

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF CWA AUTHORITY, INC. FOR)
APPROVAL PURSUANT TO INDIANA CODE)
SECTION 8-1-31.5-13 TO CHANGE THE)
AMOUNT OF ITS SYSTEM INTEGRITY) CAUSE NO. 44990 SIA-2
ADJUSTMENT AND IMPLEMENT A)
SCHEDULE OF RATES AND CHARGES)
APPLICABLE THERETO)**

TESTIMONY OF MARGARET A. STULL

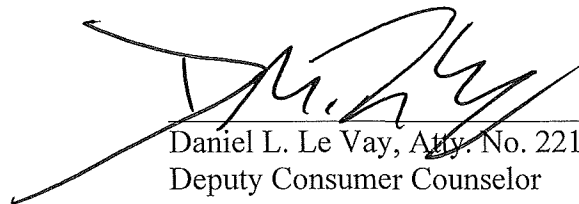
AND

REPORT OF THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

OCTOBER 17, 2018

Respectfully Submitted,



Daniel L. Le Vay, Atty. No. 22184-49
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor Testimony of Margaret A. Stull* has been served upon the following counsel of record in the captioned proceeding by electronic service on October 17, 2018.

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OUCG'S REPORT
TESTIMONY OF OUCG WITNESS MARGARET A. STULL
CAUSE NO. 44990 SIA-2
CWA AUTHORITY, 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" attached to this testimony.

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

9 A: CWA Authority (CWA) seeks "Approval pursuant to Indiana Code Section 8-1-
10 31.5-13 to change the amount of its System Integrity Adjustment and implement a
11 schedule of rates and charges applicable thereto." CWA's Petition. I provide the
12 OUCC's calculation of the change to CWA Authority, Inc.'s (hereinafter referred
13 to as "CWA" or "Petitioner") system integrity adjustment.

14 **Q: What review and analysis did you perform?**

15 A: I reviewed the petition, testimony, and workpapers filed by CWA in this Cause. I
16 also reviewed IC Chapter 8-1-1.5 "System Integrity Adjustments," also known as
17 Senate Enrolled Act No. 383 (Attachment MAS-1). Finally, I prepared discovery
18 questions and reviewed responses to those questions.

II. SYSTEM INTEGRITY ADJUSTMENT

1 **Q: What is a “system integrity adjustment”?**

2 A: A system integrity adjustment is a revenue recovery mechanism created by IC
3 Chapter 8-1-31.5¹ and defined by IC 8-1-31.5-9 as “an amount charged by an
4 eligible utility to allow the automatic adjustment of the eligible utility’s basic rates
5 and charges to recover from or credit to customers an adjustment amount.”

6 **Q: How is the amount of a system integrity adjustment determined?**

7 A: A system integrity adjustment determination requires five steps. The first step is to
8 calculate the cumulative excess or cumulative deficit, which is the difference
9 between the eligible utility’s actual revenues and the authorized revenues measured
10 on a cumulative annual basis from the effective date of the Commission’s order in
11 the eligible utility’s most recent general rate case. The second step is to calculate a
12 “system integrity collar,” which is done by multiplying the authorized revenues by
13 2.0%. The third step is to subtract the system integrity collar (the product of step
14 2) from the cumulative excess or cumulative deficit, as the case may be (the product
15 of step 1). (See IC 8-1-31.5-10.) The fourth step is to multiply the amount
16 determined in Step 3 by 94%. (See IC 8-1-31.5-11.) The final step is to divide the
17 system integrity adjustment amount determined in Step 4 by estimated volumes to
18 determine the system integrity adjustment rate to be included in an eligible utility’s
19 tariff.²

¹ Senate Enrolled Act No. 383, codified as IC 8-1-31.5, effective July 1, 2016.

² The volumes used in Step 5 can be actual or budgeted volumes, whichever is most appropriate for the eligible utility.

1 **Q: Does the system integrity adjustment remain the same amount during the**
2 **period it must be collected?**

3 A; No. Once a system integrity adjustment is established, the eligible utility is required
4 to petition for a change in its adjustment amount on an annual basis. (See IC 8-1-
5 31.5-13(b).) In addition, IC 8-1-31.5-15 requires the eligible utility to reconcile the
6 difference between “the adjustment amount approved by the commission for a
7 previous twelve (12) month period;” and “the adjustment revenues received . . .
8 during the same twelve (12) month period.” IC 8-1-31.5-15 provides that the
9 reconciliation “shall” be done “[a]t the same time an eligible utility files a petition
10 under section 13” of Chapter 8-1- 31.5.

