental expenses presented in this
8 proceeding represent the costs of outside counsel representation
9 in this case based upon Indiana American's arrangement with
10 counsel in the event the case is fully litigated. No other
11 categories of incidental expenses have been claimed to have
12 been incurred ("appraisal expenses, environmental
13 expenses..."). We do not require hourly data in order to
14 determine whether the proposed costs of acquisition are within
15 the scope of Section 30.3-5(f) incidental expenses and other
16 costs of acquisition, particularly when the evidence shows that
17 is not how Indiana American contracted to be served for this
18 transaction. As to the reasonableness of the legal expenses, it is
19 premature for us to speculate on final expenses or why they were
20 incurred, until we have actual and final expenses.

21 Order, December 22, 2021, Cause No. 45550, p. 19.

22 **Q: What amount of legal expense is Petitioner proposing for each of its**
23 **acquisitions that are to be included in rate base in this case?**

24 **A:** Other than indicating what rate base accounts the total acquisition costs for each of
25 the acquisitions are to be included in (recorded to), Petitioner does not in its case
26 identify the amount of legal expense for each of these acquisitions. Based on
27 Petitioner's response to discovery (OUCC Attachment MAS-14), Petitioner has
28 requested incidental expenses for each of the following acquisitions:

- 29 1) Lake Station - \$232,773 - Cause No. 450410) of which \$228,606 are
30 legal expense;
- 31 2) Riley Wastewater - \$172,640 (Cause No. 45290) all of which are legal
32 expense;
- 33 3) River's Edge - \$131,292 (Cause No. 45461) of which \$102,006 is legal;
34 and

1 4) Town of Lowell - \$156,336.66 (Cause No. 45550) of which \$120,000
2 is legal.

3 **Q: How do the actual incidental costs incurred compare with the amounts**
4 **estimated?**

5 A: The total incidental expenses estimated for each acquisition to be added to rate base
6 in this Cause, according to the estimates provided in the respective acquisition case
7 is as follows:

- 8 ▪ Town of Riley - \$165,000
- 9 ▪ River's Edge - \$100,000
- 10 ▪ Lowell - \$120,000
- 11 ▪ Claypool - \$156,336
- 12 ▪ Sunset Village - \$ 77,651

13 Based on my knowledge and experience with these acquisition cases, the
14 bulk of these expenses are for legal fees associated with requesting relief under IC
15 8-1-30.3-1 *et seq.*

16 **Q: Do any of these cases involve fixed fee arrangements?**

17 A: Yes. Some of these cases involved fixed fee arrangements in which INAWC agreed
18 to pay Barnes and Thornburg a predetermined amount for each of four phases of
19 the case: (1) Case Assessment/Preliminary Investigation; (2) Discovery; (3)
20 Rebuttal & Hearing/Hearing Preparation; and (4) Post Hearing.

21 **Q: What is Indiana American's incentive to control its incidental expenses and**
22 **other costs of acquisition?**

23 A: Indiana American acknowledges the only financial incentive it has to procure lower
24 incidental expenses is the risk of disapproval by the Commission. In other words,
25 the risk is that Indiana American will incur an expense that the Commission does
26 not allow it to include in rate base. (OUCC Attachment MAS-15)

1 **Q: Is Indiana American adequately incented to control its acquisition costs?**

2 A: No. Because Indiana American is permitted to include its legal expense in rate base,
3 where it will earn a return as if it is an investment, Indiana American is not
4 *financially incented* to manage these costs or engage in settlement talks and thereby
5 avoid the costs of a contested final hearing.

6 **Q: Are acquisition cases becoming less controversial and involved?**

7 A: Yes. The last two acquisition cases filed by Indiana American under IC 8-1-30.3
8 had limited discovery, no filing of testimony by the OUCC, no cross-examination
9 by the OUCC, and agreement on the form of the final order.

10 **Q: Are there other issues or problems with fixed fee arrangements?**

11 A: Yes. The problem with Indiana American's fixed fee arrangements is that it is a
12 significantly large expense for a simple case (e.g., \$120,000 for the Claypool case)
13 but does not afford protection for the ratepayer in the case of protracted acquisition
14 cases. More than four sets of discovery are outside the scope of services as are
15 depositions, appeals, and petitions for reconsideration. In my experience, a case
16 involving any degree of real controversy typically will well exceed four discovery
17 sets. As such, I question whether these fixed fee arrangements protect the customers
18 from having higher legal costs in rate base. (See OUCC Attachment MAS-22.)

19 **Q: Did Indiana American justify the use of a fixed fee arrangement?**

20 A: No. Indiana American was asked in this case to explain and provide what it relied
21 on to determine whether the flat fee arrangement was appropriate. (OUCC
22 Attachment MAS-16). Indiana American's response included no information and
23 its explanation consisted only of the statement "Flat fee negotiations were

1 performed by counsel for INAWC and were based on the experience of counsel,
2 the experience of INAWC with the OUCC and Intervenors, and the legal market.”

3 That vague response does not provide assurances that the fixed fee, on which the
4 customers will be paying a return on and return of the fee, is reasonable.

5 **Q: Is Indiana American monitoring these fixed fee arrangements to determine if**
6 **they are a good deal for ratepayers?**

7 A: It does not appear to be. In addition to not showing its fixed fee arrangements were
8 well considered before entering into the practice, Petitioner's response to discovery
9 indicates Indiana American is not monitoring its fixed fee arrangement to see if it
10 should be continued. Indiana American was asked to explain what the legal
11 expense would have been for each of its acquisitions without the fixed fee
12 arrangement and also show its calculations and state its assumptions. Indiana
13 American responded by stating simply that “INAW has not performed calculations
14 but assumes competent counsel avoids the expense of fixing incompetent counsel.”
15 (OUCC Attachment MAS-17.)

16 **Q: Does Indiana American track the actual number of hours expended by its**
17 **counsel under fixed fee arrangements?**

18 A: No. Petitioner also acknowledged it does not track the actual number of hours
19 expended by counsel under fixed fee arrangements (OUCC Attachment MAS-18).
20 The terms of Fixed Fee Arrangement are negotiated, and there is no reason such
21 arrangements could not require Counsel to keep track of time spent on the various
22 matters so that Indiana American could evaluate whether continuing such fixed fee
23 arrangements is in the best interest of its customers who ultimately pay those fees
24 through a higher return and higher depreciation expense.

1 **Q: Do you have an opinion as to whether the incidental expenses and other costs**
2 **of acquisition actually incurred are reasonable?**

3 A: Based on the very limited information in Petitioner's case-in-chief and in its
4 responses to discovery in this case, I am unable to form an opinion as to whether
5 the legal fees portion of the incidental expenses and other costs of acquisition to be
6 included in rate base for each of the acquisitions is reasonable. If Petitioner has the
7 burden of proof in this case, it has not met it.

8 **Q: What is your recommendation with respect to legal fees expended in securing**
9 **relief under IC 8-1-30.3?**

10 A: If evaluating the reasonableness of such costs is an issue for the next general rate
11 case, when actual costs will already have been incurred, Indiana American should
12 present its support for the reasonableness of those costs with case-in-chief
13 testimony in its rate cases, including its proof. Secondly, if Indiana American is
14 going to persist in securing these legal services with fixed fee arrangements, it
15 should require its counsel to keep track and communicate hours expended so
16 Indiana American's management can evaluate whether it should continue to enter
17 into such agreements and so the Public may evaluate whether the costs incurred are
18 reasonable.

XIII. CAPITAL TRACKER ISSUES

19 **Q: Please explain what you mean by "capital tracker."**

20 A: The term "capital tracker" as used in my testimony refers to the distribution system
21 improvement charge ("DSIC") and the system enhancement improvement charge
22 ("SEI"). My testimony addresses (1) the appropriate calculation of property tax

1 expense and (2) the inclusion of costs of removal as eligible additions in each of
2 these capital trackers.

A. Property Tax

3 **Q: Did Indiana American include recovery of property tax expense in its 2023**
4 **DSIC and SEI filings?**

5 A: Yes. In 2023, Indiana American filed Cause No. 42351-DSIC 14 as well as Cause
6 Nos. 45609-SEI 1 and 45609-SEI 1-S1.

7 **Q: Did the OUCC raise any issues regarding the determination of property tax**
8 **expense in either the DSIC or the SEI filings?**

9 A: The issue of the proper calculation of recoverable property tax expense for DSIC-
10 14 was deferred until this case, Indiana American's next base rate case. The issue
11 was not raised in OUCC testimony in SEI 1 but was discussed at the evidentiary
12 hearing in SEI 1-S1 during the cross examination of Mr. Shimansky. However, the
13 Commission made no finding in its final order in Cause No. 45609 SEI 1-S1
14 regarding the determination of property tax expense.

15 **Q: What property is subject to property tax and how is the assessment value**
16 **determined?**

17 A: Real property (real estate) is subject to property tax based on the assessments
18 prepared by or for the Indiana Department of Local Government Finance
19 ("DLGF"). Personal property is also subject to a property tax. For a utility, personal
20 property consists of its remaining utility plant, including mains, treatment plants,
21 wells, etc. The DLGF does not assess the value of personal property for a utility.
22 Instead, a utility files an Annual Report UD Form 45 (OUCC Attachment MAS-

1 19) to report the assessed value of its personal property. For a utility, personal
2 property taxes represent the largest portion of its total property tax expense.

3 **Q: Did Indiana American correctly calculate the property tax expense included**
4 **in its 2023 capital trackers?**

5 A: No. Indiana American made several errors in its calculation that should be
6 identified and not repeated in its next DSIC or SEI filing.

7 **Q: What errors did INAWC make in its calculation of property tax expense?**

8 A: The errors Indiana American made were all related to the value of the eligible
9 additions on which the property tax rates were applied. The largest error made was
10 the use of the book basis of its eligible DSIC and SEI additions rather than its tax
11 basis. In addition, Indiana American incorrectly included both cost of removal and
12 the costs incurred to replace customer-owned lead service lines. Finally, Indiana
13 American incorrectly reduced the amount subject to property tax by the amount of
14 contributions received from INDOT and others.

15 **Q: Why was Indiana American incorrect in using the book basis of the DSIC and**
16 **SEI additions to calculate its recoverable property tax expense?**

17 A: According to the property tax instructions and forms as prescribed by the DLGF,
18 the "federal tax basis" of the taxable property, both utility plant in service as well
19 as accumulated depreciation, should be reported as the assessed value of its
20 personal property in its annual UD Form 45. (See OUCC Attachment MAS-19,
21 Schedule A, page 3.)

22 **Q: What is the effect of this error on the property tax expense included in DSIC-**
23 **14 and the SEI filings?**

24 A: By using the book basis in its calculation of property tax expense, Petitioner
25 overstated its recoverable property tax expense. The tax basis of a utility's assets is

1 much less than the book basis for two reasons – (1) increased accumulated
2 depreciation due to use of accelerated depreciation rates for tax purposes and (2)
3 reduced basis due to repair deduction taken for tax purposes.

4 **Q: Should costs of removal be included in the calculation of property tax expense?**

5 A: No. Costs of removal are *expensed*, not *capitalized*, for income tax purposes
6 (OUCC Attachment MAS-20).⁸ Therefore, costs of removal are not included in the
7 tax basis of utility plant assets and would not be included in the tax basis on which
8 a utility's property taxes are determined in Indiana.

9 **Q: Why was it an error to include costs to replace customer-owned lead service**
10 **lines in the calculation of property tax expense?**

11 A: Despite replacing it, Indiana American does not own the customer's service line. It
12 is still the homeowner's property. Therefore, it would not be taxable to Indiana
13 American and should be excluded from the calculation of property tax expense.

14 **Q: Why was it an error to include contributions in the calculation of property tax**
15 **expense?**

16 A: Regardless of how a utility asset was funded, either through contributions or
17 investor supplied capital, the entire value of the asset is included in the tax basis of
18 utility plant assets. Therefore, contributions should not be removed from the
19 determination of property tax expense.

20 **Q: Did Indiana American apply the correct property tax rates in its calculation?**

21 A: Yes. It appears that the property tax rates applied were calculated by taking the
22 annual tax payment due and dividing by the total assessed value. Since the total

⁸ For book purposes, costs of removal are recorded as a debit to accumulated depreciation, not utility plant in service and, therefore, are not included in the book basis of utility plant in service.

1 assessed value is based on the federal income tax basis, the rate to be applied is
2 calculated correctly. It was simply applied to the wrong basis amount.

3 **Q: Is it possible for Indiana American to determine the federal income tax basis**
4 **for eligible DSIC and SEI additions?**

5 A: Yes. Indiana American can use the same methodology it used in this rate case to
6 estimate the federal income tax basis for forecasted utility plant additions. In this
7 case, INAWC calculated a five-year average of the ratio of total personal property
8 assessed value to utility plant in service (book basis).⁹ This ratio could then be
9 applied to the book basis of eligible additions (excluding cost of removal and costs
10 to replace customer-owned lead service lines) to determine the value on which to
11 apply the property tax rate.

B. Costs of Removal

12 **Q: What are “costs of removal”?**

13 A: According to “Accounting for Public Utilities,” costs of removal means, “the cost
14 of demolishing, dismantling, tearing down or otherwise removing...plant.”¹⁰

15 **Q: How is cost of removal recovered from INAWC’s customers?**

16 A: Cost of removal is recovered from customers before these costs are actually
17 incurred by INAWC because the cost is built into Indiana American’s authorized
18 depreciation rates. Indiana American’s authorized depreciation rate is designed to

⁹ See Indiana American’s property tax workpapers located in the expense section of its model -- INAWC 2023 Rate Case – Property Tax Expense.xlsx; tab labeled “Workpaper 1.”

¹⁰ Accounting for Public Utilities, Chapter 6 – Public Utility Depreciation, §6.03[2], page 6-7.

1 allow it to recover the original cost of the asset plus an estimated cost of removal,
2 net of salvage, over the life of the asset.

3 **Q: Why should costs of removal be excluded from the calculation of DSIC and**
4 **SEI eligible project costs?**

5 A: A public utility providing water service is properly allowed to recover the costs it
6 incurs in removing replaced plant. But INAWC has already recovered those
7 removal costs through its authorized depreciation expense. Indiana American
8 continues to recover these costs because (a) it is embedded in the depreciation rates
9 used to calculate depreciation and (b) DSIC and SEI additions are not reduced by
10 the increase in applicable accumulated depreciation since the last rate case. This
11 treatment results in a level of double recovery that inequitably benefits shareholders
12 at the expense of ratepayers.

13 **Q: Has this issue been addressed by the Commission?**

14 A: Yes, the Commission addressed this issue in its final order in Cause No. 45609 SEI
15 1-S1 but has not yet addressed this issue in the context of a DSIC.

16 **Q: What was the Commission's finding in Cause No. 45609 SEI 1-S1?**

17 A: The Commission agreed with Indiana American and found costs of removal are
18 properly included in the SEI calculation:

19 Indiana American's calculation of net cost for purposes of
20 the SEI calculation is consistent with how it has calculated
21 net cost in its DSIC cases for over 20 years. We believe that,
22 for purposes of this proceeding, it makes sense to follow the
23 approach Indiana American has historically used in its DSIC
24 cases.

25 Cause No. 45609 SEI 1-S1 Final Order issued March 8, 2023, page 9.

1 **Q: Do you have comments concerning the Commission's reliance on the approach**
2 **used in DSIC proceedings?**

3 A: Yes. While removal costs had been included in DSIC recovery, the OUCC has
4 never asked the Commission to rule on that issue in a DSIC proceeding. The OUCC
5 asks the Commission to consider the matter in this case.

6 **Q: What were Indiana American's arguments with respect to cost of removal?**

7 A: Indiana American argued that while costs of removal are being recovered over the
8 life of the asset, this cost is reflected as a reduction to rate base and ratepayers have
9 benefited from reduced returns on INAWC's investments in utility plant in service
10 during the same time period. Indiana American argued, therefore, that no double
11 recovery exists.

12 **Q: Do you agree with this argument?**

13 A: No. While recovery of the cost results in a reduction to rate base, I do not agree
14 with Indiana American's argument that the *quid pro quo* of this arrangement is
15 evenly balanced between ratepayers and shareholders. This reduction in rate base
16 only occurs when Indiana American files a rate case. Between rate case filings,
17 Indiana American recovers additional costs of removal but there is no
18 corresponding *reduction* to rate base that benefits ratepayers until Indiana
19 American receives its next rate order.

20 **Q: Why else should removal costs not be addressed in capital trackers?**

21 A: The controversy around removal costs may be avoided altogether if capital trackers,
22 which are between rate base cases, can be understood as responding to a net change
23 to *utility plant in service* and not as a response to a net change to *rate base*. While
24 costs of removal are theoretically based on costs incurred, it is not an increase to

1 UPIS but rather an adjustment to accumulated depreciation, which is a factor in
2 calculating rate base. Increases in accumulated depreciation are not recognized in
3 the calculation of a DSIC. Costs of removal, which happens to be a *decrease* in
4 accumulated depreciation, is the only factor included in a DSIC that affects
5 accumulated depreciation. Like every component affecting accumulated
6 depreciation, removal costs should be recognized as a factor in accumulated
7 depreciation in the next rate case, not in a tracker. This appropriately balances the
8 financial interests of the consumer and the utility.

XIV. RECOMMENDATIONS

9 **Q: Please summarize your recommendations to the Commission.**

10 A: In accordance with the foregoing testimony, I recommend the Commission find a
11 total company original cost rate base of \$1,606,629,098 for Step One,
12 \$1,672,429,431 for Step Two and \$1,774,964,040 for Step Three. I recommend
13 Petitioner's original cost rate base be updated in each subsequent step pursuant to
14 the process described above and not to exceed the authorized amounts.

15 I recommend denial of Indiana American's proposal to implement
16 regulatory accounting treatment for production costs and affordability tariff costs.

17 I recommend denial of Indiana American's proposal to impose a surcharge
18 on Montgomery County customers to recover its costs in the industrial development
19 zone main extension.

20 I recommend the Commission require Indiana American to present its
21 support for the reasonableness of future incidental expenses and other costs of

1 acquisition under IC Chapter 8-1-30.3 in its case-in-chief testimonies in its
2 subsequent rate cases.

3 I recommend the Commission consider and approve the OUCC's
4 recommended modifications to the calculation of capital trackers.

5 Finally, I ask the Commission to adopt the more specific recommendations
6 set forth in my testimony above.

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

8 A: Yes.

APPENDIX A

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

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
3 a Bachelor of Science degree in Accounting. From 1982 to 1985, I held the position
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to
5 2001, I worked for Enron in various positions of increasing responsibility and
6 authority. I began in gas pipeline accounting, was promoted to a position in
7 financial reporting and planning for both the gas pipeline group and the
8 international group, and finally was promoted to a position providing accounting
9 support for infrastructure projects in Central and South America. In 2002, I moved
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August
11 2003, I accepted a utility analyst position with the OUCC. I was promoted to Senior
12 Utility Analyst in 2011. In 2018, I was promoted to my current position as Chief
13 Technical Advisor.

14 Since joining the OUCC I have attended the National Association of
15 Regulatory Utility Commissioners (“NARUC”) Eastern Utility Rate School in
16 Clearwater Beach, Florida, and the Institute of Public Utilities’ Advanced
17 Regulatory Studies Program in East Lansing, Michigan. I have also attended several
18 American Water Works Association and Indiana Rural Water Association
19 conferences as well as the National Association of Utility Consumer Advocates
20 (“NASUCA”) Water Committee Forums. I have participated in the NASUCA
21 Water Committee and the NASUCA Tax and Accounting Committee, including
22 serving as chair for the Tax and Accounting Committee from 2016 – 2021.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**
2 **Commission?**

3 A: Yes. I have testified before the Commission as an accounting witness in various
4 causes involving water, wastewater, electric, and gas utilities.

5 **Q: Have you held any professional licenses?**

6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
7 Texas until I moved to Indiana in 2002.

AFFIRMATION

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



By: Margaret A. Stull
Cause No. 45870
Office of Utility Consumer Counselor (OUCC)

Date: July 21, 2023

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

Calculation of Original Cost Rate Base - Total Company
Step One

	Per Petitioner			Per OUC			OUC More (Less)
	Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 2,338,385,398	\$ 153,077,092	\$ 2,491,462,490	\$ 2,338,385,398	\$ 146,537,707	\$ 2,484,923,105	\$ (6,539,385)
Business Transformation Costs (SOP 98-1)	7,170,944	-	7,170,944	-	-	-	(7,170,944)
Deferred Depreciation,	8,311,140	-	8,311,140	8,311,140	-	8,311,140	-
Post-in-Service AFUDC	7,137,440	-	7,137,440	7,137,440	-	7,137,440	-
Total Utility Plant:	<u>2,361,004,922</u>	<u>153,077,092</u>	<u>2,514,082,014</u>	<u>2,353,833,978</u>	<u>146,537,707</u>	<u>2,500,371,685</u>	<u>(13,710,329)</u>
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	581,299,134	37,390,928	618,690,062	581,299,134	36,770,136	618,069,270	(620,792)
Business Transformation Costs (SOP 98-1)	4,766,839	597,579	5,364,418	-	-	-	(5,364,418)
Deferred Depreciation	4,443,811	348,093	4,791,904	4,443,811	348,093	4,791,904	-
Post-in-Service AFUDC	4,010,918	195,485	4,206,404	4,010,918	195,485	4,206,404	-
Total Accumulated Depreciation	<u>594,520,702</u>	<u>38,532,085</u>	<u>633,052,788</u>	<u>589,753,863</u>	<u>37,313,714</u>	<u>627,067,578</u>	<u>(5,985,210)</u>
Net Utility Plant in Service	<u>1,766,484,220</u>	<u>114,545,007</u>	<u>1,881,029,226</u>	<u>1,764,080,115</u>	<u>109,223,993</u>	<u>1,873,304,107</u>	<u>(7,725,119)</u>
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	198,322,247	12,390,868	210,713,114	198,322,247	12,390,868	210,713,115	1
Customer Advances for Construction	53,701,123	8,566,722	62,267,845	53,701,123	8,566,722	62,267,845	-
Somerset Capacity Adjustment	304,440	4,560	309,000	304,440	4,560	309,000	-
Total Deductions	<u>252,327,810</u>	<u>20,962,150</u>	<u>273,289,959</u>	<u>252,327,810</u>	<u>20,962,150</u>	<u>273,289,960</u>	<u>1</u>
<u>Additions:</u>							
Acquisition Adjustment, net	17,596,017	(17,587,493)	8,524	130,913	(122,389)	8,524	-
SEI Deferred Depreciation, Property Taxes & PISCC	-	4,364,489	4,364,489	-	4,364,489	4,364,489	-
Materials and Supplies	2,832,176	(590,238)	2,241,938	2,832,176	(590,238)	2,241,938	-
Total Additions	<u>20,428,193</u>	<u>(13,813,242)</u>	<u>6,614,951</u>	<u>2,963,089</u>	<u>3,651,862</u>	<u>6,614,951</u>	<u>-</u>
Total Original Cost Rate Base	<u>\$ 1,534,584,603</u>	<u>\$ 79,769,615</u>	<u>\$ 1,614,354,218</u>	<u>\$ 1,514,715,394</u>	<u>\$ 91,913,705</u>	<u>\$ 1,606,629,098</u>	<u>\$ (7,725,120)</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

