



Indiana Office of Utility Consumer Counselor

115 West Washington St.
Suite 1500 South
Indianapolis, IN 46204
uccinfo@oucc.IN.gov
www.IN.gov/OUCC

Toll-free: 1-888-441-2494
Voice/TDD: 1-317-232-2494
Fax: 1-317-232-5923

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Contact: Anthony Swinger
1-317-233-2747

OUCC to Indiana American Water customers: You deserve a rate cut

State utility consumer advocate recommends a 5.5 percent reduction in annual operating revenues

The Indiana Office of Utility Consumer Counselor (OUCC) is recommending that Indiana American Water Company's (IAWC's) proposed rate increase be rejected. In testimony filed Friday with the Indiana Utility Regulatory Commission (IURC), the OUCC is recommending that IAWC's annual operating revenues be **decreased** by \$11.4 million (a 5.5 percent decrease from current revenues).

IAWC has requested a \$19.6 million (or 9.8 percent) increase over current revenues. Specific rate impacts would vary among communities and types of customers.

The OUCC – the state agency representing consumer interests in cases before the IURC – has conducted a technical and legal review of IAWC's request over the last three months.

Key recommendations in the OUCC's testimony include:

- Reducing IAWC's currently authorized cost of equity from 9.7 percent to 8.6 percent. IAWC is asking that its cost of equity be increased to 10.8 percent in this case.
- Using more realistic projections of customer growth, declining usage, and property tax expenses than those included in the utility's testimony.
- Making numerous adjustments to the utility's requested operating expenses. Examples include recommended reductions to requested increases in business development, management, planning, rental, marketing, payroll, and depreciation expenses.
- Continued reduction of non-revenue water and implementation of industry benchmarking standards, consistent with performance recommendations the OUCC is making in other water rate cases.

IAWC is a wholly owned subsidiary of New Jersey-based American Water, Inc., providing service to approximately 290,000 residential, commercial and industrial customers throughout Indiana. The utility's current base rates and charges were approved in June 2012 and have since been raised through distribution system improvement charge (DSIC) adjustments in December 2012 and December 2013 to repair or replace aging infrastructure.

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“The analysis by our attorneys and technical staff in this case shows that a revenue reduction is warranted,” said Indiana Utility Consumer Counselor David Stippler. “The revenue requirement the OUCC is recommending will ensure sufficient funds to address IAWC’s operational and infrastructure needs, and to address the utility’s obligation to provide safe and reliable service to all of its customers.”

IAWC has until May 28 to file rebuttal testimony. An IURC technical evidentiary hearing, at which IAWC may cross-examine witnesses for the OUCC and other parties, is scheduled to start on June 23 in Indianapolis and continue into July.

Friday’s OUCC filing does not break down the recommended revenue decrease by service territory, but focuses on the utility’s overall revenue requirement. After the IURC issues its final order in the case, the utility will file a tariff demonstrating how it intends to implement the order’s terms including rates by service territory. The OUCC has the right to object to the proposed tariff if necessary.

For an electronic copy of the OUCC’s testimony, please visit the agency’s Website at www.in.gov/oucc/2654.htm. Tips for managing water bills and more information on the regulatory process can also be found on the OUCC site.

Only the rates and charges of Indiana American Water Company are at issue in this case. Indiana law does not give the IURC jurisdiction over municipal sewer and stormwater utility services.

(IURC Cause No. 44450)

The Indiana Office of Utility Consumer Counselor (OUCC) represents Indiana consumer interests before state and federal bodies that regulate utilities. As a state agency, the OUCC’s mission is to represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education, and creative problem solving.

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