III. CWA'S PROPOSED CHANGE

11 **Q: What adjustment to its current system integrity adjustment is CWA seeking?**

12 A: CWA seeks to increase its System Integrity Adjustment from \$0.2598 per 1,000
13 gallons (\$0.1948 per CCF) to \$0.4461 per 1,000 gallons (\$0.3346 per CCF), an
14 increase of \$0.1863 per 1,000 gallons (\$0.1398 per CCF). CWA's request
15 represents a 72% increase in its system integrity adjustment ($\$0.1863 / \$0.2598 =$
16 71.8%).³

17 **Q: How did CWA calculate the change to its system integrity adjustment?**

18 A: CWA calculated the difference between its authorized revenues of \$278,987,725
19 (per Phase II approved in Cause No. 44685) for the twelve-month period ended July

³ In SIA-1, the Commission approved a System Integrity charge for CWA of \$0.2598 per 1,000 gallons of wastewater usage. For customers using 5,000 gallons, the effective increase to their monthly bill was \$1.30. CWA's proposal in this case would increase the monthly bill for customer using 5,000 gallons to \$2.23 per month.

1 31, 2018 and its actual revenues of \$268,402,786 (excluding system integrity
2 adjustment revenues) for the same twelve-month period.⁴ CWA then multiplied that
3 difference of \$10,584,939 by 94% resulting in its total proposed system integrity
4 adjustment of \$9,949,843.⁵ Finally, CWA divided this amount by budgeted non-
5 industrial volumes of 22,303,786 gallons (29,738,383 CCF) to determine its
6 proposed system integrity adjustment of \$0.4461 per thousand gallons (\$0.3346 per
7 CCF).

8 **Q: Did CWA reduce the amount of its proposed system integrity adjustment**
9 **(SIA-2) for the “system integrity adjustment collar”?**

10 A: No. CWA did not perform what I described as Step 2 and Step 3.

11 **Q: Did CWA explain why it did not calculate and subtract a system integrity**
12 **collar?**

13 A: According to Ms. Bardhan, the system integrity collar “was satisfied in the SIA1
14 filing when CWA’s cumulative deficit exceeded CWA’s calculated one-time
15 “System Integrity Collar. Therefore, the “Cumulative Deficit” and the “System
16 Integrity Collar” are not applicable to the SIA2 filing.”⁶ I do not agree with that
17 interpretation.

18 **Q: Did CWA include any reconciliation of the difference between the adjustment**
19 **amount authorized in SIA-1 and adjustment revenues collected as required by**
20 **IC 8-1-31.5-15?**

21 A: No.

⁴ See Petitioner’s Workpaper 1 (submitted on September 18, 2018) for Petitioner’s determination of its authorized revenues.

⁵ IC 8-1-31.5-11(a) states a system integrity adjustment may not exceed the product of an eligible utility’s adjustment amount multiplied by ninety-four hundredths (0.94).

⁶ Bardhan Direct Testimony, page 7, lines 8 – 14.

1 **Q: What reason did CWA give for not including this reconciliation?**

2 A: According to Ms. Bardhan, CWA's SIA-1 filing became effective January 1, 2018
3 and will remain in effect until December 31, 2018. "Once the twelve month period
4 is complete, the approved Adjustment Amount will be eligible to be reconciled
5 against Adjustment Revenues received during that *same* twelve month period
6 (January 1, 2018 thru [sic] December 31, 2018.)" Ms. Bardhan states the
7 reconciliation for CWA's first system integrity adjustment will be included in its
8 SIA-3 filing. Ms. Bardhan also asserts this treatment is "consistent with the
9 December 28, 2017 Order in Cause No. 44990."⁷

10 **Q: Did CWA provide a statement regarding the amount spent on eligible**
11 **infrastructure improvements as required by the Commission's December 28,**
12 **2017 order in Cause No. 44990?**

13 A: No. According to Ms. Bardhan, this statement is "not relevant to this SIA2 filing
14 since SIA1 has not been in effect for a full twelve month period. This statement
15 also will be provided in SIA3."⁸

IV. OUCC'S CALCULATIONS

16 **Q: Do you agree with CWA's calculation of its system integrity adjustment in this**
17 **Cause?**

18 A: No. CWA's calculation includes several material omissions. First, CWA's
19 calculation does not incorporate a system integrity collar. CWA takes the position
20 that the collar is a one-time calculation that does not apply to this filing. Next, CWA
21 does not calculate its system integrity adjustment on a cumulative basis as required

⁷ Bardhan Direct Testimony, page 8, line 7 through page 9, line 3.

⁸ Bardhan Direct Testimony, page 9, lines 4 – 9.