Calculation of Original Cost Rate Base - Total Company
Step Two

	Petitioner			Per OUC			OUC More (Less)
	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	
Utility Plant in Service:							
Utility Plant in Service	\$ 2,491,462,490	\$ 119,330,302	\$ 2,610,792,792	\$ 2,484,923,105	\$ 110,883,899	\$ 2,595,807,004	\$ (14,985,788)
Business Transformation Costs (SOP 98-1)	7,170,944	-	7,170,944	-	-	-	(7,170,944)
Deferred Depreciation	8,311,140	-	8,311,140	8,311,140	-	8,311,140	-
Post-in-Service AFUDC	7,137,440	-	7,137,440	7,137,440	-	7,137,440	-
Total Utility Plant:	2,514,082,014	119,330,302	2,633,412,316	2,500,371,685	110,883,899	2,611,255,584	(22,156,732)
Accumulated Depreciation:							
Utility Plant in Service	618,690,062	36,918,811	655,608,873	618,069,270	36,414,708	654,483,978	(1,124,895)
Business Transformation Costs (SOP 98-1)	5,364,418	537,819	5,902,237	-	(1)	(1)	(5,902,238)
Deferred Depreciation	4,791,904	311,496	5,103,400	4,791,904	311,496	5,103,400	-
Post-in-Service AFUDC	4,206,404	172,063	4,378,467	4,206,404	172,063	4,378,467	-
Total Accumulated Depreciation	633,052,788	37,940,189	670,992,977	627,067,578	36,898,266	663,965,844	(7,027,133)
Net Utility Plant in Service	1,881,029,226	81,390,113	1,962,419,339	1,873,304,107	73,985,633	1,947,289,740	(15,129,599)
Deductions:							
Contributions in Aid of Construction ("CIAC"), net	210,713,114	1,227,586	211,940,700	210,713,115	1,227,586	211,940,701	1
Customer Advances for Construction	62,267,845	6,883,538	69,151,383	62,267,845	6,883,538	69,151,383	-
Somerset Capacity Adjustment	309,000	(3,695)	305,305	309,000	(3,695)	305,305	-
Total Deductions	273,289,959	8,107,429	281,397,388	273,289,960	8,107,429	281,397,389	1
Additions:							
Acquisition Adjustment, net	8,524	(767)	7,757	8,524	(767)	7,757	-
SEI Deferred Depreciation, Property Taxes & PISCC	4,364,489	(77,104)	4,287,385	4,364,489	(77,104)	4,287,385	-
Materials and Supplies	2,241,938	-	2,241,938	2,241,938	-	2,241,938	-
Total Additions	6,614,951	(77,871)	6,537,080	6,614,951	(77,871)	6,537,080	-
Total Original Cost Rate Base Funded by Petitioner	\$ 1,614,354,218	\$ 73,204,813	\$ 1,687,559,031	\$ 1,606,629,098	\$ 65,800,333	\$ 1,672,429,431	\$ (15,129,600)

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

Calculation of Original Cost Rate Base - Total Company
Step Three

	Petitioner			Per OUC			OUC More (Less)
	Forecasted as of 4/30/2024	Adjustments	Forecasted as of 4/30/2025	Forecasted as of 4/30/2024	Adjustments	Forecasted as of 4/30/2025	
Utility Plant in Service:							
Utility Plant in Service	\$ 2,610,792,792	\$ 226,752,984	\$ 2,837,545,776	\$ 2,595,807,004	\$ 172,938,299	\$ 2,768,745,303	\$ (68,800,473)
Business Transformation Costs (SOP 98-1)	7,170,944	-	7,170,944	-	-	-	(7,170,944)
Deferred Depreciation	8,311,140	-	8,311,140	8,311,140	-	8,311,140	-
Post-in-Service AFUDC	7,137,440	-	7,137,440	7,137,440	-	7,137,440	-
Total Utility Plant:	2,633,412,316	226,752,984	2,860,165,300	2,611,255,584	172,938,299	2,784,193,883	(75,971,417)
Accumulated Depreciation:							
Utility Plant in Service	655,608,873	56,407,978	712,016,851	654,483,978	58,564,581	713,048,559	1,031,708
Business Transformation Costs (SOP 98-1)	5,902,237	717,093	6,619,332	-	-	-	(6,619,332)
Deferred Depreciation	5,103,400	412,557	5,515,957	5,103,400	412,557	5,515,957	-
Post-in-Service AFUDC	4,378,467	222,204	4,600,670	4,378,467	222,204	4,600,671	1
Total Accumulated Depreciation	670,992,977	57,759,832	728,752,810	663,965,845	59,199,342	723,165,187	(5,587,623)
Net Utility Plant in Service	1,962,419,339	168,993,152	2,131,412,490	1,947,289,739	113,738,957	2,061,028,696	(70,383,794)
Deductions:							
Contributions in Aid of Construction ("CIAC"), net	211,940,700	1,636,283	213,576,982	211,940,701	1,636,283	213,576,984	2
Customer Advances for Construction	69,151,383	9,422,296	78,573,679	69,151,383	9,422,296	78,573,679	-
Somerset Capacity Adjustment	305,305	7,706	313,011	305,305	7,706	313,011	-
Total Deductions	281,397,388	11,066,285	292,463,672	281,397,389	11,066,285	292,463,674	2
Additions:							
Acquisition Adjustment, net	7,757	(1,023)	6,734	7,757	(1,023)	6,734	-
SEI Deferred Depreciation, Property Taxes & PISCC	4,287,385	(137,040)	4,150,345	4,287,385	(137,040)	4,150,346	1
Materials and Supplies	2,241,938	-	2,241,938	2,241,938	-	2,241,938	-
Total Additions	6,537,080	(138,063)	6,399,017	6,537,080	(138,063)	6,399,018	1
Total Original Cost Rate Base Funded by Petitioner	\$ 1,687,559,031	\$ 157,788,804	\$ 1,845,347,835	\$ 1,672,429,430	\$ 102,534,609	\$ 1,774,964,040	\$ (70,383,795)

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

Calculation of Original Cost Rate Base - Water
Step One

	Per Petitioner			Per OUC			OUC More (Less)
	Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 2,318,847,043	\$ 151,927,818	\$ 2,470,774,861	\$ 2,318,847,043	\$ 145,388,433	\$ 2,464,235,476	\$ (6,539,385)
Business Transformation Costs (SOP 98-1)	7,119,313	-	7,119,313	-	-	-	(7,119,313)
Deferred Depreciation,	8,277,794	-	8,277,794	8,277,794	-	8,277,794	-
Post-in-Service AFUDC	7,123,318	-	7,123,318	7,123,318	-	7,123,318	-
Total Utility Plant:	<u>2,341,367,468</u>	<u>151,927,818</u>	<u>2,493,295,286</u>	<u>2,334,248,155</u>	<u>145,388,433</u>	<u>2,479,636,588</u>	<u>(13,658,698)</u>
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	579,574,515	36,728,200	616,302,715	579,574,515	36,107,408	615,681,923	(620,792)
Business Transformation Costs (SOP 98-1)	4,732,518	593,276	5,325,794	-	-	-	(5,325,794)
Deferred Depreciation	4,424,317	346,130	4,770,447	4,424,317	346,130	4,770,447	-
Post-in-Service AFUDC	4,002,829	194,821	4,197,650	4,002,829	194,821	4,197,650	-
Total Accumulated Depreciation	<u>592,734,179</u>	<u>37,862,427</u>	<u>630,596,606</u>	<u>588,001,661</u>	<u>36,648,359</u>	<u>624,650,020</u>	<u>(5,946,586)</u>
Net Utility Plant in Service	<u>1,748,633,289</u>	<u>114,065,391</u>	<u>1,862,698,680</u>	<u>1,746,246,494</u>	<u>108,740,074</u>	<u>1,854,986,568</u>	<u>(7,712,112)</u>
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	198,184,087	12,343,952	210,528,039	198,184,087	12,343,952	210,528,039	-
Customer Advances for Construction	53,243,014	8,566,722	61,809,736	53,243,014	8,566,722	61,809,736	-
Somerset Capacity Adjustment	174,216	7,875	182,091	174,216	7,875	182,091	-
Total Deductions	<u>251,601,317</u>	<u>20,918,549</u>	<u>272,519,866</u>	<u>251,601,317</u>	<u>20,918,549</u>	<u>272,519,866</u>	<u>-</u>
<u>Additions:</u>							
Acquisition Adjustment, net	17,465,104	(17,465,104)	-	-	-	-	-
SEI Deferred Depreciation, Property Taxes & PISCC	-	4,364,489	4,364,489	-	4,364,489	4,364,489	-
Materials and Supplies	2,810,651	(582,998)	2,227,653	2,810,651	(582,998)	2,227,653	-
Total Additions	<u>20,275,755</u>	<u>(13,683,613)</u>	<u>6,592,142</u>	<u>2,810,651</u>	<u>3,781,491</u>	<u>6,592,142</u>	<u>-</u>
Total Original Cost Rate Base	<u>\$ 1,517,307,727</u>	<u>\$ 79,463,229</u>	<u>\$ 1,596,770,956</u>	<u>\$ 1,497,455,828</u>	<u>\$ 91,603,016</u>	<u>\$ 1,589,058,844</u>	<u>\$ (7,712,112)</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

Calculation of Original Cost Rate Base - Water
Step Two

	Petitioner			Per OUC			OUC More (Less)
	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 2,470,774,861	\$ 116,886,351	\$ 2,587,661,212	\$ 2,464,235,476	\$ 108,970,343	\$ 2,573,205,819	\$ (14,455,393)
Business Transformation Costs (SOP 98-1)	7,119,313	-	7,119,313	-	-	-	(7,119,313)
Deferred Depreciation	8,277,794	-	8,277,794	8,277,794	-	8,277,794	-
Post-in-Service AFUDC	7,123,318	-	7,123,318	7,123,318	-	7,123,318	-
Total Utility Plant:	2,493,295,286	116,886,351	2,610,181,637	2,479,636,588	108,970,343	2,588,606,931	(21,574,706)
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	616,302,715	36,320,799	652,623,514	615,681,923	35,831,812	651,513,735	(1,109,779)
Business Transformation Costs (SOP 98-1)	5,325,794	533,948	5,859,742	-	-	-	(5,859,742)
Deferred Depreciation	4,770,447	309,729	5,080,176	4,770,447	309,729	5,080,176	-
Post-in-Service AFUDC	4,197,650	171,466	4,369,116	4,197,650	171,466	4,369,116	-
Total Accumulated Depreciation	630,596,606	37,335,942	667,932,548	624,650,020	36,313,007	660,963,027	(6,969,521)
Net Utility Plant in Service	1,862,698,680	79,550,409	1,942,249,089	1,854,986,568	72,657,336	1,927,643,904	(14,605,185)
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	210,528,039	1,231,177	211,759,216	210,528,039	1,231,177	211,759,216	-
Customer Advances for Construction	61,809,736	6,883,538	68,693,274	61,809,736	6,883,538	68,693,274	-
Somerset Capacity Adjustment	182,091	(711)	181,380	182,091	(711)	181,380	-
Total Deductions	272,519,866	8,114,004	280,633,870	272,519,866	8,114,004	280,633,870	-
<u>Additions:</u>							
Acquisition Adjustment, net	-	-	-	-	-	-	-
SEI Deferred Depreciation, Property Taxes & PISCC	4,364,489	(77,104)	4,287,385	4,364,489	(77,104)	4,287,385	-
Materials and Supplies	2,227,653	-	2,227,653	2,227,653	-	2,227,653	-
Total Additions	6,592,142	(77,104)	6,515,038	6,592,142	(77,104)	6,515,038	-
Total Original Cost Rate Base Funded by Petitioner	\$ 1,596,770,956	\$ 71,359,301	\$ 1,668,130,257	\$ 1,589,058,844	\$ 64,466,228	\$ 1,653,525,072	\$ (14,605,185)

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

Calculation of Original Cost Rate Base - Water
Step Three

	Petitioner			Per OUC			OUC More (Less)
	Forecasted as of 4/30/2024	Adjustments	Forecasted as of 4/30/2025	Forecasted as of 4/30/2024	Adjustments	Forecasted as of 4/30/2025	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 2,587,661,212	\$ 224,742,402	\$ 2,812,403,614	\$ 2,573,205,819	\$ 172,710,541	\$ 2,745,916,360	\$ (66,487,254)
Business Transformation Costs (SOP 98-1)	7,119,313	-	7,119,313	-	-	-	(7,119,313)
Deferred Depreciation	8,277,794	-	8,277,794	8,277,794	-	8,277,794	-
Post-in-Service AFUDC	7,123,318	-	7,123,318	7,123,318	-	7,123,318	-
Total Utility Plant:	<u>2,610,181,637</u>	<u>224,742,402</u>	<u>2,834,924,039</u>	<u>2,588,606,931</u>	<u>172,710,541</u>	<u>2,761,317,472</u>	<u>(73,606,567)</u>
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	652,623,514	55,460,515	708,084,029	651,513,735	57,589,170	709,102,905	1,018,876
Business Transformation Costs (SOP 98-1)	5,859,742	711,931	6,571,673	-	-	-	(6,571,673)
Deferred Depreciation	5,080,176	410,201	5,490,377	5,080,176	410,201	5,490,377	-
Post-in-Service AFUDC	4,369,116	221,408	4,590,524	4,369,116	221,408	4,590,524	-
Total Accumulated Depreciation	<u>667,932,548</u>	<u>56,804,055</u>	<u>724,736,603</u>	<u>660,963,027</u>	<u>58,220,779</u>	<u>719,183,806</u>	<u>(5,552,797)</u>
Net Utility Plant in Service	<u>1,942,249,089</u>	<u>167,938,347</u>	<u>2,110,187,436</u>	<u>1,927,643,904</u>	<u>114,489,762</u>	<u>2,042,133,666</u>	<u>(68,053,770)</u>
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	211,759,216	1,640,963	213,400,179	211,759,216	1,640,963	213,400,179	-
Customer Advances for Construction	68,693,274	9,422,296	78,115,570	68,693,274	9,422,296	78,115,570	-
Somerset Capacity Adjustment	181,380	13,251	194,631	181,380	13,251	194,631	-
Total Deductions	<u>280,633,870</u>	<u>11,076,510</u>	<u>291,710,380</u>	<u>280,633,870</u>	<u>11,076,510</u>	<u>291,710,380</u>	<u>-</u>
<u>Additions:</u>							
Acquisition Adjustment, net	-	-	-	-	-	-	-
SEI Deferred Depreciation, Property Taxes & PISCC	4,287,385	(137,039)	4,150,346	4,287,385	(137,039)	4,150,346	-
Materials and Supplies	2,227,653	-	2,227,653	2,227,653	-	2,227,653	-
Total Additions	<u>6,515,038</u>	<u>(137,039)</u>	<u>6,377,999</u>	<u>6,515,038</u>	<u>(137,039)</u>	<u>6,377,999</u>	<u>-</u>
Total Original Cost Rate Base Funded by Petitioner	<u>\$ 1,668,130,257</u>	<u>\$ 156,724,798</u>	<u>\$ 1,824,855,055</u>	<u>\$ 1,653,525,072</u>	<u>\$ 103,276,213</u>	<u>\$ 1,756,801,285</u>	<u>\$ (68,053,770)</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

Calculation of Original Cost Rate Base - Wastewater
Step One

	Per Petitioner			Per OUCC			OUCC More (Less)
	Actual Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	Actual as of 9/30/2022	Adjustments	Forecasted as of 7/31/2023	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 19,538,355	\$ 1,149,274	\$ 20,687,629	\$ 19,538,355	\$ 1,149,274	\$ 20,687,629	\$ -
Business Transformation Costs (SOP 98-1)	51,631	-	51,631	-	-	-	(51,631)
Deferred Depreciation,	33,346	-	33,346	33,346	-	33,346	-
Post-in-Service AFUDC	14,122	-	14,122	14,122	-	14,122	-
Total Utility Plant:	<u>19,637,454</u>	<u>1,149,274</u>	<u>20,786,728</u>	<u>19,585,823</u>	<u>1,149,274</u>	<u>20,735,097</u>	<u>(51,631)</u>
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	1,724,619	662,728	2,387,347	\$ 1,724,619	662,728	2,387,347	-
Business Transformation Costs (SOP 98-1)	34,321	4,303	38,624	-	-	-	(38,624)
Deferred Depreciation	19,494	1,963	21,457	19,494	1,963	21,457	-
Post-in-Service AFUDC	8,090	664	8,754	8,090	664	8,754	-
Total Accumulated Depreciation	<u>1,786,524</u>	<u>669,658</u>	<u>2,456,182</u>	<u>1,752,203</u>	<u>665,355</u>	<u>2,417,558</u>	<u>(38,624)</u>
Net Utility Plant in Service	<u>17,850,930</u>	<u>479,616</u>	<u>18,330,546</u>	<u>17,833,620</u>	<u>483,919</u>	<u>18,317,539</u>	<u>(13,007)</u>
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	138,160	46,916	185,075	138,160	46,916	185,076	1
Customer Advances for Construction	458,109	-	458,109	458,109	-	458,109	-
Somerset Capacity Adjustment	130,224	(3,315)	126,909	130,224	(3,315)	126,909	-
Total Deductions	<u>726,493</u>	<u>43,601</u>	<u>770,093</u>	<u>726,493</u>	<u>43,601</u>	<u>770,094</u>	<u>1</u>
<u>Additions:</u>							
Acquisition Adjustment, net	130,913	(122,389)	8,524	130,913	(122,389)	8,524	-
SEI Deferred Depreciation, Property Taxes & PISCC	-	-	-	-	-	-	-
Materials and Supplies	21,525	(7,240)	14,285	21,525	(7,240)	14,285	-
Total Additions	<u>152,438</u>	<u>(129,629)</u>	<u>22,809</u>	<u>152,438</u>	<u>(129,629)</u>	<u>22,809</u>	<u>-</u>
Total Original Cost Rate Base	<u>\$ 17,276,875</u>	<u>\$ 306,386</u>	<u>\$ 17,583,262</u>	<u>\$ 17,259,565</u>	<u>\$ 310,689</u>	<u>\$ 17,570,254</u>	<u>\$ (13,008)</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

**Calculation of Original Cost Rate Base - Wastewater
Step Two**

	Petitioner			Per OUCC			OUCC More (Less)
	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	Forecasted as of 7/31/2023	Adjustments	Forecasted as of 4/30/2024	
Utility Plant in Service:							
Utility Plant in Service	\$ 20,687,629	\$ 2,443,951	\$ 23,131,580	\$ 20,687,629	\$ 1,913,556	\$ 22,601,185	\$ (530,395)
Business Transformation Costs (SOP 98-1)	51,631	-	51,631	-	-	-	(51,631)
Deferred Depreciation	33,346	-	33,346	33,346	-	33,346	-
Post-in-Service AFUDC	14,122	-	14,122	14,122	-	14,122	-
Total Utility Plant:	<u>20,786,728</u>	<u>2,443,951</u>	<u>23,230,679</u>	<u>20,735,097</u>	<u>1,913,556</u>	<u>22,648,653</u>	<u>(582,026)</u>
Accumulated Depreciation:							
Utility Plant in Service	2,387,347	598,012	2,985,359	2,387,347	582,896	2,970,243	(15,116)
Business Transformation Costs (SOP 98-1)	38,624	3,872	42,496	-	-	-	(42,496)
Deferred Depreciation	21,457	1,767	23,224	21,457	1,767	23,224	-
Post-in-Service AFUDC	8,754	597	9,351	8,754	597	9,351	-
Total Accumulated Depreciation	<u>2,456,182</u>	<u>604,248</u>	<u>3,060,430</u>	<u>2,417,558</u>	<u>585,260</u>	<u>3,002,818</u>	<u>(57,612)</u>
Net Utility Plant in Service	<u>18,330,546</u>	<u>1,839,703</u>	<u>20,170,249</u>	<u>18,317,539</u>	<u>1,328,296</u>	<u>19,645,835</u>	<u>(524,414)</u>
Deductions:							
Contributions in Aid of Construction ("CIAC"), net	185,075	(3,591)	181,484	185,076	(3,591)	181,485	1
Customer Advances for Construction	458,109	-	458,109	458,109	-	458,109	-
Somerset Capacity Adjustment	126,909	(2,984)	123,925	126,909	(2,984)	123,925	-
Total Deductions	<u>770,093</u>	<u>(6,575)</u>	<u>763,518</u>	<u>770,094</u>	<u>(6,575)</u>	<u>763,519</u>	<u>1</u>
Additions:							
Acquisition Adjustment, net	8,524	(767)	7,757	8,524	(767)	7,757	-
SEI Deferred Depreciation, Property Taxes & PISCC	-	-	-	-	-	-	-
Materials and Supplies	14,285	-	14,285	14,285	-	14,285	-
Total Additions	<u>22,809</u>	<u>(767)</u>	<u>22,042</u>	<u>22,809</u>	<u>(767)</u>	<u>22,042</u>	<u>-</u>
Total Original Cost Rate Base Funded by Petitioner	<u>\$ 17,583,262</u>	<u>\$ 1,845,511</u>	<u>\$ 19,428,773</u>	<u>\$ 17,570,254</u>	<u>\$ 1,334,104</u>	<u>\$ 18,904,358</u>	<u>\$ (524,415)</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45142

Calculation of Original Cost Rate Base - Wastewater
Step Three

	Petitioner			Per OUCC			OUCC More (Less)
	<i>Forecasted as of 4/30/2024</i>	Adjustments	<i>Forecasted as of 4/30/2025</i>	<i>Forecasted as of 4/30/2024</i>	Adjustments	<i>Forecasted as of 4/30/2025</i>	
<u>Utility Plant in Service:</u>							
Utility Plant in Service	\$ 23,131,580	\$ 2,010,582	\$ 25,142,162	\$ 22,601,185	\$ 227,758	\$ 22,828,943	\$ (2,313,219)
Business Transformation Costs (SOP 98-1)	51,631	-	51,631	-	-	-	(51,631)
Deferred Depreciation	33,346	-	33,346	33,346	-	33,346	-
Post-in-Service AFUDC	14,122	-	14,122	14,122	-	14,122	-
Total Utility Plant:	23,230,679	2,010,582	25,241,261	22,648,653	227,758	22,876,411	(2,364,850)
<u>Accumulated Depreciation:</u>							
Utility Plant in Service	2,985,359	947,463	3,932,822	2,970,243	975,411	3,945,654	12,832
Business Transformation Costs (SOP 98-1)	42,496	5,163	47,659	-	-	-	(47,659)
Deferred Depreciation	23,224	2,356	25,580	23,224	2,356	25,580	-
Post-in-Service AFUDC	9,351	796	10,147	9,351	796	10,147	-
Total Accumulated Depreciation	3,060,430	955,778	4,016,208	3,002,818	978,563	3,981,381	(34,827)
Net Utility Plant in Service	20,170,249	1,054,804	21,225,053	19,645,835	(750,805)	18,895,030	(2,330,023)
<u>Deductions:</u>							
Contributions in Aid of Construction ("CIAC"), net	181,484	(4,680)	176,803	181,485	(4,680)	176,805	2
Customer Advances for Construction	458,109	-	458,109	458,109	-	458,109	-
Somerset Capacity Adjustment	123,925	(5,545)	118,380	123,925	(5,545)	118,380	-
Total Deductions	763,518	(10,225)	753,292	763,519	(10,225)	753,294	2
<u>Additions:</u>							
Acquisition Adjustment, net	7,757	(1,023)	6,734	7,757	(1,023)	6,734	-
SEI Deferred Depreciation, Property Taxes & PISCC	-	-	-	-	-	-	-
Materials and Supplies	14,285	-	14,285	14,285	-	14,285	-
Total Additions	22,042	(1,023)	21,019	22,042	(1,023)	21,019	-
Total Original Cost Rate Base Funded by Petitioner	\$ 19,428,773	\$ 1,064,006	\$ 20,492,780	\$ 18,904,358	\$ (741,603)	\$ 18,162,755	\$ (2,330,025)

