

**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 )  
RATES APPLICABLE TO WATER AND ) CAUSE NO. 45870  
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. 8**

**TESTIMONY OF JEROME D. MIERZWA**

**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. 8 - OUCC's Testimony of Jerome D. Mierzwa 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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DIRECT TESTIMONY OF JEROME D. MIERZWA  
CAUSE NO. 45870  
INDIANA-AMERICAN WATER COMPANY, INC.

**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
7 **EXPERIENCE.**

8 A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of  
9 Science Degree in Marketing. In 1985, I received a Master's Degree in Business  
10 Administration with a concentration in finance, also from Canisius College. In July  
11 1986, I joined National Fuel Gas Distribution Corporation ("NFG Distribution") as a  
12 Management Trainee in the Research and Statistical Services Department ("RSS").  
13 I was promoted to Supervisor RSS in January 1987. While employed with NFG  
14 Distribution, I conducted various financial and statistical analyses related to the  
15 Company's market research activity and state regulatory affairs. In April 1987, as part  
16 of a corporate reorganization, I was transferred to National Fuel Gas Supply  
17 Corporation's ("NFG Supply") rate department where my responsibilities included  
18 utility cost of service and rate design analysis, expense and revenue requirement  
19 forecasting, and activities related to federal regulation. I was also responsible for  
20 preparing NFG Supply's Federal Energy Regulatory Commission ("FERC") Purchase  
21 Gas Adjustment ("PGA") filings and developing interstate pipeline and spot market

1 supply gas price projections. These forecasts were utilized for internal planning  
2 purposes as well as in NFG Distribution's state purchased gas cost review proceedings.

3 In April 1990, I accepted a position as a Utility Analyst with Exeter. In  
4 December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996,  
5 I became a principal of Exeter. Since joining Exeter, my assignments have included  
6 water, wastewater, gas, and electric utility class cost of service and rate design analysis;  
7 evaluating the gas purchasing practices and policies of natural gas utilities; sales and  
8 rate forecasting; performance-based incentive regulation; revenue requirement  
9 analysis; the unbundling of utility services; and the evaluation of customer choice  
10 natural gas transportation programs.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY**  
12 **PROCEEDINGS ON UTILITY RATES?**

13 A. Yes. I have provided testimony on more than 400 occasions in proceedings before the  
14 FERC, utility regulatory commissions in Arkansas, Connecticut, Delaware, Georgia,  
15 Illinois, Louisiana, Maine, Massachusetts, Montana, Nevada, New Hampshire, New  
16 Jersey, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, and Virginia,  
17 as well as before this Commission.

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

19 A. On March 31, 2023, the Indiana-American Water Company, Inc. ("Indiana-American"  
20 or the "Company") filed a Petition with the Indiana Utility Regulatory Commission  
21 ("Commission") for authority to increase its rates and charges for water and wastewater  
22 service by \$86.7 million, or 31.1%, over three steps (Steps 1-3). The Step 1 increase is  
23 projected to be \$43.2 Million, or 15.5%; the Step 2 increase is projected to be \$18.2  
24 Million, or 5.6% from Step 1; and the Step 3 increase is projected to be \$25.4 Million,

1 or 7.5% from Step 2. As a rate mitigation effort, Indiana-American is proposing to  
2 recover 65% of its wastewater revenue requirement (\$4.7 Million at Step 3) through  
3 the rates for water service. Exeter was retained by the Indiana Office of Utility  
4 Consumer Counselor ("OUCC") to review the Company's water class cost of service  
5 ("CCOS") study and water and wastewater rate design proposals. My testimony  
6 addresses the Company's water CCOS study and water and wastewater rate design  
7 proposals.

8 **Q. IF YOU DO NOT DISCUSS A SPECIFIC TOPIC OR ADJUSTMENT,**  
9 **DOES THAT MEAN YOU AGREE WITH THE PETITIONER?**

10 A. No. My silence on any specific topic or adjustment does not indicate my approval or  
11 agreement. My testimony is limited only to the issues I discuss herein.

12 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND**  
13 **RECOMMENDATIONS.**

14 A. My findings and recommendations are as follows:

15  
16 • While I generally agree with the Company's use of the base-extra capacity  
17 water cost of service methodology, I believe adjustments to the maximum hour  
18 extra capacity factors developed by Indiana-American for the Industrial and  
19 Sales for Resale customer class are appropriate. In addition, I find that the  
20 Company's assignment of mains costs to the transmission and distribution  
21 functions should be modified. In my testimony, I present a revised CCOS water  
22 study which reflects these adjustments and modifications;

23 • The allocation of the water revenue increase authorized by the Commission in  
24 this proceeding should be guided by the results of my revised water CCOS  
25 study. As discussed in greater detail in my testimony, I recommend that a  
26 separate schedule of volumetric charges be established for the Public Authority  
27 class that would result in a Step 1 increase comparable to the 2.0 times system

1 average increase proposed by the Company for the Industrial and Sales for  
2 Resale classes;

3 • As also discussed in greater detail in my testimony, for Steps 2 and 3, Sales  
4 for Resale rates should be proportionately increased to provide for an increase  
5 which is 2.0 times the system average increase. For the Industrial and Public  
6 Authority classes, I recommend that the volumetric rates for these customers be  
7 proportionally increased until the increase assigned to one of these classes  
8 reaches 2.0 times the system average increase; and

9 • The Company is not proposing significant changes to its wastewater rate  
10 design, but is proposing to consolidate wastewater rates for all of its customers  
11 in Step 3. The Company is also proposing to collect 65% of its wastewater  
12 revenue requirement through the rates for water service. I am proposing no  
13 changes to the Company's proposed wastewater rate design. However, I  
14 recommend that any reduction to the Company's requested wastewater revenue  
15 requirement first be applied to reducing the wastewater revenue requirement to  
16 be recovered from water service customers.

17 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY**  
18 **ORGANIZED?**

19 A. Following this introductory section, my testimony is divided into two additional  
20 sections. The first additional section addresses Indiana-American's water CCOS study  
21 and rate design proposals. In the final section, I address the Company's wastewater rate  
22 design proposals.

23 **Q. BEFORE ASSESSING AND EVALUATING THE COMPANY'S**  
24 **WATER CCOS STUDY AND WATER AND WASTEWATER RATE**  
25 **DESIGN PROPOSALS, DO YOU HAVE ANY PRELIMINARY**  
26 **MATTERS TO ADDRESS?**



1 Yes. The CCOS study presented by Indiana-American in this proceeding is based on  
2 the Company's Step 3 revenue requirement claim. My testimony and analyses are  
3 generally based on the Company's proposed Step 3 revenue requirement. This is a  
4 standard practice because it allows the class cost of service and rate design  
5 recommendations of different parties to be evaluated on a comparable basis. This  
6 should not be taken, however, as an endorsement of the Company's proposed revenue  
7 requirement claims in this proceeding.

8 **II. WATER CLASS COST OF SERVICE STUDY AND RATE DESIGN**

9 **Q. WHAT IS THE OBJECTIVE OF A CLASS COST OF SERVICE**  
10 **STUDY?**

11 A. A CCOS study is conducted to assist a utility or commission in determining the level  
12 of costs properly recoverable from each of the various classes to which the utility  
13 provides service. Allocation of recoverable costs to each class of service is generally  
14 based on cost causation principles.

15 **Q. WHAT ARE THE PRIMARY CCOS STUDY METHODOLOGIES**  
16 **UTILIZED FOR WATER UTILITIES?**

17 A. The two most commonly used and widely recognized methods of allocating costs  
18 to customer classes for water utilities are the base-extra capacity method and the  
19 commodity-demand method. Both of these methods are set forth in the American Water  
20 Works Association's ("AWWA") *Principles of Water Rates, Fees and Charges*,  
21 *Manual of Water Supply Practices* ("AWWA M1 Manual").

22 **Q. PLEASE SUMMARIZE EACH OF THESE METHODS.**

23 A. Under the base-extra capacity method, investment and costs are generally first assigned  
24 to utility functional cost centers which include: source of supply, pumping, storage,

1 treatment, distribution, customer, and general administration. These functional costs  
2 are then allocated into four primary cost categories: base or average capacity, extra  
3 capacity, customer, and direct fire protection. Customer costs are commonly further  
4 divided between meter- and service-related, and account- or bill-related costs. Extra  
5 capacity costs may also be divided between maximum day and maximum hour costs.  
6 Once investment and costs are classified into these primary cost categories, they are  
7 then allocated to customer classes. Base costs are allocated according to average water  
8 use, and extra capacity costs are allocated on the basis of the excess of peak demands  
9 over average demands. Meter- and service-related customer costs are allocated on the  
10 basis of relative meter and service investment or a proxy thereof. Account-related  
11 customer costs are allocated in proportion to the number of customers or the number of  
12 bills. The water CCOS study presented by the Indiana-American in this proceeding  
13 utilizes the base-extra capacity methodology, is sponsored by witness Mr. Charles B.  
14 Rea, and is presented as Schedule CBR-4.

15 The commodity-demand method follows the same general procedures.  
16 However, usage-related costs are classified as commodity and demand-related rather  
17 than as base and extra capacity related. Commodity-related costs are allocated to  
18 customer classes on the basis of total water use (which is equivalent to average  
19 demand), and demand-related costs are allocated on the basis of each class's  
20 contribution to peak demand rather than on the basis of class demands in excess  
21 of average use.

22 **Q. PLEASE DESCRIBE IN GREATER DETAIL THE FOUR PRIMARY**  
23 **COST CATEGORIES AND HOW THEY ARE ALLOCATED TO**

1                   **THE VARIOUS CUSTOMER CLASSES UNDER THE BASE-EXTRA**  
2                   **CAPACITY METHOD.**

3    A.    **Base Costs** are costs that tend to vary with the quantity of water used, plus costs  
4           associated with supplying, treating, pumping, and distributing water to customers under  
5           average load conditions. Base costs were generally allocated to customer classes on the  
6           basis of average daily usage in Indiana-American's CCOS study.

7                   **Extra capacity Costs** are costs associated with meeting usage requirements in  
8           excess of average day usage. This includes operating and capital costs for additional  
9           plant and system capacity beyond that required for average day usage. Extra capacity  
10          costs in the Company's CCOS study have been subdivided into costs necessary to meet  
11          maximum day extra demand and maximum hour extra demand. These extra capacity  
12          costs were allocated to customer classes on the basis of each class's maximum day and  
13          maximum hour usage in excess of average day and average hour usage, respectively.

14                  **Customer Costs** are costs associated with serving customers regardless of their  
15          usage or demand characteristics. Customer costs include the operating costs related to  
16          meters and services, meter reading costs, and billing and collecting costs. Customer  
17          costs were allocated on the basis of the capital cost of meters and services and the  
18          number of customer bills.

19                  **Fire Protection Costs** are costs associated with providing the facilities  
20          necessary to meet the potential peak demand of fire protection service. In Indiana-  
21          American's study, fire protection costs have been subdivided into the costs associated  
22          with meeting Public Fire Protection and Private Fire Protection demands. The extra  
23          capacity costs assigned to fire protection were allocated to Public and Private Fire  
24          Protection on the basis of the total relative demands of hydrants and fire service lines.

1 **Q. PLEASE IDENTIFY THE CUSTOMER CLASSES INDIANA-**  
2 **AMERICAN HAS INCLUDED IN ITS WATER CCOS STUDY.**

3 A. Indiana-American has separately identified the cost of serving seven (7) customer  
4 classes: Residential, Commercial, Industrial, Public Authority, Sales for Resale, Public  
5 Fire Protection, and Private Fire Protection. I subsequently refer to the water service  
6 provided by the Company to the Residential, Commercial, Industrial, and Public  
7 Authority classes as general retail service.

8 **Q. PLEASE DESCRIBE IN GREATER DETAIL INDIANA-**  
9 **AMERICAN'S ASSIGNMENT OF SYSTEM-WIDE INVESTMENT**  
10 **AND COSTS TO UTILITY FUNCTIONAL COST CENTERS AND**  
11 **THE ALLOCATION OF THESE COSTS TO COST CATEGORIES.**

12 A. Plant investment costs, depreciation expense, and operations and maintenance  
13 ("O&M") expenses have been assigned to eleven (11) functional cost centers:

- 14 • Source of Supply;
- 15 • Water Pumping;
- 16 • Water Treatment;
- 17 • Transmission Mains;
- 18 • Distribution Mains;
- 19 • Storage;
- 20 • Meters;
- 21 • Services;
- 22 • Customer; and
- 23 • Hydrants.

24 The costs assigned to these functional cost centers have subsequently been allocated to  
25 the following cost categories:

- 26 • Base capacity;

- 1 • Maximum day extra capacity;
- 2 • Maximum hour extra capacity;
- 3 • Customer; and
- 4 • Hydrants.

5 Customer costs, such as meters and services, and hydrants, are directly assigned  
6 to their respective cost categories. The remaining costs are allocated to the base,  
7 maximum day, and maximum hour cost categories based on the degree to which they  
8 are associated with meeting those service requirements. Costs that meet base (average  
9 day) service requirements are allocated 100 percent to base category. Costs that meet  
10 maximum day service requirements are allocated between the base and the maximum  
11 day cost categories. Costs that meet maximum hour service requirements are allocated  
12 to the base and maximum hour cost categories. These allocations are developed on  
13 Schedule CBR-4, page 6.

14 **Q. PLEASE DESCRIBE THE ALLOCATION OF MAXIMUM DAY**  
15 **AND MAXIMUM HOUR EXTRA CAPACITY COSTS TO**  
16 **CUSTOMER CLASS UNDER THE BASE EXTRA CAPACITY**  
17 **METHOD AS SET FORTH IN THE AWWA M1 MANUAL.**

18 A. Under the base-extra capacity method, system-wide maximum day and maximum hour  
19 extra capacity costs are allocated to customer class based on the excess of each class's  
20 non-coincident maximum day and maximum hour demands over average day and  
21 maximum day demands, respectively. As an example, as shown on Schedule CBR-4,  
22 page 9, the average day water usage of Residential customers was determined to be  
23 37.162 thousand gallons (M gal), and the maximum day usage of Residential customers  
24 was determined to be 1.65 times average day usage, or 61,318 M gal. Thus, the  
25 maximum day extra capacity usage of Residential customers is 24,156 M gal (61,318

1 M gal maximum day usage less 37,162 M gal average day usage). Maximum day extra  
2 capacity costs are allocated to the Residential class based on the Residential class's  
3 proportionate share of total system maximum day extra capacity usage.