Indiana American Water Company
CAUSE NUMBER 45870

Pro forma Capital Structure - Base Year
As of September 30, 2022

Line No.	Amount	Percent of Total	Cost	Weighted Cost
1	\$ 653,279,538	45.37%	9.00%	4.08%
2	557,783,013	38.74%	4.73%	1.83%
3	241,413,228	16.77%	0.00%	0.00%
4	96,821	0.01%	0.00%	0.00%
5	(6,625,894)	-0.46%	0.00%	0.00%
6	-	0.00%	0.00%	0.00%
7	621,025	0.04%	7.47%	0.00%
8	(6,785,454)	-0.47%	0.00%	0.00%
9	<u>\$1,439,782,277</u>	<u>100.00%</u>		<u>5.91%</u>

Synchronized Interest Calculation

10	Total Original Cost Rate Base	\$1,514,715,394
11	Times: Weighted Cost of Debt	<u>1.83%</u>
12	Synchronized Interest Expense	<u>\$27,719,292</u>

Indiana American Water Company
CAUSE NUMBER 45870

Pro forma Capital Structure - Step 1
As of July 31, 2023

Line No.		<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1	Common Equity	\$ 716,559,651	47.41%	9.00%	4.27%
2	Long Term Debt	557,418,248	36.88%	4.73%	1.74%
3	Accumulated Deferred Income Taxes	253,164,451	16.75%	0.00%	0.00%
4	Accumulated Depreciation on Contributed Utility Plant for Muncie Sewer	98,742	0.01%	0.00%	0.00%
5	Prepaid OPEBs (Other Post Retirement Employee Benefits)	(8,264,162)	-0.55%	0.00%	0.00%
6	Accumulated Deferred Investment Tax Credits - Pre 1971	-	0.00%	0.00%	0.00%
7	Job Development Investment Tax Credits (JDITC) - Post 1970	607,436	0.04%	8.03%	0.00%
8	Prepaid Pension	(8,062,051)	-0.53%	0.00%	0.00%
9	Total Capital Structure	<u>\$1,511,522,315</u>	<u>100.01%</u>		<u>6.01%</u>

Synchronized Interest Calculation - Water

10	Total Original Cost Rate Base	\$1,589,058,845
11	Times: Weighted Cost of Debt	<u>1.7400%</u>
12	Synchronized Interest Expense	<u>\$27,649,624</u>

Synchronized Interest Calculation - Wastewater

13	Total Original Cost Rate Base	\$ 17,570,254
14	Times: Weighted Cost of Debt	<u>1.7400%</u>
15	Synchronized Interest Expense	<u>\$ 305,722</u>

Indiana American Water Company
CAUSE NUMBER 45870

Pro forma Capital Structure - Step 2
As of April 30, 2024

Line No.	Amount	Percent of Total	Cost	Weighted Cost
1	\$ 731,237,765	47.40%	9.00%	4.27%
2	570,746,268	36.99%	4.71%	1.74%
3	258,787,249	16.77%	0.00%	0.00%
4	100,471	0.01%	0.00%	0.00%
5	(9,545,695)	-0.62%	0.00%	0.00%
6	-	0.00%	0.00%	0.00%
7	597,878	0.04%	8.01%	0.00%
8	(9,091,336)	-0.59%	0.00%	0.00%
9	<u>\$1,542,832,600</u>	<u>100.00%</u>		<u>6.01%</u>

Synchronized Interest Calculation - Water

10	Total Original Cost Rate Base	\$1,653,525,072
11	Times: Weighted Cost of Debt	<u>1.7400%</u>
12	Synchronized Interest Expense	<u>\$28,771,336</u>

Synchronized Interest Calculation - Wastewater

13	Total Original Cost Rate Base	\$ 18,904,358
14	Times: Weighted Cost of Debt	<u>1.7400%</u>
15	Synchronized Interest Expense	<u>\$ 328,936</u>

Indiana American Water Company
CAUSE NUMBER 45870

Pro forma Capital Structure - Step 3
As of April 30, 2025

Line No.		Amount	Percent of Total	Cost	Weighted Cost
1	Common Equity	\$ 834,238,915	48.48%	9.00%	4.36%
2	Long Term Debt	651,443,865	37.86%	4.71%	1.78%
3	Accumulated Deferred Income Taxes	256,136,559	14.88%	0.00%	0.00%
4	Accumulated Depreciation on Contributed Utility Plant for Muncie Sewer	102,776	0.01%	0.00%	0.00%
5	Prepaid OPEBs (Other Post Retirement Employee Benefits)	(11,254,406)	-0.65%	0.00%	0.00%
6	Accumulated Deferred Investment Tax Credits - Pre 1971	-	0.00%	0.00%	0.00%
7	Job Development Investment Tax Credits (JDITC) - Post 1970	585,133	0.03%	8.02%	0.00%
8	Prepaid Pension	(10,463,716)	-0.61%	0.00%	0.00%
9	Total Capital Structure	<u>\$1,720,789,126</u>	<u>100.00%</u>		<u>6.14%</u>

Synchronized Interest Calculation - Water

10	Total Original Cost Rate Base			\$1,756,801,284	
11	Times: Weighted Cost of Debt			<u>1.7800%</u>	
12	Synchronized Interest Expense			<u>\$31,271,063</u>	

Synchronized Interest Calculation - Wastewater

10	Total Original Cost Rate Base			\$ 18,162,755	
11	Times: Weighted Cost of Debt			<u>1.7800%</u>	
12	Synchronized Interest Expense			<u>\$ 323,297</u>	

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

UTILITY PLANT IN SERVICE
Water Operations

				<u>Step One</u>	<u>Step Two</u>	<u>Step Three</u>		
Utility Plant in Service - Beginning Balance				\$ 2,318,847,043	\$ 2,464,235,476	\$ 2,573,205,819		
Petitioner Proposed Additions				151,927,818	116,886,351	224,742,402		
<u>OUC Recommended Changes:</u>								
				<u>Additions</u>	<u>Retirements</u>			
	Lake Station - Wells and Treatment Plant	Step 1	Currently In-Service	\$ 6,539,385	\$ -	(6,539,385)	-	-
I10-100020	Sheridan - Land for future wellfield	Step 2	08.31.23	779,950	-	-	(779,950)	-
I10-100019-01	Sheridan Main Extension	Step 2	04.30.24	7,136,058	-	-	(7,136,058)	-
I10-100018	Sheridan Water Treatment Plant	Step 3	08.31.24	29,542,795	(1,243,030)	-	-	(28,299,765)
I10-100019-02	Sheridan Main Extension	Step 3	09.30.24	2,102,244	-	-	-	(2,102,244)
I10-250018	Winchester Water Treatment Plant	Step 3	04.30.25	22,957,990	(1,328,138)	-	-	(21,629,852)
Total OUC Recommended Changes				<u>\$ 69,058,422</u>	<u>\$ (2,571,168)</u>	<u>(6,539,385)</u>	<u>(7,916,008)</u>	<u>(52,031,861)</u>
Net Additions Recommended by the OUC				145,388,433	108,970,343	172,710,541		
OUC Recommended Utility Plant in Service - Ending Balance				<u>\$ 2,464,235,476</u>	<u>\$ 2,573,205,819</u>	<u>\$ 2,745,916,360</u>		

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

**Accumulated Depreciation
Water Operations**

			<u>Step One</u>	<u>Step Two</u>	<u>Step Three</u>
Accumulated Depreciation - Beginning Balance			\$ 579,574,515	\$ 615,681,923	\$ 651,513,735
Petitioner Proposed Additions			36,728,200	36,320,799	55,460,515
<u>OUCC Recommended Changes:</u>					
		Cost of Removal			
		Retirements			
I10-100020	Sheridan - Land for future wellfield	08.31.23	-	-	-
I10-100019-01	Sheridan Main Extensions	04.30.24	20,000	-	-
I10-100018	Sheridan Water Treatment Plant	08.31.24	275,000	1,243,030	1,518,030
I10-100019-02	Sheridan Main Extensions	09.30.24	20,000	-	20,000
I10-250018	Winchester Water Treatment Plant	04.30.25	-	1,328,138	1,328,138
Total OUCC Recommended Modifications			<u>\$ 315,000</u>	<u>\$ 2,571,168</u>	<u>2,866,168</u>
<u>OUCC Recommended Depreciation Expense Changes:</u>					
	Lake Station Wells and Treatment Plant	Currently In-Service	(620,792)	(99,762)	(134,184)
I10-100019-01	Sheridan Main Extensions	04.30.24	-	(89,379)	(119,172)
I10-100018	Sheridan Water Treatment Plant	08.31.24	-	(299,367)	(449,050)
I10-100019-02	Sheridan Main Extensions	09.30.24	-	(20,479)	(35,107)
I10-250018	Winchester Water Treatment Plant	04.30.25	-	-	-
			<u>(620,792)</u>	<u>(508,987)</u>	<u>(737,513)</u>
Total OUCC Recommended Changes to Accumulated Depreciation			<u>36,107,408.00</u>	<u>35,831,812.00</u>	<u>57,589,170.00</u>
OUCC Recommended Accumulated Depreciation			<u>\$ 615,681,923</u>	<u>\$ 651,513,735</u>	<u>\$ 709,102,905</u>

Accumulated Depreciation Adjustment - Step Two

	<u>Account</u>		<u>Addition</u>	<u>Rate</u>	<u>Period</u>	<u>Depreciation</u>
I10-100020	Sheridan - Land for future wellfield	303200 08.31.23	\$ 779,950	0.00%	8	\$ -
I10-100019-01	Sheridan Main Extensions	331001 04.30.24	7,136,058	1.67%	9	89,379
I10-100018	Sheridan Water Treatment Plant	304300 08.31.24	29,542,795	1.52%	8	299,367
I10-100019-02	Sheridan Main Extensions	33101 09.30.24	2,102,244	1.67%	7	20,479
						<u>\$ 409,225</u>

Accumulated Depreciation Adjustment - Step Three

	<u>Account</u>		<u>Addition</u>	<u>Rate</u>	<u>Period</u>	<u>Depreciation</u>
I10-100020	Sheridan - Land for future wellfield	303200 08.31.23	\$ 779,950	0.00%	12	\$ -
I10-100019-01	Sheridan Main Extensions	331001 04.30.24	7,136,058	1.67%	12	119,172
I10-100018	Sheridan Water Treatment Plant	304300 08.31.24	29,542,795	1.52%	12	449,050
I10-100019-02	Sheridan Main Extensions	33101 09.30.24	2,102,244	1.67%	12	35,107
						<u>\$ 603,329</u>

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

WATER OPERATIONS
Lake Station Disallowance

Accumulated Depreciation Adjustment

Utility Plant in Service:

Source of Supply	UPIS	Step One ⁽¹⁾			Step Two			Step Three		
		Current Rate	Period	Amount	New Rate	Period	Amount	New Rate	Period	Amount
10130320 303.2 Land and Land Rights - Source of Supply	\$ 176,601	0.00%	45	\$ -	0.00%	9	\$ -	0.00%	12	\$ -
10130700 307.2 Wells and Springs	277,625	2.79%	45	29,047	2.65%	9	5,518	2.65%	12	7,357
10131152 311.2 Pumping Equipment - Source of Supply	398,777	3.08%	45	46,059	3.27%	9	9,780	3.27%	12	13,040
Total Source of Supply	853,003			75,106			15,298			20,397
Treatment Plant										
10130430 304.3 Structures & Improvements - Water Treatment	3,732,512	2.48%	45	347,124	1.52%	9	42,551	1.52%	12	56,734
10132010 320.3 Water Treatment Equipment (Clearwell)	377,095	2.71%	45	38,322	2.61%	9	7,382	2.92%	12	11,011
10132010 320.3 Water Treatment Equipment (piping and valves)	161,748	2.71%	45	16,438	2.92%	9	3,542	2.92%	12	4,723
10132010 320.3 Water Treatment Equipment (backwash tank)	397,794	2.71%	45	40,426	2.92%	9	8,712	2.92%	12	11,616
10132010 320.3 Water Treatment Equipment (chemical feed)	1,017,233	2.71%	45	103,376	2.92%	9	22,277	2.92%	12	29,703
Total Treatment Plant	5,686,382			545,686			84,464			113,787
Total Lake Station Source of Supply and Treatment Plant	\$ 6,539,385			\$ 620,792			\$ 99,762			\$ 134,184

(1) Depreciation rates applied through December 2023 are rates approved prior to Cause No. 45870. Depreciation rates proposed in this case will be effective beginning January 2024 (Step Two).

Lake Station was acquired in October 22, 2019.

(2) Technically, there are two depreciation rates that will be effective during Step Two, as the rate authorized in Cause No. 44922 will be in effect through December 31, 2023 with the new authorized rate going into effect on approximately January 1, 2024. Because the difference in the rates is not material, and to simplify this calculation, the new rate is used for all of Step Two.

	Step 1	Step 2	Step 3
2019	2	--	--
2020	12	--	--
2021	12	--	--
2022	12	--	--
2023	7	5	--
2024	--	4	8
2025	--	--	4
Total Depreciation Period (in months)	45	9	12

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

Rate Base Workpaper
Calculation of Lake Station Disallowance -- 7/31/2023

Utility Plant In Service

Land & Land Rights - Source of Supply	\$ 176,601	
Structure and Improvements - Water Treatment Plant Main Bldg	3,732,512	
Wells & Springs	277,625	
Pumping Equipment - Source of Supply (wells)	398,777	
Water Treatment Equipment - Clearwell Tank	377,095	
Water Treatment Equipment - Plant Piping and Valves	161,748	
Water Treatment Equipment - Filter Backwash Tank	397,794	
Water Treatment Equipment - Chemical Feed Equipment	1,017,233	
Total Disallowance	\$ 6,539,385	(a)

Acquisition Date	January 2019
Depreciation Period	45 Months

<u>Accumulated Depreciation:</u>	<u>Current Annual Depr Rate</u>	<u>Accumulated Depreciation</u>	
Structure and Improvements - Water Treatment Plant Main Bldg	2.48%	\$ 347,124	
Wells & Springs	2.79%	29,047	
Pumping Equipment - Source of Supply (wells)	3.08%	46,059	
Water Treatment Equipment - Clearwell Tank	2.71%	38,322	
Water Treatment Equipment - Plant Piping and Valves	2.71%	16,438	
Water Treatment Equipment - Filter Backwash Tank	2.71%	40,426	
Water Treatment Equipment - Chemical Feed Equipment	2.71%	103,376	
		\$ 620,792	(b)
Net Disallowance		\$ (5,918,593)	- (a) + (b)

INDIANA AMERICAN WATER COMPANY, INC.
CAUSE NUMBER 45870

UTILITY PLANT IN SERVICE
Wastewater Operations

				<u>Step One</u>	<u>Step Two</u>	<u>Step Three</u>
Utility Plant in Service - Beginning Balance				\$ 19,538,355	\$ 20,687,629	\$ 22,601,185
Petitioner Proposed Additions				1,149,274	2,443,951	2,010,582
<u>OUCC Recommended Changes:</u>						
			<u>Additions</u>	<u>Retirements</u>		
I10-110003	Sheridan Maple Run Lift Station	Step 2	10.31.23	\$ 530,395	\$ -	-
I10-110002	Sheridan 6th Street Lift Station	Step 3	03.31.25	1,791,005	(8,181)	(1,782,824)
Total OUCC Recommended Changes				<u>\$ 2,321,400</u>	<u>\$ (8,181)</u>	<u>(1,782,824)</u>
Net Additions Recommended by the OUCC				1,149,274	1,913,556	227,758
OUCC Recommended Utility Plant in Service - Ending Balance				<u>\$ 20,687,629</u>	<u>\$ 22,601,185</u>	<u>\$ 22,828,943</u>

OUCC 09-020

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

For purposes of Petitioner's proposed regulatory treatment of production costs, does Petitioner intend to differentiate between production cost increases due to increased demand because of customer growth or customer consumption versus increases in price? Please explain why or why not.

Information Provided:

No. The proposed regulatory treatment of production costs would be all-inclusive since there are varying drivers that must be taken into consideration.

OUCC 36-006

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

With regards to Petitioner's response to OUCC DR 7-46, please state the number of "Cleared" and "Marked" line locates, respectively, performed for Petitioner by an outside vendor for each of the years 2016 – 2022.

Information Provided:

None of Indiana American locates have been done by an outside vendor.

OUCG 45-003

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please state the total amount paid to outside vendors to perform line locates for each of the calendar years 2016 – 2022.

Information Provided:

Outside vendors have not performed line locates in any of those years.

OUCC 48-019

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

In Cause No. 45142, Petitioner proposed to outsource line locates and requested approximately \$1.0 million for additional contract services expense. To the extent Petitioner did not outsource the expected line locates, please explain the reasons for not doing so and how Petitioner performed the line locates that were to be outsourced.

Information Provided:

Due to shifting priorities and business needs at the time, Indiana American did not contract out the locates and Indiana American employees completed the locates.

Depreciation Calculation
Cause No. 45870
Water Operations

Utility Account	NARUC Account	Account Description	Step 1 UPIS	Existing Depreciation Rates	Step 1 Depreciation Expense	Step 2 UPIS	OUCC Depreciation Rates	Step 2 Depreciation Expense	Step 3 UPIS	OUCC Depreciation Rates	Step 3 Depreciation Expense
301000	301	Organization	\$ 507,258	0.00%	\$ -	\$ 507,258	0.00%	\$ -	\$ 507,258	0.00%	\$ -
302000	302	Franchises	2,677	0.00%	-	2,677	0.00%	-	2,677	0.00%	-
303200	303.2	Land & Land Rights-Supply	14,146,652	0.00%	-	14,312,598	0.00%	-	15,201,143	0.00%	-
303300	303.3	Land & Land Rights-Pumping	134,754	0.00%	-	134,754	0.00%	-	134,754	0.00%	-
303400	303.4	Land & Land Rights-Treatment	2,848,841	0.00%	-	2,848,841	0.00%	-	2,848,841	0.00%	-
303500	303.5	Land & Land Rights-T&D	4,236,637	0.00%	-	4,247,586	0.00%	-	4,247,586	0.00%	-
303600	303.6	Land & Land Rights-General	2,802,046	0.00%	-	2,802,046	0.00%	-	2,802,046	0.00%	-
304100	304.1	Struct & Imp-Supply	14,844,493	3.22%	477,993	14,905,106	3.41%	508,895	14,905,106	3.41%	508,895
304200	304.2	Struct & Imp-Pumping	26,092,287	2.63%	686,227	26,092,287	1.20%	314,192	26,092,287	1.20%	314,192
304300	304.3	Struct & Imp-Treatment	136,067,651	2.48%	3,374,478	136,067,651	1.52%	2,065,131	136,067,652	1.52%	2,065,131
304301	304.32	Struct & Imp-Treat-Dpr Paint	197,248	2.52%	4,971	197,248	0.45%	897	197,248	0.45%	897
304302	304.32	Struct & Imp-Treat-Painting	1,213,319	2.52%	30,576	1,213,319	0.45%	5,516	1,213,319	0.45%	5,516
304310	304.3	Struct & Imp-Treatment-Handl	4,799,864	2.08%	99,837	4,799,864	2.52%	121,137	4,799,864	2.52%	121,137
304312	304.32	Struc & Imp-Treat-WH Repaint	5,086	2.52%	128	5,086	6.02%	306	5,086	6.02%	306
304390	304.3	Struct & Imp-Treat-Mixing	20,371	2.08%	424	20,371	1.84%	374	20,371	1.84%	374
304391	304.3	Struct & Imp-Treat-Purifictn	741,553	2.08%	15,424	741,553	2.76%	20,461	741,553	2.76%	20,461
304392	304.3	Struct & Imp-Treat-Wash Tank	(3,607,064)	2.08%	(75,027)	(3,607,064)	2.56%	(92,481)	(3,607,064)	2.56%	(92,481)
304400	304.4	Struct & Imp-T&D	5,959,821	2.77%	165,087	6,994,121	2.84%	198,945	7,549,521	2.84%	214,743
304500	304.5	Struct & Imp-General	12,184,911	3.75%	456,934	12,184,911	4.14%	503,973	12,184,911	4.14%	503,973
304600	304.6	Struct & Imp-Offices	5,154,737	3.66%	188,663	5,645,947	4.06%	229,250	11,592,090	4.06%	470,689
304610	304.61	Struct & Imp-HVAC	4,007,695	3.69%	147,884	4,007,695	3.74%	149,760	4,007,695	3.74%	149,760
304620	304.62	Struct & Imp-Leasehold	172,832	2.65%	4,580	172,832	8.61%	14,889	172,832	8.61%	14,889
304700	304.7	Struct & Imp-Store,Shop,Gar	9,092,823	2.08%	189,131	9,092,823	1.95%	177,209	9,092,823	1.95%	177,209
304800	304.8	Struct & Imp-Misc	1,317,827	1.45%	19,108	1,317,827	3.61%	47,514	1,317,827	3.61%	47,514
305000	305	Collect & Impound Reservoirs	10,461,627	1.26%	131,817	10,486,352	1.32%	138,405	10,486,352	1.32%	138,405
306000	306	Lake, River & Other Intakes	51,403,660	2.09%	1,074,336	51,403,660	1.39%	712,782	51,403,660	1.39%	712,782
307000	307	Wells & Springs	24,873,711	2.79%	693,977	24,750,775	2.65%	654,819	24,750,775	2.65%	654,819
308000	308	Infiltratn Galleries & Tunne	71,671	10.59%	7,590	549,600	1.16%	6,395	549,600	1.16%	6,395
309000	309	Supply Mains	16,665,472	1.42%	236,650	16,665,472	1.31%	217,819	16,665,472	1.31%	217,819
310000	310.1	Power Generation Equip	17,322,176	2.34%	405,339	17,288,272	2.76%	476,601	21,936,891	2.76%	604,753
311200	311.2	Pump Eqp Electric	41,299,381	1.43%	590,581	42,405,296	1.27%	537,511	43,927,168	1.27%	556,802
311300	311.3	Pump Eqp Diesel	623,295	4.51%	28,111	623,295	2.10%	13,063	623,295	2.10%	13,063
311400	311.4	Pump Eqp Hydraulic	134,083	2.18%	2,923	134,083	2.64%	3,540	134,083	2.64%	3,540
311500	311.5	Pump Eqp Other	5,473,167	3.08%	168,574	5,474,758	4.22%	231,231	5,474,758	4.22%	231,231
311520	311.5	Pump Eqp-SOS & Pumping	8,007,300	3.08%	246,625	8,007,300	3.27%	262,058	8,007,300	3.27%	262,058
311530	311.5	Pumping Equipment WT	3,563,411	3.08%	109,753	3,563,411	3.16%	112,596	4,839,299	3.16%	152,911
311540	311.5	Pumping Equipment TD	2,477,953	3.08%	76,321	2,477,953	3.36%	83,138	3,991,535	3.36%	133,920
320100	320.1	WT Equip Non-Media	146,363,139	2.33%	3,410,261	149,061,757	2.61%	3,884,175	152,789,249	2.61%	3,981,304
320190	320.19	WT Equip-Basin,Clearwell	15,248,746	2.71%	413,241	15,248,746	2.92%	445,877	15,248,746	2.92%	445,877
320191	320.19	WT Equip-Filter Plt Piping	25,612,626	2.71%	694,102	25,612,626	2.92%	748,919	25,612,626	2.92%	748,919
320192	320.19	WT Equip-Wash Water Tank	8,182,689	2.71%	221,751	8,173,461	2.92%	238,994	8,173,461	2.92%	238,994
320193	320.19	WT Equip-Chemical Feed	20,377,371	2.71%	552,227	41,602,580	2.92%	1,216,469	43,951,881	2.92%	1,285,163

Depreciation Calculation
Cause No. 45870
Water Operations

Utility Account	NARUC Account	Account Description	Step 1 UPIS	Existing Depreciation Rates	Step 1 Depreciation Expense	Step 2 UPIS	OUCC Depreciation Rates	Step 2 Depreciation Expense	Step 3 UPIS	OUCC Depreciation Rates	Step 3 Depreciation Expense
320200	320.2	WT Equip Filter Media	5,603,466	9.40%	526,726	5,611,018	7.02%	394,022	5,611,018	7.02%	394,022
330000	330	Dist Reservoirs & Standpipes	42,891,416	2.04%	874,985	44,814,437	2.19%	979,462	44,814,437	2.19%	979,462
330001	330.98	Tank Repainting	5,899,460	2.69%	158,695	5,899,460	3.48%	205,017	5,899,460	3.48%	205,017
330002	330.98	Tank Original Painting	975,495	11.69%	114,035	975,495	1.68%	16,406	975,495	1.68%	16,406
330003	330.98	Tank Repainting	17,522,340	11.69%	2,048,362	16,959,902	3.48%	589,389	19,548,304	3.48%	679,340
330100	330	Elevated Tanks & Standpipes	15,276,067	2.04%	311,632	17,269,102	2.19%	377,432	46,612,585	2.19%	1,018,762
330200	330	Ground Level Tanks	5,878,557	2.04%	119,923	5,878,557	2.19%	128,481	5,878,557	2.19%	128,481
331001	331.01	T&D Mains	984,336,585	1.76%	17,324,324	1,015,317,246	1.67%	16,914,317	1,063,772,456	1.67%	17,721,540
331200	331.01	TD Mains 6in to 8in	16,772,054	1.76%	295,188	16,772,054	1.67%	279,408	16,772,054	1.67%	279,408
332000	332	Fire Mains	20,403	1.00%	204	20,403	1.81%	370	20,403	1.81%	370
333000	333	Services	234,917,897	3.62%	8,504,028	245,597,446	2.86%	7,013,444	264,907,790	2.86%	7,564,883
333100	333.1	Replaced Cust Lead Services	22,565,208	3.62%	816,861	22,565,208	1.26%	284,831	22,565,208	1.26%	284,831
334100	334.1	Meters	50,401,318	5.37%	2,706,551	58,979,142	5.67%	3,342,680	70,795,492	5.67%	4,012,379
334110	334.11	Meters Bronze Case	29,374,377	6.38%	1,874,085	29,374,377	3.54%	1,039,099	29,374,377	3.54%	1,039,099
334120	334.12	Meters Plastic Case	9,548,246	9.09%	867,936	9,548,246	9.25%	882,770	9,548,246	9.25%	882,770
334130	334.13	Meters Other	9,686,030	4.63%	448,463	9,686,030	4.36%	421,957	9,686,030	4.36%	421,957
334131	334.13	Meter Reading Units	7,746,393	4.63%	358,658	7,746,393	4.74%	366,936	7,746,393	4.74%	366,936
334200	334.2	Meter Installations	96,210,742	2.53%	2,434,132	106,706,807	2.74%	2,923,096	122,092,016	2.74%	3,344,554
334201	334.2	Meter Installations-Other	4,454,040	2.53%	112,687	4,454,040	2.64%	117,405	4,454,040	2.64%	117,405
334300	334.3	Meter Vaults	37,564,436	3.15%	1,183,280	37,564,436	3.49%	1,311,544	37,564,436	3.49%	1,311,544
335000	335	Hydrants	96,526,694	2.30%	2,220,114	100,418,873	2.38%	2,392,870	106,893,553	2.38%	2,547,154
336000	336	Backflow Prevention Devices	14,415	3.49%	503	15,465	2.83%	438	15,465	2.83%	438
339300	339.3	Other P/E-Treatment	284,901	3.49%	9,943	284,901	4.15%	11,821	284,901	4.15%	11,821
339500	339.5	Other P/E-TD	115,939	11.53%	13,368	115,939	0.40%	460	115,939	0.40%	460
339600	339.6	Other P/E-CPS	112,058	0.00%	-	112,058	0.00%	-	112,058	0.00%	-
340100	340.1	Office Furniture & Equip	1,639,434	5.00%	81,972	1,639,434	4.43%	72,585	1,639,434	4.43%	72,585
340210	340.21	Comp & Periph Mainframe	226,114	0.00%	-	226,114	0.00%	-	226,114	0.00%	-
340220	340.22	Comp & Periph Personal	3,275,774	20.00%	655,155	3,888,647	1.39%	54,109	5,530,518	1.39%	76,955
340230	340.23	Comp & Periph Other	3,161,491	20.00%	632,298	3,161,491	13.45%	425,242	3,161,491	13.45%	425,242
340240	340.24	Comp & Periph Capital Lease	-	0.00%	-	-	13.45%	-	-	13.45%	-
340300	340.3	Computer Software	48,692,421	10.00%	4,869,242	55,825,421	12.78%	7,131,830	62,958,421	12.78%	8,043,088
340310	340.31	Comp Software Mainframe	290,305	20.00%	58,061	290,305	12.78%	37,087	290,305	12.78%	37,087
340320	340.32	Comp Software Personal	-	0.00%	-	-	12.78%	-	-	12.78%	-
340325	340.35	Comp Software Customized	4,738,229	20.00%	947,646	4,738,229	6.99%	331,428	4,738,229	6.99%	331,428
340330	340.33	Comp Software Other	505,505	20.00%	101,101	505,505	17.12%	86,550	505,505	17.12%	86,550
340500	340.5	Other Office Equipment	-	6.67%	-	-	0.00%	-	-	0.00%	-
341100	341.1	Trans Equip Lt Duty Trks	8,832,964	4.85%	428,399	8,832,964	9.96%	879,557	8,832,964	9.96%	879,557
341200	341.2	Trans Equip Hvy Duty Trks	7,964,541	8.16%	649,907	10,831,969	6.23%	674,461	14,596,869	6.23%	908,885
341300	341.3	Trans Equip Autos	1,469,798	16.69%	245,309	1,469,798	0.00%	-	1,469,798	0.00%	-
341400	341.4	Trans Equip Other	2,586,288	14.17%	366,477	2,586,288	6.25%	161,547	2,586,288	6.25%	161,547
342000	342	Stores Equipment	136,851	4.00%	5,474	136,851	3.29%	4,499	136,851	3.29%	4,499
343000	343	Tools,Shop,Garage Equip	9,439,987	4.00%	377,599	10,157,192	3.96%	402,492	11,027,342	3.96%	436,973

Depreciation Calculation
Cause No. 45870
Water Operations

Utility Account	NARUC Account	Account Description	Step 1 UPIs	Existing Depreciation Rates	Step 1 Depreciation Expense	Step 2 UPIs	OUCG Depreciation Rates	Step 2 Depreciation Expense	Step 3 UPIs	OUCG Depreciation Rates	Step 3 Depreciation Expense
343100	343.1	**** Eqp	-	0.00%	-	-	0.00%	-	-	0.00%	-
344000	344	Laboratory Equipment	3,323,068	6.67%	221,649	3,986,617	2.66%	106,089	4,899,740	2.66%	130,389
345000	345	Power Operated Equipment	2,471,724	2.37%	58,580	2,471,724	5.08%	125,474	2,471,724	5.08%	125,474
346000	346	Comm Equip Not Classified	1,145,953	6.67%	76,435	1,145,953	7.63%	87,470	1,145,953	7.63%	87,470
346100	346	Comm Equip Non-Telephone	3,234,409	6.67%	215,735	3,234,409	4.31%	139,457	3,234,409	4.31%	139,457
346190	346	Remote Control & Instrument	18,486,288	6.67%	1,233,035	19,827,193	8.93%	1,770,872	21,726,238	8.93%	1,940,486
346200	346	Comm Equip Telephone	238,806	6.67%	15,928	238,806	10.64%	25,400	238,806	10.64%	25,400
347000	347	Misc Equipment	5,997,916	5.00%	299,896	5,997,916	7.26%	435,520	5,997,916	7.26%	435,520
		Vehicle Capitalization	573,276	2.83%	16,224	1,089,224	2.61%	28,429	1,777,155	2.64%	46,917
		Depreciation Expense - UPIs	<u>\$ 2,464,235,476</u>	2.83%	<u>\$ 69,731,402</u>	<u>\$ 2,573,205,819</u>	2.61%	<u>\$ 67,224,113</u>	<u>\$ 2,745,916,360</u>	2.65%	<u>\$ 72,636,508</u>
		Vehicle Capitalization ⁽¹⁾			(687,931)			(687,931)			(687,931)
		Unrecovered Reserve Amort.			(872,525)			(872,525)			(145,421)
		UPAA Der Amortization			11,742			11,742			11,742
		Deferred Depreciation			415,356			413,567			410,201
		CIAC Amortization			(5,506,759)			(5,538,963)			(5,581,885)
		Depreciation Expense			<u>\$ 63,091,285</u>			<u>\$ 60,550,003</u>			<u>\$ 66,643,214</u>

⁽¹⁾ Vehicle capitalization represents an allocation of transportation expense (overhead) to capital projects. Petitioner reduced depreciation expense rather than transportation expense. Depreciation expense included in accumulated depreciation excludes this adjustment. The difference between the amount included in rate base and the amount reducing depreciation expense is that the rate base amount represents the increase to test year vehicle capitalization, while the depreciation expense adjustment represents the total amount being capitalized.

Depreciation Calculation
Cause No. 45870
Wastewater Operations

Utility Account	NARUC Account	Account Description	Existing			OUCC			OUCC		
			Step 1 UPIS	Depreciation Rates	Step 1 Depreciation Expense	Step 2 UPIS	Depreciation Rates	Step 2 Depreciation Expense	Step 3 UPIS	Depreciation Rates	Step 2 Depreciation Expense
353200	353.2	WW Land & Ld Rights Collect	\$ 631	0.00%	\$ -	\$ 631	0.00%	\$ -	\$ 631	0.00%	\$ -
353400	353.4	WW Land & Ld Rights Treatmnt	388,432	0.00%	-	388,432	0.00%	-	388,432	0.00%	-
354200	354.2	WW Struct & Imp Collection	968,686	2.61%	25,283	1,018,686	3.31%	33,719	1,092,019	3.31%	36,146
354400	354.4	WW Struct & Imp Treatment	3,617,706	3.13%	113,234	4,406,478	5.70%	251,169	4,444,477	5.70%	253,335
354500	354.5	WW Struct & Imp General	157,552	2.57%	4,049	157,552	2.81%	4,427	157,552	2.81%	4,427
355400	355	WW Pwr Gen Equip Treatment	67,299	3.16%	2,127	67,299	19.62%	13,204	67,299	19.62%	13,204
355500	355	WW Pwr Gen Equip RWTP	47,345	3.16%	1,496	47,345	2.58%	1,222	47,345	2.58%	1,222
361100	361.1	WW Collecting Mains	4,225,115	4.60%	194,355	5,237,939	4.94%	258,754	5,296,304	4.94%	261,637
361101	361.1	WW Collecting Mains Other	1,460,843	4.60%	67,199	1,460,843	4.94%	72,166	1,460,843	4.94%	72,166
363000	363	WW Services Sewer	945,928	2.67%	25,256	1,007,888	3.87%	39,005	1,065,949	3.87%	41,252
364000	364	WW Flow Measuring Devices	63,400	5.05%	3,202	63,400	0.00%	-	63,400	0.00%	-
371100	371.1	WW Pump Equip Elect	204,536	3.70%	7,568	204,536	6.09%	12,456	204,536	6.09%	12,456
371200	371.2	WW Pump Equip Oth Pwr	1,166	2.72%	32	1,166	1.80%	21	1,166	1.80%	21
371300	371.3	WW Pump Equip Misc	17,021	3.70%	630	17,021	2.73%	465	17,021	2.73%	465
380450	380	WW TD Equip Oth Sew Rem	64,185	6.98%	4,480	64,185	12.25%	7,863	64,185	12.25%	7,863
380500	380	WW TD Equip Chem Trmt Plt	8,080,344	6.98%	564,008	8,080,344	3.83%	309,477	8,080,344	3.83%	309,477
380600	380	WW TD Equip Oth Disp	30,834	6.98%	2,152	30,834	5.29%	1,631	30,834	5.29%	1,631
380625	380	WW TD Equip Gen Trmt	60,655	6.98%	4,234	60,655	4.58%	2,778	60,655	4.58%	2,778
381000	381	WW Plant Sewers	110,913	1.95%	2,163	110,913	2.19%	2,429	110,913	2.19%	2,429
394000	394	WW Laboratory Equipment	24,213	6.67%	1,615	24,213	8.02%	1,942	24,213	8.02%	1,942
396000	396	WW Communication Equip	109,398	6.67%	7,297	109,398	6.98%	7,636	109,398	6.98%	7,636
397000	397	WW Misc Equipment	41,427	5.00%	2,070	41,427	19.96%	8,269	41,427	19.96%	8,269
398000	398	WW Other Tangible Plant	-	0.00%	-	-	-	-	-	-	-
			<u>\$ 20,687,629</u>	4.99%	<u>\$ 1,032,450</u>	<u>\$ 22,601,185</u>	4.55%	<u>\$ 1,028,633</u>	<u>\$ 22,828,943</u>	4.55%	<u>\$ 1,038,356</u>
		UPAA Depr Amortization			499			499			1,028
		Deferred Depreciation			2,356			2,356			235
		CIAC Amortization			(4,841)			-			(8,192)
		Depreciation Expense			<u>\$ 1,030,464</u>			<u>\$ 1,031,488</u>			<u>\$ 1,031,427</u>

OUCC 02-006

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

On page 2 of 5 of the Attachment GDS-3, in the first “whereas” clause, it mentions “providing a property tax exemption to a person for investing in eligible infrastructure in the zone.”

- a. Did Petitioner receive a property tax exemption for its investment in eligible infrastructure in the zone?
 - i. How long is any property tax exemption effective?
 - ii. Does the property tax exemption include personal property taxes? Please explain.
 - iii. Is the property tax exemption for the entire \$18,000,000 of estimated costs? Please explain.
- b. Has Petitioner excluded property taxes on this eligible infrastructure investment in the calculation of its revenue requirement in this case? Please explain.
- c. If no property tax exemption was provided, is property tax expense included in the calculation of the surcharge? Please explain.

Information Provided:

- a. Yes, the ordinance indicated the Commissioners found that providing a property tax exemption would increase availability of public water service.
 - i. Neither the statute nor ordinance designate an end date for the exemption. It is believed it is permanent.
 - ii. Yes; the statute does not distinguish between real and personal property for the exemption.
 - iii. The statute indicates that all water infrastructure in the Infrastructure Development Zone would be exempt from taxation.
- b. Petitioner did not exclude property taxes from the calculation but will going forward. These taxes should be excluded.
- c. **Petitioner did not exclude property taxes from the calculation but they should be.**

Accumulated Deferred income Tax included in Capital Structure
Repair Deduction Adjustment
Cause No. 45870

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total Adjustment</u>
Repair Deduction	\$ 35,135,595	\$ 43,007,543	\$ 46,525,494	
Times: Tax Rate (25%)	25.00%	25.00%	25.00%	
	<u>\$ 8,783,899</u>	<u>\$ 10,751,886</u>	<u>\$ 11,631,374</u>	
Step One Adjustment				-
No Repair Deduction in 2023				
Step Two Adjustment				(2,927,966)
4 months of 2024	(2,927,966)			
Step Three Adjustment				(9,439,895)
8 months of 2024	(5,855,933)			
4 months of 2025		(3,583,962)		

Accumulated Deferred income Tax included in Capital Structure
EDIT Amortization Adjustment
Cause No. 45870

		<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Cumulative Adjustment</u>
EDIT Amortization - INAWC		\$ 1,053,358	\$ 1,239,971	\$ 1,191,110	
EDIT Amortization - OUCC		1,908,310	1,908,310	1,908,310	
OUCC More (Less)		<u>\$ 854,952</u>	<u>\$ 668,339</u>	<u>\$ 717,200</u>	
Step One Adjustment	(1)	-	-	-	-
Step Two Adjustment	(2)	(213,738)	-	-	(213,738)
Step Three Adjustment	(3)	(213,738)	(445,559)	(239,067)	\$ (898,364)

(1) Since the EDIT amortization change would not take effect until the implementation of rates in Step One, there is no Step One adjustment necessary to the projected ADIT balance at 7/31/2023.

(2) EDIT amortization adjustment will be in effect from February 2024 through April 2024 or three months.

(3) EDIT amortization adjustment will be in effect from February 2024 through April 2025 - three months of 2023 adjustment, 8 months of 2024 adjustment, and 4 months of 2025 adjustment.

OUCG 02-004

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

How much of a contribution was paid to Petitioner for the Montgomery County investment? Please identify each contributor, including the amount contributed by each.

Information Provided:

\$14,680,718.63. See Attachment provided in response to OUCG 02-007.

OUCG 02-007

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please provide the general ledger transactions that will be recorded to reflect the following:

- a. \$18,000,000 (estimated) investment in eligible costs related to the Montgomery County Infrastructure Development Zone;
- b. Receipt of any contributions; and
- c. Reduction for revenue received from large customer in the area.

Information Provided:

- a. See OUCG 02_007_Attachment 1 and OUCG 02_007_Attachment 2
- b. See OUCG 02_007_Attachment 2
- c. Per-customer revenues are not given their own General Ledger account line.

Attachments:

OUCG 02-007_Attachment 1
OUCG 02-007_Attachment 2

Indiana-American Water Company
Cause No. 45870
Response to OUCC 02-004

Object	Document Date	Posting Date	Cost Element	Cost element descr.	Val/COArea Crcty	Document type	Purchasing Document	Name	CO object name	Document Header Text	Purchase order text	Ref Document Number	Material
I10-500005-01	12/31/2021	12/31/2021	72802100	CIAC Receipt Non-Services Clearing	-4,350,000.00	SA		Reclass 2021 CIAC activity from Taxable to Non-Tax	CRW Montgomery Co Trans Main Ph 2	Z01 CY Rcls T to NT CAC		100707021	
I10-500005-01CN	7/20/2022	7/31/2022	72802100	CIAC Receipt Non-Services Clearing	-10,650,000.00	SX		Correct WBS & GL	CRW Mont Co Trans Main Ph 2-CIAC	Z01-R/C Corr WBS and GL		100412595	
I10-500005-01	8/29/2022	8/31/2022	72802100	CIAC Receipt Non-Services Clearing	4,350,000.00	SX		To reverse 2021 CIAC Act Reclass	CRW Montgomery Co Trans Main Ph 2	Z03 To Corr PY Actg		100416594	
I10-500005-01AD30	12/22/2022	12/22/2022	72802100	CIAC Receipt Non-Services Clearing	-4,030,718.63	DR			CRW Mont Co Trans Main Ph 2-Impl			4000250464	MI036
			72802100		-14,680,718.63								

AGREEMENT BETWEEN
INDIANA-AMERICAN WATER COMPANY, INC.
AND
MONTGOMERY COUNTY REDEVELOPMENT COMMISSION
AND
MONTGOMERY COUNTY BOARD OF COMMISSIONERS

THIS AGREEMENT, by and between Indiana-American Water Company, Inc. (INAW), a wholly owned subsidiary of American Water Works Company, the Montgomery County Redevelopment Commission (RDC), and the Montgomery County Board of Commissioners (Board), entered into this 11 day of November, 2019, IS TO WITNESS THAT:

Whereas, RDC seeks to enter into an agreement with a water utility to provide for the construction and operation of water utility services in certain portions of Montgomery County, referred to as the Service Territory; and

Whereas, INAW is willing to design, build and operate a water service extension into the Service Territory if certain conditions can be satisfied; and

Whereas, the Board is willing to grant water utility easement rights for installation and maintenance of the water main, such easement rights including County reimbursement for any future relocation of the water main due to County projects.

Whereas, INAW owns and operates a public water utility which has water lines adjacent to the Service Territory and has the capacity to provide potable water to the Service Territory;

Whereas, INAW has requested that the Board establish an infrastructure development zone (IDZ) for the Service Territory in order to facilitate this project, and the Board has introduced an ordinance to establish such a zone; and

Whereas, the Board is willing to establish the IDZ for the Service Territory in consideration of INAW's covenants contained in this agreement.

IT IS, THEREFORE AGREED as follows:

1. DESIGN OF WATER DISTRIBUTION SYSTEM: The RDC has engaged engineers to develop a preliminary design of a water distribution system for the Service Territory. The RDC will provide to INAW all preliminary design documents and specifications. INAW will prepare a proposed final design, not inclusive of any pump stations or other non-water main improvements that may be necessary for boosting pressure to serve parts of the Project, on or before November 30, 2019 and submit the same to the RDC for approval. It is anticipated that due to increases in ground elevation in Phase 2 of the Project that a new pump station or other pumping or pressure improvements at the INAW treatment plant will be required to deliver adequate pressures for Phase 2 of the Project. These improvements have not yet been designed by any party. INAW will design these non-water main improvements by June 30, 2020. To the extent that the non-water main improvements necessary for Phase 2 may require land acquisition for construction, INAW will endeavor to acquire land for the improvements by September 30, 2020;

2. CONSTRUCTION OF PHASE I OF WATER DISTRIBUTION SYSTEM: After approval of the proposed final design by the RDC, and after INAW review of any questions and comments by the RDC, and after INAW application for and receipt of necessary

easements and permits (County, IDEM, DNR, USACE, etc.), INAW will commence construction. INAW anticipates obtaining easements and permits in such time that construction could commence by March 1, 2020, and the water main improvements could be placed in service by or before September 30, 2020. The parties agree that Phase I includes the extension of water distribution facilities from INAW's Crawfordsville facilities east along State Road 32 to Nucor Road.

3. CONSTRUCTION OF PHASE II OF WATER DISTRIBUTION SYSTEM: It is anticipated that due to increases in ground elevation in Phase 2 of the Project that a new pump station or other pumping or pressure improvements at the INAW treatment plant will be required to deliver adequate pressures for Phase 2 of the Project. These improvements have not yet been designed by any party. INAW will design these non-water main improvements by June 30, 2020. To the extent that the non-water main improvements necessary for Phase 2 may require land acquisition for construction, INAW will endeavor to acquire land for the improvements by September 30, 2020. After approval of the proposed final design by the RDC and after INAW review of any questions and comments by the RDC, and after delivery by the RDC of a notice to proceed to INAW for Phase II, and after INAW application for and receipt of necessary easements and permits (County, IDEM, DNR, USACE, etc.), INAW will commence construction. Depending on the aforementioned antecedents, INAW expects that construction could commence by March 1, 2021, and the water main improvements and non-water main improvements could be placed in service by or before November 30, 2021. The parties agree that Phase II includes the extension of water distribution facilities from the intersection of State Road 32 and Nucor Road south along Nucor Road to County Road 100 South.

4. CONSTRUCTION OF PHASE III OF WATER DISTRIBUTION SYSTEM: After approval of the proposed final design by the RDC and after INAW review of any questions and comments by the RDC, and delivery by the RDC of a notice to proceed to INAW with Phase III, and after INAW application for and receipt of necessary easements and permits (County, IDEM, DNR, USACE, Railroads, etc.), INAW will commence construction. INAW anticipates receiving easements and permits in a time such that construction could commence within one hundred eighty (180) days of receipt of the notice to proceed and complete construction two hundred seventy (270) days after commencement of construction. The parties agree that Phase III includes the extension of water distribution facilities from the intersection of Nucor Road and County Road 100 South and then south along Nucor Road to County Road 500 South.

5. CONSTRUCTION EXPENSES: INAW will design, construct and operate the water distribution system at its expense and recover the cost of design, construction, easement acquisition and other expenses over a period of 20 years by way of a surcharge to users in the Service Territory after approval of such surcharge by the Indiana Utility Regulatory Commission (IURC). The RDC may, but is not obligated to, contribute its funds to INAW in order to offset the costs of construction in order to lower the amount of the surcharge to ratepayers. For purposes of this agreement, the term "service territory" means the approved infrastructure development zone;

6. FACILITIES IN RIGHTS-OF-WAY: The Board agrees to grant to INAW the legal authority to install and locate water service facilities in the County rights-of-way along Nucor Road and to do so without charge. The Board also agrees to grant INAW easement rights for installation and maintenance of the water main, such easement rights including County reimbursement for any future relocation of the water main due to County

projects. INAW will be responsible for obtaining and paying for the legal authority from the State of Indiana or from landowners to install and locate water service facilities along State Road 32.