4 With respect to the allocation of maximum hour extra capacity costs, as also  
5 shown on Schedule CBR-4, page 9, the Company determined that the average hour  
6 usage of the Residential class is 1,548 M gal, and maximum hour usage of the  
7 Residential class is 3.5 times the average hour usage, or 5,420 M gal. Thus, the  
8 maximum hour extra capacity usage of Residential customers is 3,871 M gal above  
9 maximum day usage (5,420 M gal maximum hour usage less 1,548 M gal average  
10 usage). Maximum hour extra capacity costs are allocated to the Residential class based  
11 on the Residential class's proportionate share of total system maximum hour extra  
12 capacity usage.

13 **Q. THE BASE-EXTRA CAPACITY METHOD UTILIZES NON-**  
14 **COINCIDENT PEAK DEMANDS TO ALLOCATE EXTRA**  
15 **CAPACITY COSTS TO THE VARIOUS CUSTOMER CLASSES. IS**  
16 **THIS SIMPLY THE DEMANDS OF EACH CUSTOMER**  
17 **CLASSIFICATION AT THE TIME OF SYSTEM PEAK DAY AND**  
18 **PEAK HOUR DEMANDS?**

19 A. No. Non-coincident peak demands represent the maximum demands of the individual  
20 customer classifications regardless of when those demands occur. Thus, the sum of  
21 each customer class's non-coincident demands will exceed the system coincident peak  
22 demand. The ratio obtained by dividing non-coincident demands by coincident  
23 demands is referred to as the system diversity ratio in the AWWA M1 Manual.

1 **Q. WHY ARE NON-COINCIDENT DEMANDS UTILIZED UNDER**  
2 **THE BASE-EXTRA CAPACITY METHOD?**

3 A. The basis for using non-coincident maximum day and maximum hour demands is set  
4 forth in the AWWA M1 Manual:

5  
6 It is important that the reader understand the rationale  
7 of using the non-coincident demands in distributing  
8 the functionally allocated costs to each class. The  
9 rationale for supporting the use of non-coincident  
10 peaking factors is that the benefits of diversity in  
11 customer class consumption patterns should accrue  
12 to all classes in proportion to their use of the system,  
13 and not be allocated primarily to a particular class  
14 that happens to peak at a time different from other  
15 users of the system. The concept is illustrated  
16 through the following example: Assume that a utility  
17 was going to build a separate system (source of  
18 supply, treatment, pumping, transmission, and  
19 distribution, etc.) for each of the customer classes  
20 served by the utility. These separate water systems  
21 would need to be sized to meet the base, maximum-  
22 day extra capacity, and maximum-hour extra  
23 capacity demands related to each class. The sum of  
24 those systems would compose the overall water  
25 system, and the costs associated with each of the  
26 individual systems would be allocable to each class  
27 (based on their respective non-coincidental demands  
28 that were the basis for sizing the individual  
29 components of the system).

30 Assume that a concept is developed that efficiencies,  
31 economies of scale, and reduction in the overall size  
32 of the "system" could be achieved if the system is an  
33 integrated, diversified system. With this concept in  
34 mind, recognizing the diversities of demands of the  
35 various classes and using the coincidental demands  
36 of all classes to size the plant, a smaller system could  
37 be built. Total fixed capital costs and most operation  
38 and maintenance expenses, except perhaps for power  
39 and chemical costs, would be reduced in sizing the  
40 overall system facilities on the basis of the  
41 coincidental demands of all the classes of customers.

1                   The question at hand is, considering that there is a  
2                   smaller, more efficient, and less costly system, how  
3                   should the cost savings of that system be allocated  
4                   among the individual customer classes? One  
5                   appropriate manner to allocate these costs, and have  
6                   each customer class share equitably in the overall  
7                   cost savings, is to allocate the total new, smaller  
8                   system costs on the basis of the non-coincidental  
9                   demands of each customer class. In this manner, all  
10                  classes share proportionately in the economies of  
11                  scale and cost savings of this smaller, integrated, and  
12                  diverse system.

13                                   [AWWA M1 Manual, Appendix A, pages 374 - 375,  
14                                   7th Edition (2017).]

15   **Q.                   HOW DID THE COMPANY DEVELOP THE MAXIMUM DAY AND**  
16                   **MAXIMUM HOUR EXTRA CAPACITY FACTORS FOR THE**  
17                   **VARIOUS CUSTOMER CLASSES REFLECTED IN ITS WATER**  
18                   **CCOS STUDY?**

19   A.    As described by Mr. Rea on page 49 of his Direct Testimony, for the Residential,  
20           Commercial, and Public Authority classes, the Company developed extra capacity  
21           factors based on daily and hourly consumption data collected by the Company's  
22           Advanced Metering Infrastructure ("AMI") system. For the Industrial and Sales for  
23           Resale classes, the maximum daily capacity factors are based on monthly usage profiles  
24           for these classes, with the maximum hourly extra capacity factor set to be the average  
25           daily usage in the month of maximum usage for each class divided by average daily  
26           usage for the year.

27   **Q.                   WHAT IS YOUR GENERAL ASSESSMENT OF THE WATER CCOS**  
28                   **STUDY SPONSORED BY INDIANA-AMERICAN?**

29   A.    I generally agree with the Company's use of the base-extra capacity methodology.  
30           However, I believe that adjustments to the maximum hour extra capacity factors



1 developed by Indiana-American for the Industrial and Sales for Resale classes are  
2 appropriate. The extra capacity factors proposed by the Company for the Industrial and  
3 Sales for Resale classes unrealistically assume that the usage of each of these classes  
4 is exactly the same in every hour of every day of the maximum month of usage. It is  
5 unclear why the Company is able to use its AMI system to determine maximum hour  
6 extra capacity factors for the Residential, Commercial, and Public Authority classes  
7 but not for the Industrial or Sales for Resale classes. In addition, the Company's  
8 assignment of mains costs to the transmission and distribution functions should be  
9 modified.