7. ACCELERATION OF CONSTRUCTION SCHEDULE: INAW has the right to accelerate the construction schedule for Phase II and Phase III;

8. ESTABLISHMENT OF INFRASTRUCTURE DEVELOPMENT ZONE: INAW's obligations under the terms and conditions of this agreement are contingent upon the Board's (1) establishment of an infrastructure development zone for the benefit of INAW, (2) request that INAW extend service to the zone, and (3) assist INAW in the petition with the IURC to approve the extension of services in the zone. The zone territory is shown on Exhibit A. If the Board of Commissioners do not establish the zone or request that INAW extend services in the zone on or before December 1, 2019, INAW will be under no obligation to perform its obligations under the terms and conditions of this agreement;

9. OWNERSHIP OF FACILITIES: INAW will own all facilities it constructs;

10. CUSTOMERS: All users who connect to the Water Distribution System and receive water from INAW will be considered customers of INAW and will have the same rights and obligations as all similar water customers of INAW's operation in accordance with applicable laws, rules, regulations and tariffs, including, without limitation, those promulgated by the IURC and INAW.

11. RATES AND CHARGES: INAW will bill users directly who connect to the Water Distribution System and receive water service from INAW.

12. APPROVALS: INAW will obtain any and all necessary approvals from the IURC required to provide water service in the Service Territory.

13. OPERATIONS AND MAINTENANCE. INAW will operate, maintain and repair the Water Distribution System in the same manner and at the same levels that it operates, maintains and repairs its other distributions systems and will comply with all applicable laws, regulations and administrative rules and orders.

14. REIMBURSEMENT BY INAW TO RDC: Within fifteen (15) days of the Board establishing the IDZ and requesting that INAW extend service to the IDZ, INAW will reimburse the RDC for engineering design and expenses incurred as of the date of this Agreement and associated with the final design determined under paragraph one, above, in the amount of Two Hundred Seven Thousand Nine Hundred Sixty Dollars (\$207, 960.00). If INAW utilizes preliminary design work commissioned by the RDC, not utilized in the final design under paragraph one, it shall reimburse the RDC, within fifteen (15) days, for the balance of the design work commissioned by the RDC.

15. TERM: The term of this agreement is for 20 years, commencing upon the execution of the agreement.

16. BREACH BY INAW. In the event that INAW fails to commence construction or complete construction as provided for in this agreement or fails to perform its other covenants contained in this agreement, the Board of Commissioners will be entitled to rescind the establishment of the infrastructure development zone for the portion of the Service Territory or zone to which the breach relates. For example, if INAW timely constructs and operates Phase I of the project, but fails to construct or complete Phase II of the project as provided for in the agreement, the Board of Commissioner may rescind the establishment of the infrastructure development zone for the territory contained in Phase II. If the RDC or Board of Commissioners believe that INAW is in breach, it must provide written notice of the alleged breach and provide INAW with 30 days to cure the default. If

INAW does not cure the alleged default, the RDC may exercise its rights as provided for in this agreement and by Indiana law.

17. NOTICES: If either party desires or is required to provide notice to the other party, such notices will be provided to the following persons:

For INAW:

Attn: Matthew Prine, President
153 North Emerson Ave.
Greenwood, IN 46143

For RDC:

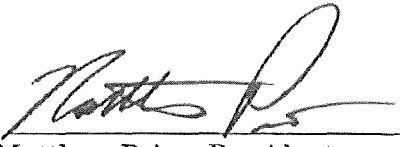
Attn: Ron Dickerson
110 West South Boulevard
Crawfordsville, IN 47933

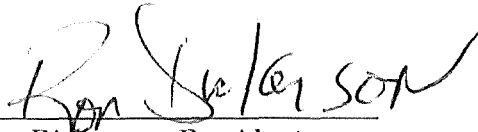
18. GENERAL: This agreement will be construed under the laws of the State of Indiana. This agreement contains the parties' complete agreement. No verbal agreements will be enforceable. This agreement may be modified only by the express, written agreement of the parties. Neither party may assign its obligations under this agreement without the written consent of the other party, unless the assignment is required by reason of a merger or consolidation or sale of substantially all of the assets of INAW or the reorganization of the Montgomery County. The terms and conditions of this agreement are binding upon and inure to the benefit of the parties' assigns and successors in interest. Nothing in this agreement should be construed as creating a partnership or joint venture between the parties. To the extent that any part of this agreement is determined to be invalid or unenforceable, such partial invalidity or unenforceability will not affect the validity or enforceability of the remaining provisions or this agreement. All persons executing this agreement have the authority to execute the agreement and bind their respective principals to the terms and conditions of the agreement.

IN WITNESS WHEREOF, the parties have executed this agreement this 11 day of November, 2019.

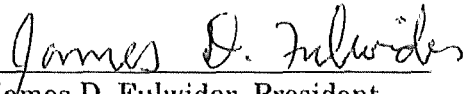
INDIANA-AMERICAN WATER, INC.

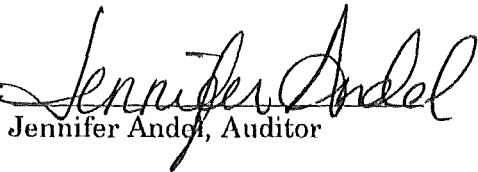
MONTGOMERY COUNTY
REDEVELOPMENT COMMISSION

By: 
Matthew Prine, President

By: 
Ron Dickerson, President

MONTGOMERY COUNTY BOARD OF
COMMISSIONERS

By: 
James D. Fulwider, President

Attest: 
Jennifer Andel, Auditor

**Addendum to Agreement Between
Indiana-American Water Company, Inc. and
Montgomery County Redevelopment Commission and
Montgomery County Board of Commissioners**

Pursuant to paragraph 18 of the Agreement, dated November 11, 2019, between Indiana-American Water Company, Inc. (INAW), Montgomery County Redevelopment Commission (RDC), and the Montgomery County Board of Commissioners (Commissioners), the parties hereby modify said Agreement.

For good consideration, the receipt and sufficiency of which are acknowledged, do hereby agree to make the following changes and / or additions that are outlined below. These changes/additions shall be made valid as if they are included in the Agreement:

Paragraph 1. DESIGN OF WATER DISTRIBUTION SYSTEM is replaced with:

The RDC has engaged engineers to develop a preliminary design of a water distribution system for the Service Territory. The RDC will provide to INAW all preliminary design documents and specifications. INAW will prepare a proposed final design, not inclusive of any pump stations or other non-water main improvements that may be necessary for boosting pressure to serve parts of the Project, on or before November 30, 2019 and submit the same to the RDC for approval. It is anticipated that due to increases in ground elevation in Phase 2 of the Project that a new pump station and other pumping or pressure improvements at the INAW treatment plant, and an elevated tank in the Service Territory will be required to deliver adequate pressures and flows for Phase 2 of the Project. These improvements have not yet been designed by any party.

Paragraph 3. CONSTRUCTION OF PHASE II OF WATER DISTRIBUTION SYSTEM is replaced with:

It is anticipated that due to increases in ground elevation in Phase 2 of the Project that a new pump station and other pumping or pressure improvements at the INAW treatment plant, and an elevated storage tank at a location identified by Indiana American will be required to deliver adequate pressures and flows for Phase 2 of the Project. These improvements have not yet been designed by any party. INAW will design these non-water main improvements and the water main improvements by December 15, 2021, contingent on gaining immediate access to the proposed elevated storage tank site, receipt of boundary and topographic survey of the proposed elevated storage tank site from the RDC and Commissioners by July 14, 2021, and receipt of the proposed elevated tank site real estate by August 23, 2021.

Paragraph 4. CONSTRUCTION OF PHASE III OF THE WATER DISTRIBUTION SYSTEM is replaced with:
[INTENTIONALLY LEFT BLANK]

Paragraph 5. CONSTRUCTION EXPENSES is replaced with:

INAW will design, construct, own and operate the water distribution system upon timetables later agreed to by the parties. The RDC shall, within thirty (30) days of execution of this addendum, contribute \$300,000 to INAW with an additional \$350,000 to be contributed one-hundred twenty (120) days after execution of this addendum, to cover the actual costs of design and permitting currently estimated at

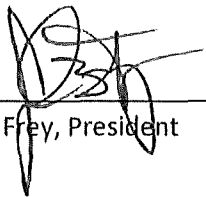
\$650,000.00 in order to lower the amount of the surcharge to ratepayers. Cost will be trueed up to actual at completion of design, and true-up payment shall be made to either party according to the amount of the cost true-up.

No other terms or conditions of the above-mentioned Agreement shall be negated or changed as a result of this here stated addendum.

INDIANA-AMERICAN WATER, INC.


By: 
Matthew Prine, President

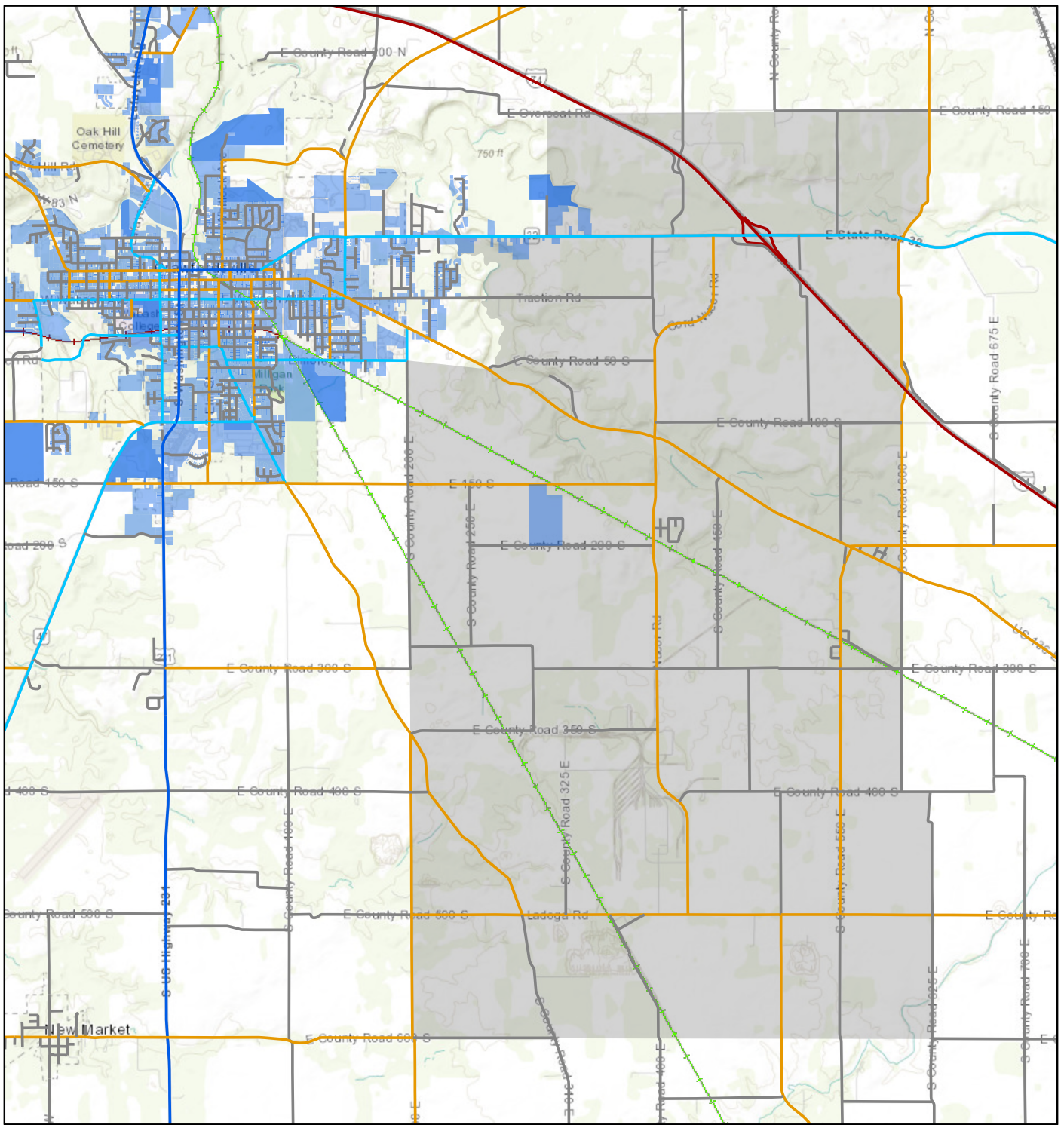
MONTGOMERY COUNTY BOARD
OF COMMISSIONERS

By: 
John Frey, President

Attest: _____
Jennifer Andel, Auditor

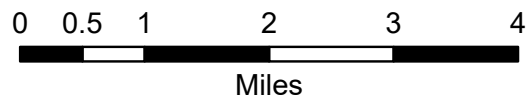
MONTGOMERY COUNTY
REDEVELOPMENT COMMISSION

By: 
Ron Dickerson, President



- Roadways**
- Interstate
 - Principal Arterial
 - Minor Arterial
 - Collector
 - Local
 - Current INAW Customer

- Railroads**
- Inactive
 - Active



Project Name: Crawfordsville Montgomery County Trans Main Ph 1
Project Number: I10-500004
Project Location: Crawfordsville
Actual Cost: \$2,777,506
Actual In-Service Date: October 14, 2021

Project Description

The Montgomery County Redevelopment Commission requested water mains be extended into one of its infrastructure development zones in three phases. This project was phase 1 of the Agreement between Montgomery County and Indiana American Water Company that was signed on November 11, 2019, that included approximately 8,000 feet of 20 & 24-inch water main.

Background

There was no water service in the established infrastructure development zone. The Montgomery County Redevelopment Commission requested mains be extended into this infrastructure development zone.

Alternatives

N/A.

Recommended Solution

The recommended solution was to design and construct a water main extension into the infrastructure development zone.

Benefits

Working with our community partners to extend water service to Montgomery County.

Property and/ or easements acquired: Yes.

Pipeline project: 8,000 feet

Pipeline project: 20-inch and 24-inch

Pipeline project: Retired pipe diameters (N/A)

Pipeline project: Vintage of pipe retired (N/A)

Project Name: Crawfordsville Montgomery County Trans Main Ph. 2
Project Number: I10-500005
Project Location: Crawfordsville
Actual Cost: \$14,589,354
Actual In-Service Date: October 28, 2022

Project Description

The Montgomery County Redevelopment Commission requested certain mains and other water utility infrastructure be constructed in one of its infrastructure development zones in three phases. This project is Phase 2 of the Agreement between Montgomery County and Indiana-American Water Company that was signed on November 11, 2019. Phase 2 includes approximately 18,000 feet of 20-inch water main, a high service pump station, and a 1.0 MG elevated storage tank (EST). The County provided a deposit/contribution towards Ph. 2 costs of \$14,680,719.

Background

There was no water service in the established infrastructure development zone. The Montgomery County Redevelopment Commission requested mains and other water utility infrastructure, including a pump station and elevated storage tank be constructed in this infrastructure development zone. This project is Phase 2 of a three-phase project.

Alternatives

A pump station option considered replacing existing high service pumps and electrical gear to increase the pumping head at the existing high service pump station to the proposed east pressure gradient. This would have required installation of pressure reducing valves between the proposed east gradient and the main service area gradient, so that the existing main gradient tanks would not overflow. This option would be less reliable because of the continuous use of pressure reducing valves. This option would also waste significant electrical energy and cost, and further impact greenhouse gas emissions because of the continuous energy wasting in the pressure reduction process. Additionally, replacing the existing pumps and electrical gear with larger equipment could present challenges with the existing plant design. Another option is the installation of a second high service pump station at the existing plant which would be specifically dedicated to serve the proposed east pressure gradient.

Recommended Solution

The recommended solution was to design and construct a new second high service pump station which would be specifically dedicated to the proposed east pressure gradient. The recommended solution also included extension of approximately 18,000 feet of 20-inch water main and a 1.0 MG elevated storage tank in the infrastructure development zone.

Benefits

Working with our community partners to extend water service to Montgomery County. .

Property and/ or easements acquired: Yes.

Pipeline project: 18,000 feet

Pipeline project: 20-inch

Pipeline project: Retired pipe diameters (N/A)

Pipeline project: Vintage of pipe retired (N/A)

Supplemental Workpapers:

Workpaper MHH-1 - Technical Memorandum - CRW New Tank Analysis, Kurtz Engineering, 2021

Workpaper MHH-2 - Technical Memorandum - CRW HSPs No. 2 Analysis, Kurtz Engineering, 2021

Workpaper MHH-3 - Technical Memorandum - CRW Pipe Sizing Analysis, Kurtz Engineering, 2021

Workpaper MHH-4 - Agreement between INAW and Montgomery County with Addendum

Workpaper MHH-5 - Arcadis Modeling Analysis DRAFT - Water Main Extension, 2021

OUCC 10-006

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please state the total transaction costs incurred and capitalized to utility plant in service for each of the following acquisitions. Please list each cost and state the dollar amount, the vendor and the nature or purpose of the cost for each acquisition.

- a. Lake Station
- b. Lowell
- c. River's Edge (water)
- d. River's Edge (wastewater)
- e. Claypool
- f. Riley (wastewater)

Information Provided:

- a. Lake Station - See OUCC 10-005 Attachment 1, Acq Costs tab.
- b. Lowell – See OUCC 10-006 Attachment.
- c. River's Edge (water) – See OUCC 10-005 Attachment 3, Summary tab. The Legal expense line represents expenses related to Barnes and Thornburg.
- d. River's Edge (wastewater) – See answer to c. above. Water and Wastewater breakout of incidental costs does not exist.
- e. Claypool – See information below as it shows in the Direct Testimony of Company Witness Gregory D. Shimansky in Cause No. 45753, the Acquisition of the Town of Claypool Water system, page 6 line 9. Final costs for the closing of the Claypool acquisition are not yet available and are expected to vary from the amounts included in testimony. For example, actual legal costs are expected to be reduced from the amount included in testimony due to the lack of a need for rebuttal and submission of an agreed proposed order. Petitioner will provide final actual costs when available.

The break-down of the \$156,336.66 estimate of incidental costs is as follows:

\$ 120,200.00 B&T legal costs
\$ 24,800.00 DLZ land title surveys
\$ 7,768.16 Labor
\$ 3,568.50 Misc Exp
\$ 156,336.66

f. Riley (wastewater) – See OUCC 10-005 Attachment 5, Actual Acquisition Expenses tab.

Attachment:

OUCC 10-006 Attachment.xlsx

Cause No. 45870
OUCC 10-005 Attachment 1

										232,773.31
Fiscal Year	Period	Company Code	Object	CO object name	Document Date	Document type	Cost Element	Cost element descr.	Name	Val/COArea CrCy
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50100000	Labor Natural Account		117.20
50100000										117
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50100001	Labor Expense Accrual		58.60
50100001										-
2016	10	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50100001	Labor Expense Accrual		(58.60)
50550000										14
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50550000	Group Insurance Expense		6.93
52535000										72
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50550000	Group Insurance Expense		13.83
53150000										2,675
2016	10	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	50550000	Group Insurance Expense		(6.93)
53155000									PARAGON FAMILY RESTA	228,606
2018	7	1010	60004361	Lake Station WW Acquisition	7/2/2018	ZI	52535000	Meals Deductible		72.17
54110000										1,288
2016	10	1010	60004361	Lake Station WW Acquisition	6/27/2016	KR	53150000	Contract Svc-Other - Natural Account		2,675.00
68533000										1
(blank)										
Grand Total										232,773
2017	4	1010	60004361	Lake Station WW Acquisition	3/23/2017	KR	53155000	Contract Services - Legal		50.50
2017	6	1010	60004361	Lake Station WW Acquisition	5/25/2017	KR	53155000	Contract Services - Legal		151.50
2017	6	1010	60004361	Lake Station WW Acquisition	6/22/2017	KR	53155000	Contract Services - Legal		656.50
2017	8	1010	60004361	Lake Station WW Acquisition	7/24/2017	KR	53155000	Contract Services - Legal		353.50
2017	9	1010	60004361	Lake Station WW Acquisition	8/24/2017	KR	53155000	Contract Services - Legal		265.00
2017	9	1010	60004361	Lake Station WW Acquisition	8/24/2017	KR	53155000	Contract Services - Legal		6,067.00
2017	10	1010	60004361	Lake Station WW Acquisition	9/21/2017	KR	53155000	Contract Services - Legal		82.00
2017	12	1010	60004361	Lake Station WW Acquisition	10/27/2017	KR	53155000	Contract Services - Legal		2,497.50
2017	12	1010	60004361	Lake Station WW Acquisition	11/20/2017	KR	53155000	Contract Services - Legal		2,606.50
2018	2	1010	60004361	Lake Station WW Acquisition	12/22/2017	KR	53155000	Contract Services - Legal		2,911.50
2018	4	1010	60004361	Lake Station WW Acquisition	2/28/2018	KR	53155000	Contract Services - Legal		7,631.90
2018	5	1010	60004361	Lake Station WW Acquisition	3/28/2018	KR	53155000	Contract Services - Legal		17,094.00
2018	5	1010	60004361	Lake Station WW Acquisition	3/28/2018	KR	53155000	Contract Services - Legal		5,986.00
2018	5	1010	60004361	Lake Station WW Acquisition	4/30/2018	KR	53155000	Contract Services - Legal		12,402.35
2018	5	1010	60004361	Lake Station WW Acquisition	4/30/2018	KR	53155000	Contract Services - Legal		24,328.01
2018	7	1010	60004361	Lake Station WW Acquisition	5/25/2018	KR	53155000	Contract Services - Legal		25,787.50
2018	7	1010	60004361	Lake Station WW Acquisition	5/25/2018	KR	53155000	Contract Services - Legal		57,624.66
2018	8	1010	60004361	Lake Station WW Acquisition	6/28/2018	KR	53155000	Contract Services - Legal		8,402.83
2018	9	1010	60004361	Lake Station WW Acquisition	8/24/2018	KR	53155000	Contract Services - Legal		252.50
2018	10	1010	60004361	Lake Station WW Acquisition	9/28/2018	KR	53155000	Contract Services - Legal		1,212.00
2018	10	1010	60004361	Lake Station WW Acquisition	10/22/2018	KR	53155000	Contract Services - Legal		151.50
2018	11	1010	60004361	Lake Station WW Acquisition	10/22/2018	KR	53155000	Contract Services - Legal		1,001.50
2019	1	1010	60004361	Lake Station WW Acquisition	11/26/2018	KR	53155000	Contract Services - Legal		415.00
2019	1	1010	60004361	Lake Station WW Acquisition	11/26/2018	KR	53155000	Contract Services - Legal		1,324.00
2019	4	1010	60004361	Lake Station WW Acquisition	2/22/2019	KR	53155000	Contract Services - Legal		27,715.50
2019	5	1010	60004361	Lake Station WW Acquisition	3/29/2019	KR	53155000	Contract Services - Legal		1,113.20
2019	5	1010	60004361	Lake Station WW Acquisition	4/25/2019	KR	53155000	Contract Services - Legal		16.18
2019	8	1010	60004361	Lake Station WW Acquisition	7/26/2019	KR	53155000	Contract Services - Legal		605.00
2019	10	1010	60004361	Lake Station WW Acquisition	8/27/2019	KR	53155000	Contract Services - Legal		132.00
2019	10	1010	60004361	Lake Station WW Acquisition	11/12/2019	KR	53155000	Contract Services - Legal		18,969.00
2019	12	1010	60004361	Lake Station WW Acquisition	12/4/2019	KR	53155000	Contract Services - Legal		463.00
2019	12	1010	60004361	Lake Station WW Acquisition	12/18/2019	KR	53155000	Contract Services - Legal		337.03
2016	12	1010	60004361	Lake Station WW Acquisition	8/9/2016	WE	54110000	Rents-Real Property - Natural Account	Lake Station	1,287.50
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	68533000	FICA		0.73
2016	9	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	68533000	FICA		1.45
2016	10	1010	60004361	Lake Station WW Acquisition	9/27/2016	PA	68533000	FICA		(0.73)