10 **Q. WHAT DO YOU PROPOSE AS AN ALTERNATIVE FOR THE**  
11 **MAXIMUM HOUR EXTRA CAPACITY FACTORS FOR THE**  
12 **INDUSTRIAL AND SALES FOR RESALE CUSTOMER CLASSES?**

13 A. Rather than unrealistically assuming as the Company has done that the hourly demands  
14 of Industrial and Sales for Resale customers do not vary at all during the month of  
15 maximum usage, I believe it would be reasonable to apply the AWWA M1 Manual  
16 estimated hourly ratios to the maximum day capacity factor developed by the Company  
17 for these classes. Appendix A of the AWWA M1 Manual presents a method to  
18 determine extra capacity factors by customer class when daily and/or hourly usage data  
19 is not available. Under this method, the maximum day capacity factor of a class is  
20 multiplied by an estimated maximum hour to maximum day ratio that is representative  
21 of the typical hourly usage of each class on the maximum day of usage. In the AWWA  
22 M1 Manual the estimated hourly ratio used for the Residential and Commercial classes  
23 is 1.66, and the estimated hourly ratio of the Industrial class is 1.33. This would increase  
24 the maximum hour capacity factor of the Industrial class from the 1.20 as shown on

1 schedule CBR-4, page 9, to 1.60 (1.20 x 1.33). For the Sales for Resale class, I would  
2 apply the Residential/Commercial hourly ratio of 1.66 to the maximum day capacity  
3 factor of 1.40 shown on Schedule CBR-4, page 9, which would result in a Sales for  
4 Resale maximum hour capacity factor of 2.32 (1.40 x 1.66).

5 **Q. PLEASE EXPLAIN YOUR CONCERN WITH RESPECT TO THE**  
6 **COMPANY'S ASSIGNMENT OF MAINS COSTS TO THE**  
7 **TRANSMISSION AND DISTRIBUTION FUNCTIONS.**

8 A. Indiana-American has determined that mains with a diameter of 10-inches or greater  
9 perform a transmission function and mains with a diameter of less than 10-inches  
10 perform a distribution function. In the CCOS study, the Company has assigned mains  
11 costs to the transmission and distribution functions based on mileage (Schedule CBR-  
12 4, page 9). This is unreasonable because it fails to recognize that the costs of purchasing  
13 and installing mains generally increase as the diameter of the main increases. I  
14 recommend that mains be assigned to the transmission and distribution functions based  
15 on the weighted installed costs of those mains. My proposed assignment of mains costs  
16 to the transmission and distribution functions is presented in Table 1.

17

**Table 1**  
Assignment of Mains to the Transmission and Distribution Functions

Main Size	Mileage	Cost	Weighting	
		Average	Amount	Percent
Distribution	3,756.35	\$26.22	\$98,492	67.60%
Transmission	1,484.39	31.80	47,204	32.40%
<b>Total</b>	<b>5,240.75</b>		<b>\$145,696</b>	<b>100.00%</b>

Source: Response to Crown Point 01-002

1 **Q. HAVE YOU REVISED INDIANA-AMERICAN'S CCOS STUDY TO**  
 2 **ADDRESS THE CONCERNS DISCUSSED IN YOUR TESTIMONY?**

3 Yes. I have revised the Company's CCOS study to address my concerns related to the  
 4 Industrial and Sales for Resale maximum hour capacity factors and the assignment of  
 5 mains costs to the transmission and distribution functions. A comparison of this revised  
 6 CCOS study with the Company's CCOS study is presented in Table 2. Additional  
 7 OUCC CCOS study detail is presented in Schedule JDM-1.

**Table 2**  
**Comparison of Company and OUCC Class Cost of Service Study Results**

Customer Classification	Cost of Service		Difference	Percent
	Company	OUCC		
Residential	\$194,202,373	\$192,540,892	(\$1,661,481)	-0.9%
Commercial	72,697,035	72,570,540	(126,495)	-0.2
Industrial	24,549,065	25,956,233	1,407,168	5.4
Public Authority	22,217,262	21,816,570	(400,692)	-1.8
Sales for Resale	19,159,701	20,295,758	1,136,057	5.6
Miscellaneous	184,653	188,836	4,183	2.2
Private Fire	5,023,065	4,951,316	(71,749)	-1.4
Public Fire	19,449,074	19,162,081	(286,993)	-1.5
<b>Totals</b>	<b>\$357,482,227</b>	<b>\$357,482,227</b>	<b>(0)</b>	<b>0.0%</b>

8 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT RATE DESIGN**  
 9 **FOR WATER SERVICE.**

10 A. As shown on Schedule CBR-3, Indiana-American currently provides water service in  
 11 four service territories (Areas 1-4). With the exception of the customers served in Areas  
 12 2, 3, and 4, the Area 1 rates are applicable statewide. Area 2 consists of the  
 13 municipalities of Mooresville and Winchester. Area 3 is the Rivers Edge service

1 territory in Clark County, and Area 4 is the Town of Lowell. The Town of Lowell is a  
2 recent service area acquisition made by Indiana-American. The current rate design for  
3 general retail and Sales for Resale water service Areas 1 and 2 consists of a monthly  
4 customer charge and a declining-block, volumetric rate design. In addition, all  
5 customers, regardless of customer class (Residential, Commercial, Industrial, or Public  
6 Authority), take service under the same rate structure. Monthly meter charges are  
7 differentiated between general retail service and Sales for Resale. The same meter  
8 charges are applicable to Areas 1 and 2. Distribution System Improvement Charges  
9 (“DSIC”) and Service Enhancement Improvement (“SEI”) charges, while not a part of  
10 base rates, are collected on a fixed-charge basis by meter size and will be rolled into  
11 base rates in this proceeding. Volumetric rates for Sales for Resale service are separate  
12 from the rates for general retail service. The volumetric rates for general retail service  
13 in Areas 1 and 2 are differentiated, but are not differentiated for Sales For Resale  
14 service. For Area 3, customers are currently assessed the same meter charges as Area  
15 1. However, unlike Areas 1 and 2, Area 3 customers are assessed a single volumetric  
16 usage charge, which does not vary based on usage. For Area 4, there are separate meter  
17 and volumetric charges which differ from the Area 1 and 2 meter and volumetric  
18 charges.

19 Private Fire rates are on a monthly charge basis based on meter size and are the  
20 same for Area 1 and Area 2. Public Fire surcharges are on a monthly charge basis based  
21 on meter size and are the same for Area 1 and Area 2, but separate rates apply to the  
22 municipalities of West Lafayette, Seymour, Summitville, and Lowell. The Company  
23 does not provide Private or Public Fire service in Areas 3 and 4.

1 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO ITS WATER**  
2 **SERVICE RATE DESIGN?**

3 A. Yes. The Company is proposing an allowance-based rate for all customers in Area 1  
4 and Area 2. Under this proposal, customers would not be assessed volumetric usage  
5 charges for the first 1,500 gallons utilized each month. In addition, the Company is  
6 proposing to consolidate volumetric rates for Area 1 and Area 2 customers. Indiana-  
7 American is also proposing to consolidate the meter and volumetric rates of Area 3  
8 general retail customers with those of Areas 1 and 2. Therefore, the Company is  
9 proposing to consolidate all of the general service rates for Areas 1, 2, and 3. For Area  
10 4, the Company is proposing to maintain the existing rates which were adopted at the  
11 time the Company acquired the Town of Lowell water system.

12 **Q. WHAT ARE SOME OF THE PRINCIPLES OF A SOUND REVENUE**  
13 **ALLOCATION AND RATE DESIGN?**

14 A sound revenue allocation should:

- 15 • Utilize CCOS study results as a guide;
- 16 • Provide stability and predictability of the rates themselves, with a minimum of  
17 unexpected changes seriously adverse to ratepayers or the utility (gradualism);
- 18 • Yield the total revenue requirement;
- 19 • Provide for simplicity, certainty, convenience of payment, understandability,  
20 public acceptability, and feasibility of application; and
- 21 • Reflect fairness in the apportionment of the total cost of service among the  
22 various customer classes.<sup>1</sup>

23 **Q. HOW IS GRADUALISM GENERALLY DEFINED?**

---

<sup>1</sup> *Principles of Public Utility Rates*, Second Edition, James C. Bonbright, Albert L. Danielsen, David R. Kamerschen; Public Utility Reports, Inc. 1988, pages 383-384.

1 A. While there is no hard and fast rule as to applying the principle of gradualism, typically,  
2 an increase of 1.5 to 2.0 times the system average increase would be consistent with  
3 the concept of gradualism.

4 **Q. PLEASE DESCRIBE HOW INDIANA AMERICAN IS PROPOSING**  
5 **TO DISTRIBUTE THE REQUESTED THREE-STEP REVENUE**  
6 **INCREASES AMONG ITS CUSTOMER CLASSES.**

7 A. As explained by Mr. Rea on page 34 of his Direct Testimony, the Company has used  
8 the following general guidelines in allocating the proposed step increases to customer  
9 class:

- 10 • To provide for gradualism, increases to the Industrial and Sales for Resale  
11 classes have been limited to 1.5 times the overall water service revenue increase  
12 requested in this case for Step 3;
- 13 • No increases are assigned to Private and Public Fire as the Company's CCOS  
14 study indicates that revenue decreases would be appropriate; and
- 15 • The remainder of the revenue increase is allocated to the Residential and  
16 Commercial classes in proportion to present rate revenues.

17 Table 3 summarizes the Company's proposed revenue increases for each customer  
18 class for each Step increase.

**Table 3**  
**Summary of Company Proposed Step Increases**

Class	STEP 1				STEP 2			
	Present	Proposed	Increase	Percent	Present	Proposed	Increase	Percent
Residential	\$153,067,268	\$174,804,902	\$21,737,634	14.2%	\$174,751,881	\$186,211,273	\$11,459,392	6.6%
Commercial	55,303,944	66,209,115	10,905,171	19.7%	66,461,910	70,402,630	3,940,720	5.9%
Industrial	15,327,350	19,869,990	4,542,640	29.6%	19,869,990	21,0114,691	1,141,701	5.7%
Public Authority	9,802,813	11,432,972	1,630,159	16.6%	11,432,882	12,018,139	585,257	5.1%
Sale for Resale	11,328,852	14,800,788	3,471,936	30.6%	14,800,788	15,598,164	797,376	5.4%
Miscellaneous	244,851	244,931	80	0.0%	244,931	255,339	10,408	4.2%
Private Fire	5,131,917	5,131,917	0	0.0%	5,258,224	5,258,224	0	0.0%
Public Fire	23,219,836	23,045,228	(174,608)	-0.8%	23,223,864	23,188,766	(35,098)	-0.2%
<b>Total</b>	<b>\$273,426,831</b>	<b>\$315,539,843</b>	<b>\$42,113,0124</b>	<b>15.4%</b>	<b>\$316,044,470</b>	<b>\$333,944,226</b>	<b>\$17,899,756</b>	<b>5.7%</b>

Class	STEP 3				Total Increase	
	Present	Proposed	Increase	Percent	Amount	Percent
Residential	\$186,211,273	\$202,889,581	\$16,678,308	9.0%	\$49,822,313	32.5%
Commercial	70,402,630	75,593,124	5,190,494	7.4%	20,289,180	36.7%
Industrial	21,0114,691	22,514,362	1,502,671	7.2%	7,187,012	46.9%
Public Authority	12,018,139	12,788,909	770,770	6.4%	2,986,096	30.5%
Sale for Resale	15,598,164	16,648,363	1,050,199	6.7%	5,319,511	47.0%
Miscellaneous	255,339	269,046	13,707	5.4%	24,195	9.9%
Private Fire	5,258,224	5,258,224	0	0.0%	126,307	2.5%
Public Fire	23,188,766	23,152,391	(36,3752)	-0.2%	(67,445)	-0.3%
<b>Total</b>	<b>\$333,944,226</b>	<b>\$359,114,000</b>	<b>\$25,169,774</b>	<b>7.5%</b>	<b>\$85,687,169</b>	<b>31.3%</b>

1 Table 4 presents a comparison of the Company's proposed Step 3 customer class  
2 revenue allocation and the cost of service for each class as indicated by the Company's  
3 CCOS study. Table 5 presents a comparison of the Company's proposed Step 3  
4 customer revenue allocation and the cost of service for each class as indicated by the  
5 OUCC's revised CCOS.

**Table 4**  
**Summary of Company Proposed Step 3 Revenues and**  
**Indicated Company Class Cost of Service Study Results**

Class	Proposed Step 3 Revenues	Indicated Class Cost of Service (1)	Variance	
			Amount	Percent
Residential	\$202,889,581	\$195,154,524	\$7,735,057	4.0%
Commercial	75,593,124	73,053,460	2,539,664	3.5%
Industrial	22,514,362	24,669,426	(2,155,064)	-8.7%
Public Authority	12,788,909	22,326,191	(9,537,282)	-42.7%
Sales for Resale	16,648,363	19,253,639	(2,605,276)	-13.5%
Miscellaneous	269,046	184,652	84,394	45.7%
Private Fire	5,258,224	5,023,065	235,159	4.7%
Public Fire	23,152,391	19,449,074	3,703,317	19.0%
<b>Totals</b>	<b>\$359,114,000</b>	<b>\$359,114,031</b>	<b>(\$31)</b>	<b>0.0%</b>

Notes:

- (1) Includes the reallocation of wastewater revenue discussed in Section III of this testimony.

**Table 5**  
**Summary of Company Proposed Step 3 Revenues and**  
**Indicated OUCC Class Cost of Service Study Results**

Class	Proposed Step 3 Revenues	Indicated Class Cost of Service (1)	Variance	
			Amount	Percent
Residential	\$202,889,581	\$193,483,892	\$9,405,689	4.9%
Commercial	75,593,124	72,925,966	2,667,158	3.7%
Industrial	22,514,362	26,083,358	(3,568,996)	-13.7%
Public Authority	12,788,909	21,923,420	(9,134,511)	-41.7%
Sales for Resale	16,648,363	20,395,160	(3,746,797)	-18.4%
Miscellaneous	269,046	188,836	80,210	42.5%
Private Fire	5,258,224	4,951,316	306,908	6.2%
Public Fire	23,152,391	19,162,081	3,990,310	20.8%
<b>Totals</b>	<b>\$359,114,000</b>	<b>\$359,114,031</b>	<b>(\$31)</b>	<b>0.0%</b>

Notes:

- (1) Includes the reallocation of wastewater revenue discussed in Section III of this testimony.