Cause No. 45870
OUCC 10-005 Attachment 5

Object	Document Date	Posting Date	Cost Element	Cost element descr.	Val/COArea CrCy	Name	CO object name
60005042	12/2/2019	11/30/2019	53155000	Contract Services - Legal	4,032.00	Invoice number 2226921 5/22/19	Riley
60005042	12/2/2019	11/30/2019	53155000	Contract Services - Legal	39,510.33	Invoice number 2265147 9/23/19	Riley
60005042	12/2/2019	11/30/2019	53155000	Contract Services - Legal	30,993.25	Invoice number 2265155 9/23/19	Riley
60005042	11/30/2019	11/30/2019	53155000	Contract Services - Legal	23,500.00	Barnes & Thornburg	Riley
60005042	11/30/2019	11/30/2019	53155000	Contract Services - Legal	4,543.00	Barnes & Thornburg	Riley
60005042	11/30/2019	12/1/2019	53155000	Contract Services - Legal	-23,500.00	Barnes & Thornburg	Riley
60005042	11/30/2019	12/1/2019	53155000	Contract Services - Legal	-4,543.00	Barnes & Thornburg	Riley
60005042	12/31/2019	12/31/2019	53155000	Contract Services - Legal	4,740.55	Barnes & Thornburg	Riley
60005042	12/31/2019	1/1/2020	53155000	Contract Services - Legal	-4,740.55	Barnes & Thornburg	Riley
60005042	12/20/2019	1/15/2020	53155000	Contract Services - Legal	23,500.00	01/15/2020 03:01	Riley
60005042	1/31/2020	2/1/2020	53155000	Contract Services - Legal	-47,000.00	Barnes & Thornburg	Riley
60005042	1/31/2020	1/31/2020	53155000	Contract Services - Legal	47,000.00	Barnes & Thornburg	Riley
60005042	2/18/2020	2/26/2020	53155000	Contract Services - Legal	47,102.90	02/26/2020 03:01	Riley
60005042	2/29/2020	2/29/2020	53155000	Contract Services - Legal	47,102.90	Barnes & Thornburg	Riley
60005042	2/29/2020	2/29/2020	53155000	Contract Services - Legal	27,500.00	Barnes & Thornburg	Riley
60005042	2/29/2020	3/1/2020	53155000	Contract Services - Legal	-47,102.90	Barnes & Thornburg	Riley
60005042	2/29/2020	3/1/2020	53155000	Contract Services - Legal	-27,500.00	Barnes & Thornburg	Riley
60005042	3/31/2020	3/31/2020	53155000	Contract Services - Legal	27,500.00	Barnes & Thornburg	Riley
60005042	3/31/2020	4/1/2020	53155000	Contract Services - Legal	-27,500.00	Barnes & Thornburg	Riley
60005042	4/10/2020	4/22/2020	53155000	Contract Services - Legal	27,500.00	04/22/2020 03:02	Riley
			53155000		172,638.48		
					172,638.48		

Cause No. 45870
OUCC 10-005 Attachment 3

CAUSE No. 45461

Indiana American Water acquisition of Wastewater One, DBA River's Edge Utility

Summary Schedule

Purchase of Asset	1.) \$	420,000
Inclusion of Acquisition Costs:		
Legal	\$	102,006
Engineering Contract Services	\$	18,160
Real Property Rants	\$	7,350
Closing Costs and Document Fees	\$	<u>3,776</u>
	2.) \$	131,292
Total Asset Booked	3.) = 1.) + 2.)	<u><u>\$ 551,292</u></u>

Cause No. 45870

OUCC 10-006 Attachment

Object	Document Date	Posting Date	Cost element descr.	Val/COArea Crcy	Name	CO object name
60008303	9/10/2020	9/11/2020	Contract Svc-Other - Natural Account	40,000.00		Lowell W - BD
60008303	6/3/2021	5/31/2021	Contract Services - Legal	25,600.00	Barnes & Thornburg	Lowell W - BD
60008303	6/3/2021	6/1/2021	Contract Services - Legal	-25,600.00	Barnes & Thornburg	Lowell W - BD
60008303	7/6/2021	6/30/2021	Contract Services - Legal	25,600.00	Barnes & Thornburg	Lowell W - BD
60008303	7/6/2021	7/1/2021	Contract Services - Legal	-25,600.00	Barnes & Thornburg	Lowell W - BD
60008303	6/14/2021	7/6/2021	Contract Services - Legal	25,600.00	07/06/2021 03:02	Lowell W - BD
60008303	8/24/2021	8/1/2021	Labor Expense Accrual	1,131.48		Lowell W - BD
60008303	8/24/2021	8/1/2021	401k Expense	28.29		Lowell W - BD
60008303	8/24/2021	8/1/2021	Group Insurance Expense	156.67		Lowell W - BD
60008303	8/24/2021	8/1/2021	FICA	82.03		Lowell W - BD
60008303	8/10/2021	8/13/2021	Labor Natural Account	1,077.60		Lowell W - BD
60008303	8/10/2021	8/13/2021	401k Expense	26.94		Lowell W - BD
60008303	8/10/2021	8/13/2021	Group Insurance Expense	149.19		Lowell W - BD
60008303	8/10/2021	8/13/2021	FICA	78.12		Lowell W - BD
60008303	8/24/2021	8/27/2021	Labor Natural Account	1,616.40		Lowell W - BD
60008303	8/24/2021	8/27/2021	401k Expense	40.41		Lowell W - BD
60008303	8/24/2021	8/27/2021	Group Insurance Expense	223.79		Lowell W - BD
60008303	8/24/2021	8/27/2021	FICA	117.18		Lowell W - BD
60008303	8/31/2021	8/31/2021	Contract Svc-Eng - Natural Account	1,240.00	000001916606 DLZ INDIANA LLC	Lowell W - BD
60008303	9/3/2021	8/31/2021	Contract Services - Legal	23,000.00	Barnes & Thornburg	Lowell W - BD
60008303	8/24/2021	9/1/2021	Labor Expense Accrual	-1,131.48		Lowell W - BD
60008303	9/21/2021	9/1/2021	Labor Expense Accrual	484.92		Lowell W - BD
60008303	8/24/2021	9/1/2021	401k Expense	-28.29		Lowell W - BD
60008303	9/21/2021	9/1/2021	401k Expense	12.12		Lowell W - BD
60008303	8/24/2021	9/1/2021	Group Insurance Expense	-156.67		Lowell W - BD
60008303	9/21/2021	9/1/2021	Group Insurance Expense	67.14		Lowell W - BD
60008303	8/24/2021	9/1/2021	FICA	-82.03		Lowell W - BD
60008303	9/21/2021	9/1/2021	FICA	35.15		Lowell W - BD
60008303	8/31/2021	9/1/2021	Contract Svc-Eng - Natural Account	-1,240.00	000001916606 DLZ INDIANA LLC	Lowell W - BD
60008303	9/3/2021	9/1/2021	Contract Services - Legal	-23,000.00	Barnes & Thornburg	Lowell W - BD
60008303	9/7/2021	9/10/2021	Labor Natural Account	538.80		Lowell W - BD
60008303	9/7/2021	9/10/2021	401k Expense	12.47		Lowell W - BD
60008303	9/7/2021	9/10/2021	Group Insurance Expense	69.07		Lowell W - BD
60008303	9/7/2021	9/10/2021	FICA	43.16		Lowell W - BD
60008303	9/15/2021	9/15/2021	Contract Svc-Eng - Natural Account	1,240.00	invoice 408533	Lowell W - BD
60008303	9/21/2021	9/24/2021	Labor Natural Account	538.80		Lowell W - BD
60008303	9/21/2021	9/24/2021	401k Expense	13.47		Lowell W - BD
60008303	9/21/2021	9/24/2021	Group Insurance Expense	74.60		Lowell W - BD
60008303	9/21/2021	9/24/2021	FICA	39.06		Lowell W - BD
60008303	9/30/2021	9/30/2021	Contract Svc-Eng - Natural Account	18,600.00	000001943201 DLZ INDIANA LLC	Lowell W - BD

Cause No. 45870

OUCC 10-006 Attachment

Object	Document Date	Posting Date	Cost element descr.	Val/COArea Crcy	Name	CO object name
60008303	10/5/2021	9/30/2021	Contract Services - Legal	23,000.00	Barnes & Thornburg	Lowell W - BD
60008303	10/5/2021	9/30/2021	Contract Services - Legal	45,000.00	Barnes & Thornburg	Lowell W - BD
60008303	9/21/2021	10/1/2021	Labor Expense Accrual	-484.92		Lowell W - BD
60008303	9/21/2021	10/1/2021	401k Expense	-12.12		Lowell W - BD
60008303	9/21/2021	10/1/2021	Group Insurance Expense	-67.14		Lowell W - BD
60008303	9/21/2021	10/1/2021	FICA	-35.15		Lowell W - BD
60008303	9/30/2021	10/1/2021	Contract Svc-Eng - Natural Account	-18,600.00	000001943201 DLZ INDIANA LLC	Lowell W - BD
60008303	10/5/2021	10/1/2021	Contract Services - Legal	-23,000.00	Barnes & Thornburg	Lowell W - BD
60008303	10/5/2021	10/1/2021	Contract Services - Legal	-45,000.00	Barnes & Thornburg	Lowell W - BD
60008303	9/13/2021	10/6/2021	Contract Services - Legal	23,000.00	10/06/2021 03:03	Lowell W - BD
60008303	10/5/2021	10/8/2021	Labor Natural Account	1,077.60		Lowell W - BD
60008303	10/5/2021	10/8/2021	401k Expense	26.02		Lowell W - BD
60008303	10/5/2021	10/8/2021	Group Insurance Expense	144.08		Lowell W - BD
60008303	10/5/2021	10/8/2021	FICA	75.44		Lowell W - BD
60008303	10/20/2021	10/20/2021	Contract Svc-Eng - Natural Account	18,600.00	invoice 408590	Lowell W - BD
60008303	10/29/2021	10/29/2021	Contract Svc-Eng - Natural Account	3,720.00	000001964323 DLZ INDIANA LLC	Lowell W - BD
60008303	11/3/2021	10/31/2021	Contract Services - Legal	45,000.00	Barnes & Thornburg	Lowell W - BD
60008303	11/16/2021	11/1/2021	Labor Expense Accrual	682.75		Lowell W - BD
60008303	11/16/2021	11/1/2021	401k Expense	27.31		Lowell W - BD
60008303	11/16/2021	11/1/2021	Defined Compensation Plan Expense	35.84		Lowell W - BD
60008303	11/16/2021	11/1/2021	Group Insurance Expense	221.66		Lowell W - BD
60008303	11/16/2021	11/1/2021	FICA	49.31		Lowell W - BD
60008303	10/29/2021	11/1/2021	Contract Svc-Eng - Natural Account	-3,720.00	000001964323 DLZ INDIANA LLC	Lowell W - BD
60008303	11/3/2021	11/1/2021	Contract Services - Legal	-45,000.00	Barnes & Thornburg	Lowell W - BD
60008303	10/15/2021	11/3/2021	Contract Services - Legal	45,000.00	11/03/2021 03:02	Lowell W - BD
60008303	11/16/2021	11/19/2021	Labor Natural Account	568.96		Lowell W - BD
60008303	11/16/2021	11/19/2021	401k Expense	22.76		Lowell W - BD
60008303	11/16/2021	11/19/2021	Defined Compensation Plan Expense	29.87		Lowell W - BD
60008303	11/16/2021	11/19/2021	Group Insurance Expense	184.72		Lowell W - BD
60008303	11/16/2021	11/19/2021	FICA	41.09		Lowell W - BD
60008303	11/19/2021	11/19/2021	Contract Svc-Eng - Natural Account	3,720.00	invoice 408649	Lowell W - BD
60008303	12/3/2021	11/30/2021	Contract Services - Legal	26,600.00	Barnes & Thornburg	Lowell W - BD
60008303	11/16/2021	12/1/2021	Labor Expense Accrual	-682.75		Lowell W - BD
60008303	12/14/2021	12/1/2021	Labor Expense Accrual	134.70		Lowell W - BD
60008303	11/16/2021	12/1/2021	401k Expense	-27.31		Lowell W - BD
60008303	12/14/2021	12/1/2021	401k Expense	3.37		Lowell W - BD
60008303	11/16/2021	12/1/2021	Defined Compensation Plan Expense	-35.84		Lowell W - BD
60008303	11/16/2021	12/1/2021	Group Insurance Expense	-221.66		Lowell W - BD
60008303	12/14/2021	12/1/2021	Group Insurance Expense	18.68		Lowell W - BD
60008303	11/16/2021	12/1/2021	FICA	-49.31		Lowell W - BD

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Object	Document Date	Posting Date	Cost element descr.	Val/COArea Crcy	Name	CO object name
60008303	12/14/2021	12/1/2021	FICA	2.16		Lowell W - BD
60008303	12/3/2021	12/1/2021	Contract Services - Legal	-26,600.00	Barnes & Thornburg	Lowell W - BD
60008303	11/11/2021	12/8/2021	Contract Services - Legal	26,600.00	12/08/2021 03:02	Lowell W - BD
60008303	12/14/2021	12/17/2021	Labor Natural Account	269.40		Lowell W - BD
60008303	12/14/2021	12/17/2021	401k Expense	6.74		Lowell W - BD
60008303	12/14/2021	12/17/2021	Group Insurance Expense	37.30		Lowell W - BD
60008303	12/14/2021	12/17/2021	FICA	4.32		Lowell W - BD
60008303	12/27/2021	12/30/2021	Labor Natural Account	538.80		Lowell W - BD
60008303	12/27/2021	12/30/2021	Group Insurance Expense	74.60		Lowell W - BD
60008303	12/27/2021	12/30/2021	FICA	7.40		Lowell W - BD
60008303	1/5/2022	12/31/2021	Contract Services - Legal	599.41	Barnes & Thornburg	Lowell W - BD
60008303	12/31/2021	12/31/2021	Labor Capitalized Credits	-6,226.36	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	401k Expense Cap Credits	-148.81	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	Defined Comp Plan Exp Cap Credits	-29.87	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	Group Insurance Capitalized Credits	-957.35	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	Misc Exp (O&M) - Natural Acct	-3,568.50	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	Misc Exp (O&M) - Natural Acct	3,568.50	Additional settlement costs at closing	Lowell W - BD
60008303	12/31/2021	12/31/2021	Contract Svc-Eng - Natural Account	-23,560.00	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	Contract Svc-Other - Natural Account	-40,000.00	Credit for appraisal at closing	Lowell W - BD
60008303	12/31/2021	12/31/2021	Contract Services - Legal	-120,200.00	Recoverable legal costs per order	Lowell W - BD
60008303	12/31/2021	12/31/2021	FICA Cap Credits	-405.77	Recoverable legal costs per order	Lowell W - BD
60008303	12/14/2021	1/1/2022	Labor Expense Accrual	-134.70		Lowell W - BD
60008303	12/14/2021	1/1/2022	401k Expense	-3.37		Lowell W - BD
60008303	12/14/2021	1/1/2022	Group Insurance Expense	-18.68		Lowell W - BD
60008303	12/14/2021	1/1/2022	FICA	-2.16		Lowell W - BD
60008303	1/5/2022	1/1/2022	Contract Services - Legal	-599.41	Barnes & Thornburg	Lowell W - BD
60008303	1/31/2022	1/31/2022	Contract Svc-Eng - Natural Account	1,240.00	000002030958 DLZ INDIANA LLC	Lowell W - BD
60008303	2/3/2022	1/31/2022	Contract Services - Legal	599.41	Barnes & Thornburg	Lowell W - BD
60008303	1/31/2022	2/1/2022	Contract Svc-Eng - Natural Account	-1,240.00	000002030958 DLZ INDIANA LLC	Lowell W - BD
60008303	2/3/2022	2/1/2022	Contract Services - Legal	-599.41	Barnes & Thornburg	Lowell W - BD
60008303	2/1/2022	2/1/2022	Contract Svc-Eng - Natural Account	1,240.00	invoice 408785	Lowell W - BD
60008303	2/28/2022	2/28/2022	Contract Svc-Eng - Natural Account	-1,240.00	reclass additional transaction costs to UPIS	Lowell W - BD
				-155,096.66		
				-1,240.00		
				-156,336.66		

OUCC 48-010

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Identifying the acquisition, state the legal expense included in the cost differential of each of Indiana American's first four acquisitions under I.C. § 8-1-30.3.

Information Provided:

Lake Station	\$ 228,606
Sheridan	\$ 123,201
Charlestown	\$ 239,826
Georgetown	\$ 87,645

OUCC 48-006

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please describe every financial incentive to avoid or reduce legal expense associated with incidental expenses to be included in a cost differential under I.C. § 8-1-30.3-1. Explain how each such financial incentive works.

Information Provided:

The “incentive” is efficiency in reducing risk of legal complications. Merriam-Webster defines “incentive” as something that incites or has a tendency to incite to determination or action. In common practice, fewer legal complications generally means a reduced legal expense, so INAW has incentive to receive competent legal counsel to avoid such complications. In addition, the structure of the fixed fee arrangements is such as to incent all parties (including the OUCC and any intervenors) to reduce legal expense by eliminating issues that have previously been decided and issues that do not have a material effect.

OUCC 48-007

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please describe every regulatory incentive to avoid or reduce legal expense associated with incidental expenses that may be included in a cost differential under I.C. § 8-1-30.3-1. For each such regulatory incentive, please explain how the regulatory incentive works.

Information Provided:

See the response to OUCC 48-006.

OUCC 48-008

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please describe every institutional process to avoid or reduce legal expense associated with incidental expenses that may be included in a cost differential under I.C. § 8-1-30.3-1. Explain how such institutional process encourages cost avoidance.

Information Provided:

Please see the response to OUCC 48-006.

OUCS 48-005

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

Please refer to Indiana American's flat fee agreements with Barnes and Thornburg with respect to acquisitions involving requests for relief under I.C. § 8-1-30.3.

- a. Provide the flat fee agreement applicable to each cause under I.C. § 8-1-30.3-1 since Indiana American's last rate case.
- b. In assessing whether the fees to be incurred under any flat fee arrangement was reasonable, did Indiana American consider the legal fees incurred in its other acquisitions involving requests for relief under I.C. § 8-1-30.3-1, *et seq.*? If not, please explain why not.
- c. Beginning in 2015, for any acquisitions involving requests for relief under I.C. § 8-1-30.3-1, *et seq.* that did not rely upon a flat fee arrangement with Barnes and Thornburg, state the total legal expense, the billable rate of the attorneys, and the number of attorney hours incurred? Please provide legal invoices.
- d. Please explain and provide what Indiana American relied upon to determine whether the flat fee agreement was appropriate.

Objection:

Petitioner objects to the Request on the grounds and to the extent the request seeks information, which is trade secret or other proprietary, confidential, and competitively sensitive business information of Petitioner, its customers, or third parties. Petitioner has made reasonable efforts to maintain the confidentiality of this information. Such information has independent economic value and disclosure of the requested information would cause an identifiable harm to Petitioner, its customers, or third parties. The responses are "trade secret" under law (Ind. Code § 24-2-3-2) and entitled to protection against disclosure. See also Indiana Trial Rule 26(C)(7). All responses containing designated confidential information are being provided pursuant to the applicable non-disclosure agreements between Petitioner and the parties in connection with the current proceeding.

Petitioner further objects to the Request on the grounds and to the extent it seeks the production of information protected by attorney-client and/or work product privileges. Petitioner is responding to subpart (c) with privileged information redacted.

Information Provided:

Subject to and without waiver of the foregoing objections, Petitioner responds as follows:

- a. See 48-005(a) Attachments 1-4 for the engagement letters for those causes that were filed following the close of the test year in Indiana American's last rate case. Please note that the

engagement was modified for Claypool, because the requested relief was not opposed and there was no settlement. Please See Confidential OUCC 48-005 Attachment 4.

- b. Yes.
- c. The Company's record retention policy for Accounts Payable is only for seven (7) years. Applicable records since 2016 are attached; see Confidential OUCC 48-005(c) Attachments 1-4.
- d. Flat fee negotiations were performed by counsel for INAWC and were based on the experience of counsel, the experience of INAWC with the OUCC and Intervenors, and the legal market.

Attachments:

OUCC 48-005(a)_Attachments 1 through 4 and 4 CONFIDENTIAL

OUCC 48-005(c)_Attachments 1 through 4 CONFIDENTIAL

OUCG 48-009

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

For each flat fee arrangement for legal services included as part of a cost differential under I.C. § 8-1-30.3-1 *et seq.*, explain what the expense would have been without the flat fee arrangement. Show any calculations and identify all assumptions.

Information Provided:

INAW has not performed calculations but assumes competent counsel avoids the expense of fixing incompetent counsel.

OUCC 48-012

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

With respect to service provided under the flat fee for legal services arrangement for each acquisition under IC 8-1-30.3 that is to be included in rate base under this rate case, does Indiana American know the actual number of hours expended by its counsel in providing the services under the flat fee arrangement?

Information Provided:

Please see the response to OUCC 48-011.

OUCC 48-011

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

With respect to service provided under the flat fee for legal services arrangement for each acquisition under IC 8-1-30.3 that is to be included in rate base under this rate case, does Indiana American know the actual number of hours expended by its counsel in providing the services under the flat fee arrangement?

Information Provided:

INAW does not track the actual number of hours expended under flat fee arrangements.

OUCG 48-013

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

With respect to service provided under the flat fee for legal services arrangement for each acquisition under IC 8-1-30.3 that is to be included in rate base under this rate case, please state the number of hours expended by each attorney and the then current usual billable rate of the attorney.

Information Provided:

Please see the response to OUCG 48-011.

OUCC 48-014

DATA INFORMATION REQUEST
Indiana-American Water Company
Cause No. 45870

Information Requested:

With respect to service provided under the flat fee for legal services arrangement for each acquisition under IC 8-1-30.3 that is to be included in rate base under this rate case, for each such acquisition please state what the legal expense would have been but for the flat fee arrangement. Please explain the basis of that estimate.

Information Provided:

Please see INAW's response to OUCC 48-009.



ANNUAL REPORT

State Form 40408 (R23 / 2-23) / U.D. Form 45
Prescribed by the Department of Local Government Finance

FOR DLGF USE ONLY	
DLGF File Number	
DLGF Distributable	

PRIVACY NOTICE: The records in this series are CONFIDENTIAL according to IC 6-1.1-35-9.

NOTE: For taxpayer with less than \$80,000 cost to report within a county, legislation was passed in 2021 which exempts this property. If you are declaring this exemption, check this box, enter the total acquisition cost of your personal (state distributable) property in the named county or counties, and complete only Section I, II, and III of this form.

County: _____ Acquisition Cost: _____

_____	_____
_____	_____
_____	_____

If you own distributable property in multiple counties but not all of the property is eligible for the exemption, you are responsible for backing out any exempt property from the overall sum you report to the Department. If you own distributable property in just one (1) county (and in only one (1) taxing district in that county) in Indiana and the total acquisition cost of that property is less than \$80,000 and you otherwise would have filed locally rather than with the Department, file Form 103-Short or Form 103-Long with the applicable assessor and declare the exemption on that form.