1     **Q.                   WHAT IS THE COMPANY'S PROPOSAL WITH RESPECT TO**  
2                   **THE SCALE-BACK OF RATES IN THE EVENT THAT THE**  
3                   **COMMISSION AUTHORIZES AN INCREASE IN WATER RATES**  
4                   **THAT IS LESS THAN THE REQUESTED INCREASE?**

5     A.     In the event that the Commission authorizes an increase in water rates that is less than  
6             the requested increase, the Company proposes to reduce water service volumetric rates  
7             on a pro rata basis until the difference between the authorized increase and the  
8             requested increase is met (OUCC DR 03-001).

9     **Q.                   IS THE COMPANY'S PROPOSED REVENUE DISTRIBUTION**  
10                  **REASONABLE?**

11    A.     No. The Company's revenue allocation is guided by the results of its CCOS Study. As  
12             explained earlier in this section of my testimony, certain revisions are required to the  
13             Company's CCOS Study to provide a reasonable indication of the cost of service for  
14             each customer class. The OUCC's CCOS study, which reflects these revisions, should  
15             be used as a guide for the allocation of any increase authorized by the Commission in  
16             this proceeding. In addition, the Company's revenues allocation does not move certain  
17             customer classes significantly toward the indicated cost of service.

18    **Q.                   IS IT POSSIBLE TO SPECIFICALLY TARGET A RATE INCREASE**  
19                  **FOR EACH CUSTOMER CLASS?**

20    A.     Excluding the Sales for Resale and Public and Private Fire Protection classes, it is not  
21             possible to specifically target a rate increase for each customer class under the rate  
22             structure proposed by Indiana-American because as shown on Schedule CBR-3 and  
23             previously discussed, the same meter and volumetric usage charges are generally  
24             applicable to each customer class. Therefore, a change in one rate will impact the

1 revenues collected from each class. With respect to volumetric usage rates, as  
 2 previously discussed, the Company has a declining block rate structure. For service  
 3 Areas 1-3, the monthly rate blocks and volumetric charges proposed by the Company  
 4 for Step 3 are as follows:

5

	<b>RATE BLOCK</b>	<b>CHARGE</b>
<b>(1)</b>	<b>FIRST 1,500 GALLONS</b>	<b>\$0.00000 PER 100 GALLONS</b>
<b>(2)</b>	<b>NEXT 13,500 GALLONS</b>	<b>\$1.57415 PER 100 GALLONS</b>
<b>(3)</b>	<b>NEXT 3,725,000 GALLONS</b>	<b>\$0.47800 PER 100 GALLONS</b>
<b>(4)</b>	<b>OVER 3,740,000 GALLONS</b>	<b>\$0.37800 PER 100 GALLONS</b>

6 The majority of the consumption of Residential customers is in rate blocks 1 and 2. For  
 7 Commercial and Public Authority customers, the majority of the consumption is in rate  
 8 block 3. For Industrial customers, the consumption is a nearly equal split between rate  
 9 blocks 3 and 4. As such, for example, increasing the rate block 3 volumetric rate to  
 10 recover additional costs from either Commercial or Public Authority customers would  
 11 also increase the revenue increase assigned to the Industrial class.

12 **Q. WHAT IS YOUR RECOMMENDATION CONCERNING THE**  
 13 **DISTRIBUTION OF THE COMPANY'S PROPOSED REVENUE**  
 14 **REQUIREMENT TO THE VARIOUS CUSTOMER CLASSES?**

15 A. As shown in Table 5, at the conclusion of Step 3, under the Company's proposed  
 16 revenue distribution, the Residential and Commercial customer classes will be  
 17 contributing revenues in excess of the indicated cost of service, and the Industrial,  
 18 Public Authority, and Sales for Resale classes will be contributing revenues less than

1 the indicated cost of service. I believe these differences should be reduced to the extent  
2 possible while maintaining gradualism. For the Private and Public Fire Protection  
3 classes, the Company is proposing no overall increase in rates. This is because, as also  
4 shown in Table 5, the Private Fire class will be contributing revenues in excess of the  
5 indicated cost of service and the Public Fire class will be contributing revenues  
6 significantly in excess of the indicated cost of service. Therefore, it is not unreasonable  
7 to maintain the current Private Fire and Public Fire rates.

8 For Step 1, as shown in Table 3, increases of approximately 2.0 times the system  
9 average increase are proposed for the under-earning Industrial and Sales for Resale  
10 classes. The Public Authority class is also under-earning, but only an increase  
11 approximately equal to a system average increase has been proposed for this class.  
12 Because the same declining block rates are applicable to all customer classes, the  
13 revenue allocation to the Public Authority class cannot be increased without further  
14 increasing the revenue allocation to the Industrial customer classes. Therefore, I  
15 recommend that a separate schedule of volumetric charges be established for the Public  
16 Authority class that would result in a Step 1 increase comparable to the 2.0 times system  
17 average increases proposed for the Industrial and Sales for Resale classes. The  
18 additional revenues realized in Step 1 from increasing the rates of the Public Authority  
19 customer class should be utilized to reduce the rate block 2 volumetric rate.

20 For Steps 2 and 3, the under-earning Industrial, Public Authority, and Sales for  
21 Resale customer classes have been assigned slightly lower increases than the over-  
22 earning Residential and Commercial customer classes. This is unreasonable. I  
23 recommend that for Steps 2 and 3, Sales for Resale rates be proportionately increased  
24 to provide for an increase which is 2.0 times the system average increase. For the

1 Industrial and Public Authority classes, I recommend that the volumetric rates for rate  
2 blocks 3 and 4 be proportionately increased until the increase assigned to one of these  
3 classes reaches 2.0 times the system average increase. The additional revenues realized  
4 in Steps 2 and 3 from increasing the rates of the Sales for Resale, Industrial, and Public  
5 Authority customer class should be utilized to reduce the rate block 2 volumetric rate.

6 **Q. WHAT DO YOU RECOMMEND WITH RESPECT TO THE SCALE-**  
7 **BACK OF YOUR PROPOSED REVENUE DISTRIBUTION TO**  
8 **REFLECT THE INCREASE ACTUALLY AUTHORIZED BY THE**  
9 **COMMISSION IN THIS PROCEEDING?**

10 A. In the event that the Company's authorized increases for Steps 1, 2, or 3 are less than  
11 its requested increases, I recommend that the volumetric rates that I have recommended  
12 be proportionately scaled-back to reflect the increases authorized by the Commission  
13 in each Step.

14 **III. WASTEWATER RATE DESIGN**

15 **Q. HAS THE COMPANY PREPARED A WASTEWATER CCOS**  
16 **STUDY?**

17 A. No. It has not.

18 **Q. PLEASE DESCRIBE THE COMPANY'S CURRENT RATE DESIGN**  
19 **FOR WASTEWATER SERVICE.**

20 A. As explained by Mr. Rea at page 35 of his Direct Testimony, the Company offers  
21 wastewater service under three different tariffs:

- 22 • In the Company's Somerset and Delaware County service territories, the rate  
23 design for wastewater service is a flat monthly rate design for all customers  
24 differentiated between regular general service and multi-family service;

- 1           • In the Sheridan service territory, service is provided through a combination of  
2           monthly meter charges and a volumetric rate;
- 3           • In the Riley service territory, service is provided through a combination of  
4           monthly meter charges. In addition, all customers in Riley see a \$8.68 fixed  
5           charge per month on top of the monthly meter service charge; and
- 6           • Service is provided in the River's Edge service territory under a separate tariff.