SPECIAL NOTE: This exemption does NOT apply to distributable property that is assessed under IC 6-1.1-8 and is owned by a public utility subject to regulation by the Indiana Utility Regulatory Commission. Also, a taxpayer who owns, holds, possesses, or controls leased or rented personal/distributable property and who is filing a Form 103-Short or Form 103-Long locally may, as deemed necessary by the applicable assessor, need to file Form 103-O or Form 103-N, as applicable, to verify that he is the appropriate taxpayer to claim this exemption. The Department also reserves the right to request a taxpayer filing a Form UD-45 to disclose information concerning leased property to ensure the proper taxpayer is claiming the exemption.

PLEASE SEE THE GENERAL INSTRUCTIONS FOR EXAMPLES OF HOW AN ELIGIBLE TAXPAYER WOULD PROPERLY FILE.

INSTRUCTIONS:

- This Annual Report should be prepared in duplicate.
- Send one (1) copy to: Department of Local Government Finance
Utility Specialist
100 North Senate Ave., Room N1058
Indianapolis, IN 46204
Telephone: (317) 232-3756 or (317) 232-3765
Additional forms and information may be found on our website: www.in.gov/dlcf.
- One (1) copy is to be kept in the files of the taxpayer as a part of its permanent records.

NOTICE: All public utility companies, including all water, sewage, electric, pipeline, telephone, telegraph, and bus companies are required to file annual reports under IC 6-1.1-8-19. Failure to file the required reports by the due date will result in penalties.

SECTION I	
Name of Utility Company	Tax Year
Street Address (number and street, city, state, and ZIP code)	
Name of Officer to Whom Notice of Assessment and Correspondence Should Be Sent	Telephone Number ()
Mailing Address of Officer (if different from above) (number and street)	Email Address
City, State, and ZIP Code	Fax Number ()
Type of Utility (select all that apply) <input type="checkbox"/> Electric <input type="checkbox"/> Solar <input type="checkbox"/> Wind Power <input type="checkbox"/> Hydroelectric <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewage <input type="checkbox"/> Pipeline <input type="checkbox"/> Telephone <input type="checkbox"/> Bus <input type="checkbox"/> REMC	

SECTION II QUESTIONS	
Fiscal Year End	Federal Income Tax Year End
If Federal Return is Filed as Part of Consolidated Group, Name Filed Under	Location of Accounting Records
Form of Business <input type="checkbox"/> Partnership or Joint Venture <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Corporation <input type="checkbox"/> Other (describe) _____ FEIN: _____	
Did You Own, Hold, Possess, or Control Any Leased or Rented Depreciable Property on January 1? <input type="checkbox"/> Yes <input type="checkbox"/> No	

If yes, then report the local fixed personal property on Form 103-N to the local assessor and list on Part I-A or Part II of Schedule A-2 of this report. Report the leased personal property used as distributable on Part I-B or Part II of Schedule A-2 of this report.

SECTION III CERTIFICATION			
Under penalties of perjury, I hereby certify that the report (including any accompanying schedules and statements), to the best of my knowledge and belief, is true, correct, and complete; if applicable, reports all taxable property owned, held, possessed, or controlled by the named taxpayer on the assessment date, as required by law; and is prepared in accordance with IC 6-1.1-8 and regulations promulgated with respect hereto.			
Signature of Authorized Person	Printed Name of Authorized Person	Title	Date Signed (month, day, year)

SUPPLEMENTAL INFORMATION

Please complete the sections that apply to the taxpayer.

	IN INDIANA	OUTSIDE INDIANA	INDIANA %
A. All Utility Companies			
Revenues			
Investment (Net)			

B. Telephone Companies			
Miles of Single Wire			
Miles of Fiber Optic Cable			
Miles of Other Wire or Cable			
TOTAL:			

Number of Microwave Sites			
Number of Access Lines			

C. Electric Companies & REMC's			
Miles of Transmission Lines			
Miles of Distribution Lines			
TOTAL:			

D. Gas, Pipeline, Water & Sewage Companies			
Miles of Main or Truck Lines			
Miles of Laterals or Gathering Lines			
TOTAL:			

E. Bus Companies			
Route Miles			

Additional Information and Remarks

SCHEDULE A – COMPUTATION OF ASSESSMENT

Report all values at federal tax basis, unless otherwise noted.

Name of Taxpayer

1. Utility Plant and Property in Service		1
2. Non-Utility Property		2
3. Plant Held for Future Use		3
4. Subtotal (Sum of Lines 1, 2, and 3) Less: Locally Assessed Real Property Included In: (Do not include R/O/W, easements, or towers)		4
5. Utility Plant and Property in Service		5
6. Non-Utility Property		6
7. Plant Held for Future Use		7
8. Subtotal – Locally Assessed Real Property (Sum of Lines 5, 6, and 7)		8
9. TOTAL COST OF PROPERTY IN SERVICE (Excluding Locally Assessed Real Property) (Line 4 less Line 8)		9
10. Organization Expense		10
11. Acquisition Adjustment		11
12. ADJUSTED COST (Sum of Lines 9, 10, and 11)		12
DEDUCTIONS AND EXEMPTIONS (at cost)		
13. Intangibles (Attach Explanation)		13
14. Less: Intangibles for Locally Assessed Real Property		14
15. Net Intangibles (Please provide supporting documentation)		15
16. Industrial Air Purification Equipment in Service (Schedule A-3)		16
17. Water Pollution Control Equipment in Service (Schedule A-4)		17
18. TOTAL DEDUCTIONS AND EXEMPTIONS (Sum of Lines 15, 16, and 17)		18
19. TOTAL ADJUSTED COST OF PROPERTY IN SERVICE (Line 12 less Line 18)		19

SCHEDULE A IS CONTINUED ON FOLLOWING PAGE

SCHEDULE A – COMPUTATION OF ASSESSMENT (continued)

Report all values at federal tax basis, unless otherwise noted.

20.	TOTAL ADJUSTED COST OF PROPERTY IN SERVICE (carry forward Line 19 of Page 3)	20
DEPRECIATION, AMORTIZATION, AND CREDIT FOR GROSS ADDITIONS		
21.	Accumulated Depreciation (as computed for Federal Tax purposes)	21
22.	Accumulated Amortization Reserve	22
23.	Subtotal – Depreciation and Amortization (Line 21 plus Line 22)	23
24.	Less: Accumulated Depreciation Applicable to Locally Assessed Real Property	24
25.	Accumulated Depreciation and Amortization Applicable to Pollution Control Equipment	25
26.	Amortization Reserve for Locally Assessed Real Property	26
27.	Amortization Reserve for Intangibles Deducted on Line 15	27
28.	Subtotal – Net Depreciation and Amortization (Line 23 less Lines 24, 25, 26, and 27)	28
29.	Credit for Gross Additions (Schedule A-1)	29
30.	TOTAL DEPRECIATION, AMORTIZATION, AND CREDITS (Sum of Lines 28 and 29)	30
31.	TENTATIVE VALUE OF PROPERTY IN SERVICE (Line 20 minus Line 30)	31
32.	MINIMUM VALUE OF PROPERTY IN SERVICE (Thirty Percent (30%) of Line 20)	32
33.	NET VALUE OF PLANT AND PROPERTY IN SERVICE (Greater of Lines 31 or 32)	33
ADDITIONS: (Report at True Tax Value from applicable schedule.)		
34.	Construction in Process (Schedule A-1)	34
35.	Leased Distributable Property (Schedule A-2, not included in Line 1)	35
36.	TOTAL ADDITIONS (Line 34 plus Line 35)	36
OTHER SCHEDULES (if applicable)		
37.	REMC Schedule (Schedule A-5)	37
38.	Pipelines – Pipe Valuation (Schedule A-6)	38
39.	Pipelines – Other Property (Schedule A-7)	39
40.	Passenger Buses (Schedule A-8)	40
41.	Other _____ (attach explanation)	41
42.	TOTAL (Sum of Lines 33, 36, 37, 38, 39, 40 and 41)	42
43.	ASSESSED VALUE (Line 42, rounded to nearest ten dollars)	43

SCHEDULE A-1

**COMPUTATION OF VALUE FOR CONSTRUCTION IN PROCESS
COMPUTATION OF CREDIT FOR GROSS ADDITIONS
REPORTING OF CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER ADVANCES FOR CONSTRUCTION**

A. CONSTRUCTION IN PROCESS AS OF 12/31	FEDERAL TAX COST	FEDERAL DEPRECIATION <i>(if any)</i>	NET TAX VALUE <i>(Cost Less Depreciation)</i>	CIP %	VALUE OF CIP
	\$				Carry Value Below to Line 34 of Schedule A.
	\$				
	\$				
Distributable Equipment	\$	\$	\$	X 10%	
B. GROSS ADDITIONS MADE DURING THE PAST YEAR	FEDERAL TAX COST <i>(Carry to UD-1D Worksheet, if applicable)</i>	FEDERAL DEPRECIATION <i>(if any)</i>	NET TAX VALUE <i>(Cost Less Depreciation)</i>	CREDIT % <i>(50 IAC 5.1-6-8)</i>	CREDIT FOR GROSS ADDITIONS
	\$				Carry Value Below to Line 29 of Schedule A.
	\$				
	\$				
Distributable Equipment	\$	\$	\$	X 60%	
C. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) AND CUSTOMER ADVANCES FOR CONSTRUCTION (CAFC)	PRIOR TO 1987		1987 TO PRESENT		
Cost of: CIAC and CAFC Included in Line 1 of Schedule A	\$	\$	\$	\$	
Amount of Depreciation: Included in Line 21 of Schedule A that is applicable to CIAC and CAFC.	\$	\$	\$	\$	

NOTE: CIAC and CAFC are taxable per 50 IAC 5.1-1-2(b).

CIP/Gross Additions

Please attach a breakdown with the corresponding values and dates when claiming CIP and/or Gross Additions. Failure to provide a breakdown with the values and dates will result in denial of the claim.

SCHEDULE B – BALANCE SHEET
As of December 31st

ASSETS	
Utility Plant:	
Utility Plant In Service	
Less Accumulated Depreciation	
Net Plant In Service	
Construction-In-Progress	
Property Held for Future Use	
Total Utility Plant	
Other Property:	
Nonutility Property and Investments - Net	
Other Assets - Net	
Total Other Property - Net	
Current Assets:	
Cash and Cash Equivalents	
Financial Investments	
Accounts Receivable (Net of Doubtful Accounts)	
Material and Supplies	
Fuel	
Gas in Storage	
Other Inventories	
Prepayments and Other Current Assets	
Total Current Assets	
Deferred Debits:	
Unamortized Debt Discount and Expense	
Other:	
Total Deferred Debits	
TOTAL ASSETS:	

LIABILITIES & STOCKHOLDERS' EQUITY	
Current Liabilities:	
Notes Payable	
Accounts Payable	
Accrued Expenses	
Short-Term Debt	
Current Maturities of Long-Term Debt	
Other Current Liabilities	
Total Current Liabilities	
Deferred Credits:	
Deferred Incomes Taxes	
Unamortized Investment Tax Credit	
Customer Advances for Construction	
Other Deferred Credits	
Total Deferred Credits	
Long-Term Debt	
Other Liabilities	
Contributions In Aid of Construction	
Total Liabilities	
Stockholders' Equity:	
Common Stock	
Preferred Stock	
Paid-In Capital	
Retained Earnings	
Other Capital	
Total Stockholders' Equity	
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	

SCHEDULE C - RECONCILIATION

This schedule is to be used to reconcile your book basis numbers to your tax basis numbers and to reconcile Schedule B to Schedule A.

	Balance – January 1	Net Additions	Balance – December 31
Total Plant – Book Basis			
Reconciling Items:			
Total Plant – Tax Basis <i>(December 31st Balance Must Be Reflected in Line 4 of Schedule A)</i>			

	Balance – January 1	Net Additions	Balance – December 31
Accumulated Depreciation – Book Basis			
Reconciling Items:			
Accumulated Depreciation – Tax Basis <i>(Carry December 31st Balance of Line 21 of Schedule A)</i>			

Check Box if Tax Depreciation was Estimated

	Balance – January 1	Net Additions	Balance – December 31
Accumulated Amortization – Book Basis			
Reconciling Item:			
Accumulated Amortization – Tax Basis <i>(Carry December 31st Balance to Line 22 of Schedule A)</i>			

Explanations

SCHEDULE D – INCOME STATEMENT FOR LAST THREE (3) YEARS

ITEM																
1. OPERATING INCOME REVENUES	Gross Operating Revenues (Years Ending December 31)															
	Expense Operation															
	Maintenance															
	Depreciation															
	State and Local Property Taxes															
	Other State Taxes															
	Federal Taxes															
	Other:															
	Other:															
	Other:															
	Total Operating Expenses:															
	OPERATING INCOME															
	2. OTHER INCOME															
	Interest Income															
	Dividend Income															
	Miscellaneous Income															
	Other:															
	Other:															
	Total Other Income:															
	INCOME BEFORE INTEREST AND OTHER CHARGES															
	3. INTEREST AND OTHER CHARGES															
	Interest on Long Term Debt															
	Other Interest Charges															
	Other Charges:															
	Other Charges:															
	Total Interest and Other Charges:															
	NET INCOME OR (LOSS)															

TO: All Public Utility Companies
FROM: Barry Wood, Assessment Division Director
RE: General Instructions for Filing Utility Ad Valorem Tax Returns (Annual Report UD-45)
DATE: February 28, 2018

PLEASE NOTE: This memorandum is simply intended to be informative and does not take the place of Indiana law. In the event any part of this memorandum conflicts with Indiana law, Indiana law governs.

The Annual Report Form UD-45 is to be completed by all (non-rail) utility companies. Please read all of the instructions before completing the Annual Report. This report is for the current tax year based on information for the year ending December 31 of the previous year. Forms are available at: <http://www.in.gov/dlgf/8516.htm>. Please be sure to keep a copy of your return for your own records.

Taxpayers that have property in only one taxing district may choose to file with their local assessing official pursuant to IC 6-1.1-8-3(c)(6). This also applies to taxpayers that participate in a net metering program under 170 IAC 4-4.2 or a feed-in tariff program pursuant to IC 6-1.1-8-3(c)(7).

When to File

The Annual Report and all other required documents must be filed, by statute, on or before April 1 (IC 6-1.1-8-19) unless an extension has been requested and granted pursuant to 50 IAC 5.1-3-6. *Failure to file the Annual Report by the due date will result in a penalty of \$100 a day for every day the report is late (IC 6-1.1-8-20), with a maximum penalty of \$1000.* Non-filers will be subject to the same penalty.

Where to File

The Annual Report and all other required material should be mailed to:

Department of Local Government Finance
Assessment Division/Utilities
100 North Senate Ave., Room IGCN 1058
Indianapolis, IN 46204
Phone: (317) 232-3756

Fax: (317) 974-1629

NOTE

An Annual Report cannot be accepted if it is incomplete, illegible, or displays information in a manner other than as prescribed by Form UD-45. Annual Reports that are rejected may be subject to a late filing penalty if a corrected copy is not resubmitted by the filing deadline. Note that Schedules A-1 through C, should be filled out prior to filling in Schedule A because those Schedules support Schedule A. Do not leave Schedule E blank. Schedule E is required for appropriate distribution of assessed values to the local taxing jurisdictions.

Indiana Code 6-1-1-8-3(c) states that a taxpayer that owns definite situs property located in one taxing district and/or a taxpayer participating in a net metering or feed-in tariff program may elect to file a personal property tax return with the county assessor or, if applicable, the township assessor. Please review the Indiana Code to make sure it this provision is applicable to you. If you decide to file locally, but have previously filed with the Department of Local Government Finance (“Department”), please contact the Department indicating that you have filed locally.

What to File

One copy of each of the following must be filed:

- Annual Report prescribed by the Department.
- Annual Report to Stockholders and/or certified financial statements.
- Special Note: REMC’s should file a complete copy of the RUS Form 7.

Tentative Assessment and Appeal Rights

An Order notifying each company of its tentative assessment will be mailed on or before June 1 (IC 6-1.1-8-28(b)).

Not later than ten (10) days after the taxpayer receives notice of the Department’s tentative assessment, the taxpayer may:

- (1) file with the Department its objections to the tentative assessment; and
- (2) request that the Department hold a preliminary conference on the tentative assessment (IC 6-1.1-8-28(c)).

Any appeal should be made in writing and state the nature of the objections.

If the taxpayer does not file a timely, written appeal, the tentative assessment is considered final. However, the assessment may still be appealed to the Board of Tax Review (IC 6-1.1-8-28(d)). The taxpayer must initiate the appeal in writing with the Board of Tax Review within forty-five (45) days after receiving notice of the tentative assessment if that tentative assessment becomes final due to the taxpayer’s failure to timely file an objection with the Department or not later than forty-five (45) days after the Department gives notice of its final determination on an objection filed by the taxpayer (IC 6-1.1-8-30).

If the taxpayer files a timely appeal and a request for a preliminary conference on the tentative assessment, the Department may hold a preliminary conference at a time and place fixed by the Department. After the conference, the Department will make a final assessment of the taxpayer's distributable property and will notify the taxpayer not later than June 30 (IC 6-1.1-8-29).

INSTRUCTIONS FOR COMPLETING THE ANNUAL REPORT

The information requested on pages 1 and 2 is of a general nature. The remainder of the Annual Report consists of the following Schedules:

Schedule A	Computation of Assessment (required)
Schedule A-1	Computation of Value for Construction in Progress Computation of Credit for Gross Additions Reporting of CIAC & CAFC (required, if applicable)
Schedule A-2	Leased Property (required, if applicable)
Schedule A-3	Air Pollution Control Equipment (required if applicable)
Schedule A-4	Water Pollution Control Equipment (required if applicable)
Schedule A-5	REMC Schedule (required if applicable)
Schedule A-6	Pipelines - Pipe Valuation (required if applicable)
Schedule A-7	Pipelines - Other Distributable Property (required if applicable)
Schedule A-8	Passenger Bus Schedule (required if applicable)
Schedule B	Balance Sheet and Franchise Schedule (required)
Schedule C	Reconciliation of Book to Federal Tax Basis (required)
Schedule D	Income Statement (requested)
Schedule E	Assessment Distribution (required)

REMC's, pipeline companies, and passenger bus companies should refer to the specific instructions for their respective companies before completing any Schedule. If other Schedules are required, please contact the Department or visit <http://www.in.gov/dlgf/8516.htm>.

The following are specific instructions concerning each Schedule.

Schedule A - Computation of Assessment

The Schedule A is used to compute the true tax value of the utility company's property in Indiana. Specific instructions by line number are as follows:

1. Enter the total cost of utility plant in service at December 31, previous year. The total cost is to be reported at tax basis. (Refer to 50 IAC 5.1-6-2 through 50 IAC 5.1-6-5)
2. Enter the total cost of non-utility property at December 31, previous year. The total cost is to be reported at tax basis.
3. Enter the total cost of plant held for future use at December 31, previous year. The total cost is to be reported at tax basis.
4. Add Lines 1, 2, and 3.

5. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the utility plant in service amount shown on Line 1 above. The total cost is to be at tax basis.
6. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the non-utility property amount shown on Line 2 above. The total cost is to be at tax basis.
7. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the plant held for future use amount shown on Line 3 above. The total cost is to be at tax basis.
8. Add Lines 5, 6, and 7.
9. Subtract Line 8 from Line 4.
10. Enter the total cost of organization expense at December 31, previous year.
11. Enter the total cost of any acquisition adjustment at December 31, previous year.
12. Add Lines 9, 10, and 11.
13. Enter the total cost of intangibles at December 31, previous year. The total cost is to be at tax basis. Please provide supporting documentation for intangibles, or your claim will be disallowed.
14. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the intangible amount shown on Line 13 above. The total cost is to be at tax basis.
15. Subtract Line 14 from Line 13.
16. Enter the total cost of Air Pollution Control Equipment in Service from Schedule A-3.
17. Enter the total cost of Water Pollution Control Equipment in Service from Schedule A-4.
18. Add Lines 15, 16, and 17.
19. Subtract Line 18 from Line 12.
20. Carry forward Line 19 from page 3.
21. Enter the total amount of accumulated depreciation as computed for federal tax purposes at December 31, previous year. This amount should agree with amount shown on Schedule C- Reconciliation.
22. Enter the total amount of accumulated amortization reserve as computed for federal tax

purposes at December 31, previous year. This amount should agree with amount shown on Schedule C-Reconciliation.

23. Sum of Line 21 and Line 22.
24. Enter the total amount of accumulated depreciation as computed for federal tax purposes applicable to locally assessed real property at December 31, previous year.
25. Enter the total amount of accumulated depreciation as computed for federal tax purposes applicable to the pollution control equipment deducted on Lines 16 and 17 above. This amount should be the difference between the cost of pollution control facilities in service shown on Schedules A-3 and A-4 and the net tax value also shown on Schedules A-3 and A-4.
26. Enter the total amount of accumulated amortization reserve applicable to locally assessed Real property at December 31, previous year.
27. Enter the total amount of accumulated amortization reserve applicable to the intangibles deducted on Line 15 above.
28. Line 23 minus the sum of Lines 24, 25, 26, and 27.
29. Enter your credit for gross additions from Schedule A-1.
30. Sum of Line 28 and Line 29.
31. Subtract Line 30 from Line 20.
32. Multiply Line 20 by thirty percent (30% or 0.30).
33. Enter the greater of Line 31 or Line 32.6
34. Enter the true tax value (10% of cost) of Construction in Progress from Schedule A-1.
35. Enter the true tax value of leased distributable property from Part I-B of Schedule A-2. Please note that leased distributable property must meet the requirements of 50 IAC 5.1-6-9 (minimum value (30% Floor)).
36. Sum of Line 34 and Line 35.
37. Enter the true tax value of REMC property as shown on Schedule A-5 (if applicable).
38. Pipeline companies must enter the true tax value of their pipe as shown on Schedule A-6.
39. Pipeline companies must enter the true tax value of their distributable property other than pipe as shown on Schedule A-7.
40. Bus companies must enter the true tax value of buses and tires as shown on Line 27 of

Schedule A-8.

41. Other. This is usually Abnormal Obsolescence or a dark fiber adjustment. Please attach a detailed explanation and worksheet showing how you arrived at the amount requested. Note the percentage of Line 37 that is being requested as abnormal obsolescence and state the subsection under which the property qualifies for abnormal obsolescence. If you do not explain your request in detail and provide adequate supporting documentation, your claim will be denied. The backup must quantify the amount of obsolescence due to the assets in Indiana on the assessment date and it must be verifiable and applicable to true tax value. See 50 IAC 5.1-11-1 through 50 IAC 5.1-11-5 for details on obsolescence.
42. Sum of Lines 33, 36, 37, 38, 39, 40, and 41.
43. Line 42 - Rounded to nearest ten dollars. This is the assessed value/true tax value.

Schedule A-1 - Computation of Value for Construction in Progress, Computation of Credit for Gross Additions, and Reporting of Contributions in Aid of Construction (CIAC) & Customer Advances for Construction (CAFC)

The value of construction in progress at December 31, previous year must be computed on Part A of Schedule A-1. Construction in Progress will be valued at ten percent (10%) of cost (50 IAC 5.1-9-1(d)). Carry total to line 34 of Schedule A.

The deduction for gross additions is sixty percent (60%) of the adjusted cost of depreciable personal property placed in service during the immediately preceding twelve (12) months minus the depreciation computed on the adjusted cost of depreciable personal property placed in service during the immediately preceding twelve (12) months. Carry the total to line 29 of Schedule A.

The cost of CIAC & CAFC should be included in Line 1 of Schedule A-Computation of Assessment. On the first line of Section C, show the cost of CIAC & CAFC in the applicable column. On the second line of Schedule C, show the amount of accumulated depreciation for CIAC & CAFC that is included in the amount of accumulated depreciation claimed on Line 21 of Schedule A-Computation of Assessment. You may calculate depreciation as if you were reporting the property on your federal tax return (50 IAC 5.1-7-2(b) & 50 IAC 5.1-7-4(b)).

Schedule A-2 - Leased Property

Report all property held, possessed, or controlled, but not owned. The true tax value or minimum value is to be carried to Schedule A, line 35. Send one copy to the local assessor.