7   **Q.                    IS THE COMPANY PROPOSING ANY SIGNIFICANT CHANGES**  
8                           **TO ITS WASTEWATER RATE DESIGN?**

9   A.    The Company is not proposing to change rate design for any of its tariff offerings, but  
10       it is proposing to consolidate wastewater rates for all of its customers into a single rate  
11       design to be implemented in Step 3.

12 **Q.                    IS THE COMPANY PROPOSING TO COLLECT ITS ENTIRE**  
13                           **PROPOSED WASTEWATER SERVICE REVENUE**  
14                           **REQUIREMENT THROUGH WASTEWATER RATES?**

15 A.    No. The Company is proposing to collect 65% of its proposed wastewater revenue  
16       requirement (Step 3) from its wastewater customers and is proposing to collect 35%  
17       through the rates for water service. Absent this proposal, wastewater customers would  
18       generally see rate increases of 100% or more. The impact of this proposal is to increase  
19       the average monthly bill of a Residential water customer by approximately 27 cents per  
20       month.

21 **Q.                    ARE YOU PROPOSING ANY CHANGES TO THE COMPANY'S**  
22                           **PROPOSED WASTEWATER RATE DESIGN?**

23 A.    No.

24 **Q.                    WHAT IS THE COMPANY'S PROPOSAL WITH RESPECT TO**  
25                           **THE SCALE-BACK OF WASTEWATER RATES IN THE EVENT**

1                   **THAT THE COMMISSION AUTHORIZES AN INCREASE THAT IS**  
2                   **LESS THAN THE COMPANY'S REQUESTED INCREASE?**

3    A.    The Company proposes to reduce wastewater rates on a pro rata basis until the  
4            difference between the authorized increase and the requested increase is met (OUCC  
5            DR 03-001).

6    **Q.                   DO YOU AGREE WITH THE COMPANY'S SCALE-BACK**  
7            **PROPOSAL?**

8            Yes. I also recommend that any reduction to the Company's requested wastewater  
9            requirement first be applied to reducing the wastewater revenue requirement to be  
10           recovered from water service customers.

11   **Q.                   DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12   A.    Yes, it does.

**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 )  
RATES APPLICABLE TO WATER AND ) CAUSE NO. 45870  
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. 8**

**SCHEDULES ACCOMPANYING THE**

**DIRECT TESTIMONY**

**of**

**JEROME D. MIERZWA**

**On Behalf of**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**July 21, 2023**

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**EXETER**

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

Indiana-American Water Company  
2023 Cost of Service Study - Returns by Class

Schedule JDM-1

**RATE BASE BY RATE CLASS**

Function	Total	Residential	Commercial	Industrial	OPA	SFR	Misc	Fire	Fire
Source of Supply	\$ 104,688,491	\$ 46,826,880	\$ 25,474,567	\$ 12,702,326	\$ 7,328,464	\$ 12,288,355	\$ 67,899	\$ -	\$ -
Pumping	\$ 46,911,010	\$ 19,603,030	\$ 10,546,119	\$ 5,236,914	\$ 3,091,867	\$ 5,105,807	\$ 28,109	\$ 659,833	\$ 2,639,331
Water Treatment	\$ 314,937,882	\$ 140,870,867	\$ 76,635,991	\$ 38,212,832	\$ 22,046,462	\$ 36,967,468	\$ 204,263	\$ -	\$ -
Transmission	\$ 256,334,803	\$ 107,116,406	\$ 57,626,924	\$ 28,615,957	\$ 16,894,823	\$ 27,899,548	\$ 153,597	\$ 3,605,510	\$ 14,422,039
Distribution	\$ 547,652,551	\$ 293,339,453	\$ 118,488,536	\$ 27,666,680	\$ 53,293,801	\$ -	\$ -	\$ 10,972,816	\$ 43,891,265
Storage	\$ 81,880,528	\$ 36,341,896	\$ 13,691,830	\$ 6,231,842	\$ 6,790,299	\$ 7,464,366	\$ 36,494	\$ 2,264,760	\$ 9,059,042
Meters	\$ 189,417,969	\$ 138,883,279	\$ 39,634,187	\$ 3,673,552	\$ 6,401,560	\$ 508,979	\$ 316,411	\$ -	\$ -
Services	\$ 186,629,855	\$ 150,814,088	\$ 20,755,346	\$ 901,941	\$ 2,295,087	\$ 52,417	\$ 72,432	\$ 11,738,544	\$ -
Customers	\$ 27,602,110	\$ 24,395,299	\$ 2,377,031	\$ 54,545	\$ 189,210	\$ 1,986	\$ 4,739	\$ 404,244	\$ 175,057
Hydrants	\$ 68,799,855	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,513,266	\$ 66,286,588
<b>TOTAL</b>	<b>\$ 1,824,855,055</b>	<b>\$ 958,191,198</b>	<b>\$ 365,230,529</b>	<b>\$ 123,296,589</b>	<b>\$ 118,331,573</b>	<b>\$ 90,288,925</b>	<b>\$ 883,943</b>	<b>\$ 32,158,974</b>	<b>\$ 136,473,322</b>

**REVENUES AT PRESENT RATES**

Category	Total	Residential	Commercial	Industrial	OPA	SFR	Misc	Fire	Fire
Sales Revenues	\$ 273,426,831	\$ 153,067,268	\$ 55,303,944	\$ 15,327,350	\$ 9,802,813	\$ 11,328,852	\$ 244,851	\$ 5,131,917	\$ 23,219,836
Miscellaneous Revenues	\$ 4,045,702	\$ 2,124,309	\$ 809,716	\$ 273,348	\$ 262,341	\$ 200,170	\$ 1,960	\$ 71,296	\$ 302,561
<b>TOTAL</b>	<b>\$ 277,472,533</b>	<b>\$ 155,191,577</b>	<b>\$ 56,113,660</b>	<b>\$ 15,600,698</b>	<b>\$ 10,065,154</b>	<b>\$ 11,529,022</b>	<b>\$ 246,811</b>	<b>\$ 5,203,213</b>	<b>\$ 23,522,397</b>