Schedule A-3 - Air Pollution Control Equipment

Schedule A-4 - Water Pollution Control Equipment

On the applicable Schedule, report property claimed to be exempt as either air or water pollution control equipment. All claims for water pollution control equipment must be accompanied by a letter of certification (or proof that such certification has been requested) from the Department of

Environmental Management. Claims without certification (or proof of request) may be denied (IC 6-1.1-10-9, 6-1.1-10-12, and IC 6-1.1-10-13).

Schedule A-5 - REMC Schedule

Schedule A-6 - Pipelines - Pipe Valuation

Schedule A-7 - Pipelines - Other Distributable Property

Schedule A-8 - Passenger Bus Schedule

Specific instructions will accompany these forms. REMC's, pipeline companies, and passenger bus companies should refer to the specific instructions for their respective companies before completing any Schedule on the Annual Report.

Schedule B - Balance Sheet

Enter the information from your company's December 31, previous year balance sheet at book basis. Include all property. Adjustments to bring the total value down to Indiana values at federal tax basis should be reflected on Schedule C.

Schedule C - Reconciliation

Use this Schedule to reconcile the company's total cost of plant in service, accumulated depreciation, and accumulated amortization reserve as shown on the financial statements (Balance Sheet), with the tax basis of those items as reported in the Annual on Schedule A. Explain all differences between what is reported on Schedule B and Schedule A, such as book to tax adjustment, out of state property, or property that is not taxable by the state, like the service bundling of telecommunications, cable television, and/or internet. Do not remove intangibles on Schedule C and remove them again on Schedule A. Please be sure to check the appropriate box if the amount of federal tax depreciation at December 31, previous year was estimated. It is preferable that you use your actual numbers rather than an estimate. If you have some extenuating or unusual circumstances, there is a place for notes at the bottom of this Schedule.

Schedule D - Income Statement

Show applicable amounts for the last three years. If amounts are different than those shown in the company's annual statement to stockholders, attach a detailed explanation of the reasons for the differences. This Schedule is requested, but not required.

Schedule E - Assessment Distribution

This is a summary of the assessments by taxing district. Due to the reorganization of school corporations, annexation and/or incorporation of cities and towns, and newly created sanitation and conservancy districts in Indiana, the Department has experienced considerable difficulty in allocating the property of public utility companies. Therefore, it is specifically requested that if you have any doubt about what taxing jurisdiction your property may be located in, before

completing Schedule E, please obtain the assistance of local assessing officials to determine the proper taxing districts in which your company's property was located on December 31, previous year. Please include the Department Taxing District Number when completing Schedule E in the appropriate format XXXXX. Again this year, a check box is included if your information for allocation has not changed from the prior year. You do not need to fill in the Schedule if you check the box indicating that no changes have occurred compared to the prior year's distribution information. If you check this box, the Department will use the information in its database as entered from the prior year UD-45 Schedule E. Please give only one total per taxing district to avoid processing errors. If possible, please submit your taxing districts in numerical order by the Department Taxing District Number. If you have more than 20 taxing districts, please use the format available on the Department's website at <http://www.in.gov/dlgf/2486.htm> under 9(e) at the bottom of the page. The Department encourages all companies to submit their distribution of assessments (Schedule E) via e-mail in Microsoft Excel format. Do not include any additional columns on the Schedule E template, as only columns A and D are required. The addition of extra columns makes it more difficult to transfer the data into the Department's database.

You may check here [http://www.in.gov/dlgf/files/140606 - Township Lookup - Township-Taxing Districts List.pdf](http://www.in.gov/dlgf/files/140606_-_Township_Lookup_-_Township-Taxing_Districts_List.pdf) for taxing district information. The Department number is made up of the county number (first two digits) and the taxing district number (the last three digits). Example: for Adams County, North Blue Creek Township, the Department number would be 01001. You may retrieve local official contact information at: <http://www.in.gov/dlgf/2440.htm>

Computer-generated versions of the prescribed forms and Schedules may be used **after** the Department has approved the forms for use. No form can be approved if it has not been submitted for review. Due to the extremely short statutory deadline, the Department asks that you submit your completed Annual Report as early as possible.

If you have any questions, please contact Marlo Hayden at (317) 232-3756 or mhayden@dlgf.in.gov and Julie Waddell at (317) 232-3765 or jwaddell@dlgf.in.gov.

Special note to those taxpayers claiming an exemption under IC 6-1.1-3-7.2: For a public utility subject to IC 6-1.1-8 with less than \$20,000 cost to report within a county, the public utility seeking to declare this exemption must check the box on page one of the UD-32 or UD-45, as applicable, and enter the total acquisition cost of the taxpayer's personal (state distributable) property in the named county or counties, and complete only Sections I, III, and IV of the UD-32 or only Sections I and III of the UD-45. If a taxpayer owns distributable property in multiple counties but not all of the property is eligible for the exemption, the taxpayer is responsible for backing out any exempt property from the overall sum they report to the Department. If the taxpayer owns distributable property in just one county (and in only one taxing district in that county) in Indiana and the total acquisition cost of that property is less than \$20,000 and the taxpayer otherwise would have filed locally rather than with the Department, the taxpayer must file Form 103 with the applicable assessor and declare the exemption on that Form 103.

NOTE-This exemption does NOT apply to distributable property that is assessed under IC 6-1.1-

8 and is owned by a public utility subject to regulation by the Indiana Utility Regulatory Commission. Also, a taxpayer who owns, holds, possesses or controls leased or rented personal/distributable property and who is filing a Form 103 locally may, as deemed necessary by the applicable assessor, need to file Form 103-O or 103-N, as applicable, to verify that he is the appropriate taxpayer to claim this exemption. The Department also reserves the right to request a taxpayer filing a UD-45 to disclose information concerning leased property to ensure the proper taxpayer is claiming the exemption.

Part I

Section 263.—Capital Expenditures

26 CFR 1.263(a)-1: Capital expenditures; in general.
(Also §§ 162, 165, 167, 263A; 1.165-3, 1.167(a)-8, 1.167(a)-11, 1.263A-1)

Rev. Rul. 2000-7

ISSUE

If the retirement and removal of a depreciable asset occurs in connection with the installation or production of a replacement asset, are the costs incurred in removing the retired asset required to be capitalized under § 263(a) or 263A as part of the cost of the replacement asset?

FACTS

The assets of *X*, a telephone company, include telephone poles *A* and *B*. *X* placed Pole *A* in service in 1979 on land it owned. *X* placed Pole *B* in service in 1982 on land owned by *Y* under the terms of an easement permitting *X* to have one pole on *Y*'s land. In 2000, *X* undertakes a project to replace telephone poles in the service area in which Pole *A* is situated. As part of that project, *X* incurs costs in 2000 in removing and discarding Pole *A* and installing a new telephone pole, Pole *C*, in the same location. *X* also undertakes a second project to replace telephone poles in the service area in which Pole *B* is situated. *X* installs a new telephone pole, Pole *D*, on *Y*'s land, but not in the same location as Pole *B*. As part of this second project and to comply with the easement, *X* incurs costs in 2000 in removing and discarding Pole *B*.

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LAW AND ANALYSIS

Section 162 of the Internal Revenue Code and § 1.162-1 of the Income Tax Regulations generally allow a deduction for all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

Section 165 allows as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise. For the allowance under § 165(a) of losses arising from the permanent withdrawal of depreciable property from use in a trade or business or in the production of income, § 1.165-2(c) cross references § 1.167(a)-8(a), which permits, in part, a loss from physical abandonment of retired property.

Under §§ 263(a) and 1.263(a)-1(a), no deduction is allowed for capital expenditures, such as amounts paid for new buildings or for permanent improvements or betterments made to increase the value of any property. Section 1.263(a)-2(a) provides that capital expenditures include the costs of acquisition, construction, or erection of buildings, machinery and equipment, furniture and fixtures, and similar property having a useful life substantially beyond the taxable year.

Section 263A generally requires taxpayers that are producing real or tangible personal property to capitalize direct material costs, direct labor costs, and indirect costs that are properly allocable to the produced property. Section 263A(g)(1) provides that, for purposes of § 263A, the term “produce” includes construct, build, install, manufacture, develop, or improve. Under § 1.263A-1(e)(3)(i), indirect costs are

-3-

allocable to produced property under § 263A when the costs directly benefit or are incurred by reason of the performance of production activities.

The costs of removing an asset have been historically allocable to the removed asset and, thus, generally deductible when the asset is retired and the costs are incurred. A deduction generally is allowed whether a taxpayer accounts for the retired asset in a single asset account or in a multiple asset account (*e.g.*, a general asset account or a mass asset account). See § 1.165-3(b); § 1.167(a)-1(c); § 1.167(a)-11(d)(3)(x); Rev. Rul. 74-455, 1974-2 C.B. 63; Rev. Rul. 75-150, 1975-1 C.B. 73. *But see* § 280B, requiring that the costs of demolishing buildings be added to the basis of the land, and § 1.165-3(a), requiring capitalization of demolition costs when the taxpayer acquires an asset with the intent to demolish it. See, *e.g.*, Wood County Telephone Co. v. Commissioner, 51 T.C. 72 (1968); Rev. Rul. 69-62, 1969-1 C.B. 58.

The removal costs of Poles *A* and *B* are not required to be capitalized under § 263(a). In both situations the removal costs are properly allocable to the retired poles, and thus do not relate to assets having a useful life in the taxpayer's business extending substantially beyond the taxable year in which the removal costs are incurred. The fact that Poles *A* and *B* are retired as part of a replacement project does not mean that the removal costs are required to be capitalized under § 263(a). Furthermore, the removal costs are not required to be capitalized under § 263A because the costs are incurred for the purpose of retiring Poles *A* and *B* and not by reason of the installation of Poles *C* and *D*. The analysis in this ruling does not apply

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to the removal of a component of a depreciable asset, the costs of which are either deductible or capitalizable based on whether replacement of the component constitutes a repair or an improvement. See §1.162-4 and § 1.263(a)-1(b).

HOLDING

If the retirement and removal of a depreciable asset occurs in connection with the installation or production of a replacement asset, the costs incurred in removing the retired asset are not required to be capitalized under § 263(a) or 263A as part of the cost of the replacement asset.

APPLICATION

Any change in a taxpayer's method of accounting to conform with this revenue ruling is a change in method of accounting to which the provisions of §§ 446 and 481 and the regulations thereunder apply. Except for assets for which depreciation is determined in accordance with § 1.167(a)-11 (ADR), the taxpayer's new method of treating removal costs for assets accounted for in a multiple asset account must be consistent with the taxpayer's method of treating salvage proceeds. See Rev. Rul. 74-455. (See sections 2.01 and 2.02 of the Appendix of Rev. Proc. 99-49, 1999-52 I.R.B. 725, for changing a taxpayer's present method of treating salvage proceeds.) A taxpayer wanting to change its method of accounting to conform with the holding in this revenue ruling must follow the automatic change in accounting method provisions of Rev. Proc. 99-49, except that the scope limitations in section 4.02 of Rev. Proc. 99-49 do not apply. However, if the taxpayer is under examination, before an appeals office,

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or before a federal court with respect to any income tax issue, the taxpayer must provide a copy of the Form 3115, Application for Change in Accounting Method, to the examining agent(s), appeals officer, or counsel for the government, as appropriate, at the same time that it files the copy of the Form 3115 with the national office. The Form 3115 must contain the name(s) and telephone number(s) of the examining agent(s), appeals officer, or counsel for the government, as appropriate. In addition, if the asset is public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), the taxpayer must comply with the terms and conditions in section 2.01(3)(b)(vi) of the Appendix of Rev. Proc. 99-49.

EFFECT ON OTHER DOCUMENTS

Rev. Proc. 99-49 is modified and amplified to include this change in accounting method in the APPENDIX.

DRAFTING INFORMATION

The principal author of this revenue ruling is Beverly Katz of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling contact Ms. Katz on (202) 622-4950 (not a toll-free call).

Federal Income Tax Expense
Calculation of SFAS 109 Amortization Adjustment
Cause No. 45870

	2023 Activity			2024 Activity			2025 Activity		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Excess - PT (EDIT Amortization)	\$ 1,909,935	\$ 7,375	\$ 1,917,310	\$ 1,909,935	\$ 7,375	\$ 1,917,310	\$ 1,909,935	\$ 7,375	\$ 1,917,310
Excess - nonPT	(6,359)	(29.00)	(6,388)	(4,859)	(16)	(4,875)	(5,253)	(18)	(5,271)
PT - Fed Basis Diffs FT	(330,170)	1,809.00	(328,361)	(320,950)	1,685	(319,265)	(312,688)	1,763	(310,925)
PT - St Basis Diffs FT	(89,308)	489.00	(88,819)	(86,814)	456	(86,358)	(84,579)	377	(84,202)
1010 Fed - AFUDC Equity RSG	(175,173)	(26.00)	(175,199)	(175,173)	(26)	(175,199)	(175,173)	(26)	(175,199)
1010 Fed - Legacy RSG	(83,673)	(12.00)	(83,685)	(131,595)	(19)	(131,614)	(129,619)	(19)	(129,638)
1010 IN - Legacy RSG	72,959	11.00	72,970	75,260	11	75,271	75,902	11	75,913
ITC gross up	12,128	122.00	12,250	14,468	146	14,614	15,637	158	15,795
Additional RSG-Note A	-	-	-	17,553	2	17,555	17,553	2	17,555
Total SFAS 109 Amortization to FIT	\$ 1,310,339	\$ 9,739	\$ 1,320,078	\$ 1,297,825	\$ 9,614	\$ 1,307,439	\$ 1,311,715	\$ 9,623	\$ 1,321,338

Step 1 Adjustment
12 months of 2023 \$ (1,310,339) \$ (9,739)

Step 2 Adjustment
8 months of 2023 \$ (432,608) \$ (3,205)
4 months of 2024 (873,559) (6,493)
\$ (1,306,167) \$ (9,698)

Step 3 Adjustment
8 months of 2024 \$ (865,218) \$ (6,408)
4 months of 2025 (437,238) (3,208)
\$ (1,302,456) \$ (9,616)

OUCG DR 1-5

DATA REQUEST
Indiana-American Water Company, Inc.

Cause No. 45753

Information Requested:

Please provide copies of any contracts for incidental costs associated with the proposed acquisition for each of the following: (1) Barnes and Thornburg and (2) DLZ.

Information Provided:

See Barnes and Thornburg engagement letter attached. Survey work has not yet been contracted and therefore there is no contract for DLZ.

Attachment:

OUCG DR 1-5.pdf

BARNES & THORNBURG LLP

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Hillary J. Close
317.231.7785
Hillary.Close@btlaw.com

July 21, 2022

Indiana-American Water Company, Inc.
David L. Pippen
153 North Emerson Avenue
Greenwood, Indiana 46143

*Via Electronic Mail (david.pippen@amwater.com)
and U.S. Mail*

Re: **ALTERNATIVE FEE ARRANGEMENT PROPOSAL:**
Indiana American – Town of Claypool Acquisition

Dear David:

Thank you for your continued interest in using Barnes & Thornburg (“B&T”) as a trusted legal provider for Indiana-American Water Company (“IAWC” or “Company”). We are pleased to have the opportunity to represent Indiana-American in the upcoming acquisition proceeding before the Indiana Utility Regulatory Commission for approval of Indiana-American’s acquisition of the Town of Claypool water utility system (“Matter”). The engagement letter entered into by and between IAWC and the Firm, dated January 17, 2017, shall govern the terms of IAWC’s engagement of the Firm related to this Matter. We are focused on how we can partner with you and provide exceptional value to Indiana-American, and the proposal outlined below demonstrates our commitment to working with you to achieve your business and legal objectives in a cost-efficient way.

Additionally, in the past several years, Barnes & Thornburg has created an industry-leading suite of innovative tools called BT ValueWorks. This program is backed with professionals who collaborate with attorney teams to create predictability, transparency, and measurable budget control for our clients. We are committed to providing quality legal service at the expected price, and the proposal, along with the terms set forth below, help align economic incentives for both Indiana-American and Barnes & Thornburg.

I. Proposed Fee Arrangement

After careful consideration and analysis of several rate-making matters that Barnes & Thornburg has handled for Indiana-American, we propose billing a fixed fee by phase for work considered in-scope as defined below. The proposed fixed fee amounts by phase are as follows:

Phase 1 (Case Assessment/Preliminary Investigation): \$25,600

Phase 2 (Discovery): \$23,000
Phase 3 (Rebuttal/Hearing): \$45,000
Phase 4 (Post-Hearing): \$26,600
Total (Phases 1 through 4): \$120,200

We have broken down what we consider to be “in scope” for each phase to provide you the tasks associated with the corresponding phase fees, along with our assumptions. Our goal was to move away from hourly billings to a fixed fee structure to allow more predictability in the legal spend for this matter. In this type of arrangement, Barnes & Thornburg bears the burden of inefficiency. If at any time the Company’s engagement of Barnes & Thornburg LLP is terminated before the Matter is concluded, we propose the Company will pay the Fixed Fees through the end of the Phase preceding the Phase during which termination occurs, and then pay for work performed beyond that preceding Phase on an hourly basis at our currently approved rates.

II. In Scope

The following summarizes each of the primary tasks and activities for each phase that are considered **in-scope**.

Proposed Fixed-Fee Per Phase

Phase	Key In-Scope Tasks	Phase Amount
Case Assessment/ Preliminary Investigation	<ul style="list-style-type: none"> • Client Communications & Status Updates • Draft/Review/Revise Petition • Draft/Review/Revise Testimony • Draft Pleadings • Review Workpapers • Perform Legal Research • Meet/Confer with Third Party/Agency • Final Review for Filing • Meet/Confer with Outside Consultants/Witnesses (1) 	\$25,600
Discovery	<ul style="list-style-type: none"> • Client Communications & Status Updates • Meet/Confer with Third Party/Agency • Review and Distribute Discovery Requests • Review/Revise Discovery Responses • Perform Legal Research • Review OUCG Testimony • Draft Discovery Requests • Draft Pleadings/Nondisclosure Agreements • Attend Prehearing Conference • Meet/Confer with Outside Consultants/Witnesses (1) 	\$23,000
Rebuttal Hearing &	<ul style="list-style-type: none"> • Meet/Confer with Client (other than Witness Training) • Draft/Review/Revise Rebuttal Testimony • Perform Legal Research • Final Review for Filing 	\$45,000

Phase	Key In-Scope Tasks	Phase Amount
Hearing Preparation	<ul style="list-style-type: none"> • Meet/Confer with Third Party/Agency • Preparation for Witness Training • Conduct Witness Training • Hearing Preparation including Cross Outlines & Compiling Exhibits • Attend Hearing • Draft Pleadings • Meet/Confer with Outside Consultants/Witnesses (1) 	
Post-Hearing	<ul style="list-style-type: none"> • Draft/Review/Revise Proposed Order • Perform Legal Research • Final Review for Filing • Meet/Confer with Client • Meet/Confer with Third Party/Agency • Meet/Confer with Outside Consultants/Witnesses (1) • Review post-hearing Submissions of OUCC • Draft/Review/Revise Reply • Draft Pleadings • Review of Compliance Filings 	\$26,600
TOTAL Fixed Fee Amount: \$120,200		

The foregoing fixed fees by Phase would apply for a fully litigated proceeding.

From what we understand, this is a case that should not involve significant controversy and it would lend itself to settlement. That does not change the scope of work to prepare the case-in-chief (Phase I) or to respond to discovery (Phase II). The most likely times where settlement could occur would be (1) following the OUCC's pre-filing but before rebuttal, or (2) following rebuttal but prior to hearing. Accordingly, we propose the following alternative Fixed Fees by Phase for those two alternative paths. The alternative proposals assume settlement is unanimous and cross-examination is waived.

Pre-Rebuttal Settlement:

Phase 1 (Case Assessment/Preliminary Investigation): \$25,600
Phase 2 (Discovery): \$23,000
Phase 3 (Rebuttal/Hearing): \$23,000
Phase 4 (Post-Hearing): \$2,500
Total (Phases 1 through 4): \$74,100

Post-Rebuttal/Pre-Hearing Settlement

Phase 1 (Case Assessment/Preliminary Investigation): \$25,600
Phase 2 (Discovery): \$23,000
Phase 3 (Rebuttal/Hearing): \$41,900
Phase 4 (Post-Hearing): \$2,500
Total (Phases 1 through 4): \$93,000

III. Out of Scope

The following items are considered to be **out-of-scope** of this engagement and would be billed at the same rates that we currently charge Indiana American for hourly matters. We propose the creation of a separate matter named 'out of scope work' to be created and billed to when 'out of scope' tasks are required. We will of course consult with you if we feel any work is moving into the 'out of scope' matter. In our experience with fixed fees, this two matter structure provides clarity to both parties in relation to invoices.

Out-of-Scope Activities

- Out-of-state travel
- All work related to depositions
- Responding to dispositive motions
- Responding to motions to strike or refile
- All work related to corrections due to errors in Company data or changes in circumstances
- All work related to making or responding to pre-hearing objections
- Participation in any repeat conversations to revisit decisions in the case once made
- Work related to more than 5 case-in-chief and rebuttal witnesses
- Work related to more than 4 opposing witnesses
- Work related to more than 4 sets of discovery from OUCG and motions to compel
- Work related to serving discovery responses after 4:30pm on the due date
- More than one witness preparation session for each witness in Indianapolis
- Witness training session time beyond 8 hours

IV. Assumptions

In preparing this estimate, we have relied upon the following assumptions. If any of these assumptions do not align with your views for this engagement, please let us know and we can discuss removing them or make appropriate adjustments.

Assumptions

- No intervenors
- Assumes B&T drafts Petition
- Assumes witnesses prepare first drafts of direct testimony (with outline provided by B&T for one company witness), which B&T reviews
- Assumes witnesses prepare first draft of rebuttal testimony, which B&T reviews
- Assumes final drafts of direct testimony are received by us three business days in advance of filing.
- Assumes Petition and Case-in-Chief are filed no later than August 1, 2022
- Assumes evidentiary hearing will last no longer than one day and no more than two Firm lawyers are needed at the hearing
- Assumes standard protocol of petitioner files case-in-chief, OUCG pre-files, followed by rebuttal and then a single hearing
- No more than eight (8) hours for witness training, conducted in Indianapolis
- Assumes no post-order requests for relief (e.g., petitions for rehearing or reconsideration)

V. Summary

Terms and Conditions: The Fixed Fee for each Phase will be billed after the completion of each Phase. Based on our anticipated schedule in the case, we anticipate billing the fixed fee according to the below payment schedule. The schedule is subject to change based on the circumstances of the case. We will communicate with you about any anticipated changes. Please note that this proposal excludes all third party costs associated with this engagement.

Expected Month of Billing	Amount
August 2022 (Phase 1)	\$25,600
October 2022 (Phase 2)	\$23,000
November 2022 (Phase 3)	\$45,000
December 2022 (Phase 4)	\$26,600
TOTAL:	\$120,200

We hope that you find the terms proposed herein agreeable. While the fixed fees by phase included in this proposal do not include work and tasks not identified here and/or work that Indiana-American and Barnes & Thornburg mutually determine is needed but was not reasonably anticipated given the direction and scope of the engagement (**Unexpected Work**), if we identify any specific Unexpected Work, we will notify you immediately and convene a meeting to discuss and determine necessary for inclusion in the out of scope matter.

We hope this proposed alternative fee arrangement is consistent with your views for this engagement. Please let us know if you have any questions or comments about any of the tasks and activities. We value our relationship with Indiana-American and look forward to working with you to resolve these matters in a cost-efficient manner.

Sincerely,



Hillary J. Close

Accepted and agreed to on behalf of IAWC:

By: 

Printed Name: David Phippen

Title: Director, Corporate Counsel

Date: July 23, 2022