**OPERATING EXPENSES BY FUNCTION AND RATE CLASS (O&M, DEPRECIATION, TAXES OTHER THAN INCOME TAXES, INCOME TAXES)**

Function	Total	Residential	Commercial	Industrial	OPA	SFR	Misc	Fire	Fire
Source of Supply - Fixed	\$ 12,359,162	\$ 5,528,220	\$ 3,007,440	\$ 1,499,593	\$ 865,173	\$ 1,450,721	\$ 8,016	\$ -	\$ -
Source of Supply - Variable	\$ 5,033,849	\$ 2,061,659	\$ 1,356,612	\$ 719,525	\$ 275,006	\$ 617,431	\$ 3,616	\$ -	\$ -
Pumping - Fixed	\$ 3,123,962	\$ 1,305,432	\$ 702,302	\$ 348,744	\$ 205,898	\$ 340,013	\$ 1,872	\$ 43,940	\$ 175,762
Pumping - Variable	\$ 124	\$ 51	\$ 33	\$ 18	\$ 7	\$ 15	\$ 0	\$ -	\$ -
Water Treatment - Fixed	\$ 62,066,689	\$ 27,762,263	\$ 15,103,112	\$ 7,530,831	\$ 4,344,828	\$ 7,285,400	\$ 40,255	\$ -	\$ -
Water Treatment - Variable	\$ 12,182,651	\$ 4,989,516	\$ 3,283,199	\$ 1,741,356	\$ 665,556	\$ 1,494,273	\$ 8,751	\$ -	\$ -
Transmission	\$ 20,557,249	\$ 8,590,401	\$ 4,621,499	\$ 2,294,910	\$ 1,354,912	\$ 2,237,456	\$ 12,318	\$ 289,151	\$ 1,156,602
Distribution	\$ 43,481,477	\$ 23,290,009	\$ 9,407,528	\$ 2,196,626	\$ 4,231,320	\$ -	\$ -	\$ 871,199	\$ 3,484,795
Storage	\$ 5,002,118	\$ 2,220,143	\$ 836,440	\$ 380,706	\$ 414,822	\$ 456,001	\$ 2,229	\$ 138,355	\$ 553,421
Meters	\$ 24,172,675	\$ 17,723,664	\$ 5,057,938	\$ 468,802	\$ 816,939	\$ 64,954	\$ 40,379	\$ -	\$ -
Services	\$ 13,521,120	\$ 10,926,308	\$ 1,503,701	\$ 65,345	\$ 166,276	\$ 3,798	\$ 5,248	\$ 850,444	\$ -
Customers	\$ 23,554,013	\$ 20,817,509	\$ 2,028,418	\$ 46,545	\$ 161,461	\$ 1,695	\$ 4,044	\$ 344,958	\$ 149,383
Hydrants	\$ 4,206,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 153,672	\$ 4,053,046
<b>TOTAL</b>	<b>\$ 229,261,807</b>	<b>\$ 125,215,173</b>	<b>\$ 46,908,221</b>	<b>\$ 17,293,002</b>	<b>\$ 13,502,198</b>	<b>\$ 13,951,756</b>	<b>\$ 126,728</b>	<b>\$ 2,691,719</b>	<b>\$ 9,573,009</b>

**RATES OF RETURN AT PRESENT RATES**

Category	Total	Residential	Commercial	Industrial	OPA	SFR	Misc	Fire	Fire
Revenue	\$ 277,472,533	\$ 155,191,577	\$ 56,113,660	\$ 15,600,698	\$ 10,065,154	\$ 11,529,022	\$ 246,811	\$ 5,203,213	\$ 23,522,397
Operating Expenses	\$ 229,261,807	\$ 125,215,173	\$ 46,908,221	\$ 17,293,002	\$ 13,502,198	\$ 13,951,756	\$ 126,728	\$ 2,691,719	\$ 9,573,009
Operating Income	\$ 48,210,726	\$ 29,976,404	\$ 9,205,439	\$ (1,692,304)	\$ (3,437,044)	\$ (2,422,734)	\$ 120,083	\$ 2,511,494	\$ 13,949,388
Rate Base	\$ 1,824,855,055	\$ 958,191,198	\$ 365,230,529	\$ 123,296,589	\$ 118,331,573	\$ 90,288,925	\$ 883,943	\$ 32,158,974	\$ 136,473,322
Rate of Return at Present Rates	2.64%	3.13%	2.52%	-1.37%	-2.90%	-2.68%	13.58%	7.81%	10.22%
Revenues at Equal Rates of Return at Present Rates	\$ 277,472,533	\$ 150,529,564	\$ 56,557,223	\$ 20,550,367	\$ 16,628,392	\$ 16,337,093	\$ 150,080	\$ 3,541,325	\$ 13,178,489
Excess or (Subsidy) at Present Rates	\$ -	\$ 4,662,013	\$ (443,563)	\$ (4,949,668)	\$ (6,563,238)	\$ (4,808,071)	\$ 96,730	\$ 1,661,888	\$ 10,343,908

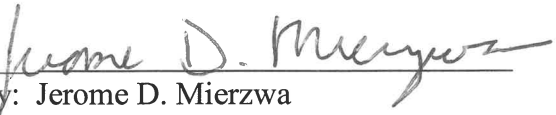
**RATES OF RETURN AT PROPOSED RATES**

Category	Total	Residential	Commercial	Industrial	OPA	SFR	Misc	Fire	Fire
Operating Expenses	\$ 229,261,807	\$ 125,215,173	\$ 46,908,221	\$ 17,293,002	\$ 13,502,198	\$ 13,951,756	\$ 126,728	\$ 2,691,719	\$ 9,573,009
Operating Income - Proposed	\$ 132,266,122	\$ 69,450,027	\$ 26,472,034	\$ 8,936,579	\$ 8,576,713	\$ 6,544,172	\$ 64,068	\$ 2,330,894	\$ 9,891,633
Revenues at Equal Rates of Return at Proposed Rates	\$ 361,527,929	\$ 194,665,201	\$ 73,380,256	\$ 26,229,581	\$ 22,078,911	\$ 20,495,928	\$ 190,796	\$ 5,022,613	\$ 19,464,643
Sales Revenues at Proposed Rates	\$ 359,114,000	\$ 202,889,581	\$ 75,593,124	\$ 22,514,362	\$ 12,788,909	\$ 16,648,363	\$ 269,046	\$ 5,258,224	\$ 23,152,391
Allocation of Miscellaneous Revenues	\$ 4,045,702	\$ 2,124,309	\$ 809,716	\$ 273,348	\$ 262,341	\$ 200,170	\$ 1,960	\$ 71,296	\$ 302,561
Total Revenues at Proposed Rates	\$ 363,159,702	\$ 205,013,890	\$ 76,402,839	\$ 22,787,711	\$ 13,051,250	\$ 16,848,534	\$ 271,006	\$ 5,329,520	\$ 23,454,952
Allocation of Wastewater Revenues	\$ (1,631,803)	\$ (951,500)	\$ (357,012)	\$ (120,287)	\$ (108,960)	\$ (94,044)	\$ -	\$ -	\$ -
Water Revenues at Proposed Rates	\$ 361,527,899	\$ 204,062,390	\$ 76,045,827	\$ 22,667,424	\$ 12,942,290	\$ 16,754,489	\$ 271,006	\$ 5,329,520	\$ 23,454,952
Excess or (Subsidy) at Proposed Rates	\$ (30)	\$ 9,397,190	\$ 2,665,572	\$ (3,562,157)	\$ (9,136,621)	\$ (3,741,439)	\$ 80,210	\$ 306,907	\$ 3,990,309



**AFFIRMATION**

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

  
By: Jerome D. Mierzwa  
Cause No. 45870  
Office of Utility Consumer Counselor (OUCC)

Date: July 21, 2023