1 by IC 8-1-31.5-6, IC 8-1-31.5-10, and IC 8-1-31.5-12. Instead, CWA calculated its
2 proposed system integrity adjustment using only year two revenues. Finally, CWA
3 did not include any reconciliation of the SIA-1 adjustment revenues in the system
4 integrity adjustment proposed in this Cause. I will explain each of these omissions
5 below and provide my recommended system integrity adjustment calculation.

6 **Q: Did you correct for those omissions?**

7 A: Yes. Based on my calculation, CWA's system integrity adjustment should be
8 \$0.2109 per 1,000 gallons (\$0.1582 per CCF) before any reconciliation of SIA-1
9 revenues. This is a decrease to the currently authorized system integrity adjustment
10 of \$0.0536 per thousand gallons (\$0.0401 per CCF).

11 After including a reconciliation of CWA's current system integrity
12 adjustment as I describe below, the system integrity adjustment should be \$0.2062
13 per 1,000 gallons (\$0.1547 per CCF). This is a decrease of \$0.0536 per thousand
14 gallons (\$0.0401 per CCF) to the current system integrity adjustment.

A. System Integrity Collar

15 **Q: What is the basis for CWA's assertion the system integrity collar only applies**
16 **to the initial or first system integrity adjustment filing?**

17 A: The OUCC issued discovery asking for the basis of CWA's position. In response
18 to OUCC Data Request No. 1.11 and 1.12, CWA stated "Petitioner's position that
19 the system integrity collar is a one-time, threshold requirement that is only required
20 to be satisfied to file a petition for a SIA under IC 8-1-31.5-12 is based on its
21 application of the plain and ordinary meaning of the clear and unambiguous

1 language in Sections 10, 12, 13 and 14 of the statute.” (See Attachment MAS-2.)

2 Petitioner provided no further explanation.

3 **Q: How does IC 8-1-31.5 define a “system integrity collar”?**

4 A: IC 8-1-31.5-10 defines a “system integrity collar” as “a dollar amount that is equal
5 to the product of: (1) an eligible utility’s authorized revenues, multiplied by (2) two
6 hundredths (0.02).”

7 **Q: How is a system integrity collar satisfied?**

8 A: According to IC 8-1-31.5-10, “An eligible utility’s system integrity collar is
9 satisfied when the eligible utility’s *cumulative excess or deficit* equals or exceeds
10 the eligible utility’s system integrity collar.” (Emphasis added.) Importantly, this
11 definition does not state the system integrity collar only applies to the first or initial
12 system integrity adjustment filing made by an eligible utility. Further, the definition
13 states this determination is to be made on a “cumulative” basis.

14 **Q: How does IC 8-1-31.5 define a “cumulative excess or deficit”?**

15 A: IC 8-1-31.5-6 defined a “cumulative excess or deficit” as the amount by which an
16 eligible utility’s actual revenues are: (1) in the case of an excess, greater than, or
17 (2) in the case of a deficit, less than; the eligible utility’s authorized revenues
18 measured on a *cumulative annual basis* from the effective date of the commission’s
19 order in the eligible utility’s most recent general rate case proceeding.” (Emphasis
20 added.)

1 **Q: Do you agree that the plain and ordinary meaning of the clear and**
2 **unambiguous language in Sections 10, 12, 13 and 14 establish that the system**
3 **integrity collar is no longer to be factored?**

4 A: No. The plain language of those sections do not establish that result. Rather, the
5 plain language of those sections indicate the collar is to be calculated and applied
6 on a cumulative basis along with the cumulative excess or deficit during the up to
7 four years the system integrity adjustment may be collected by an eligible utility.⁹

8 **Q: Does CWA have a cumulative excess or deficit in this case?**

9 A: Considering the 24 months since CWA's most recent general rate case (order issued
10 on July 18, 2016), CWA is operating at a cumulative deficit of \$22,470,218.

Table 1: Determination of Cumulative (Excess) Deficit

	SIA-1	SIA-2	Cumulative
Cumulative Authorized Revenues	\$ 267,685,589	\$ 278,987,725	\$ 546,673,314
Cumulative Actual Revenues	255,800,310	268,402,786	524,203,096
Cumulative (Excess) Deficit	<u>\$ 11,885,279</u>	<u>\$ 10,584,939</u>	<u>\$ 22,470,218</u>

11 **Q: What is CWA's system integrity collar?**

12 A: Considering the 24 months since CWA's most recent general rate case, CWA's
13 cumulative system integrity collar is \$10,933,466 determined by multiplying 2.0%
14 times CWA's cumulative authorized revenues of \$546,673,314.

⁹ IC 8-1-31.5-12(d) states the system integrity adjustment may be collected until the earlier of (1) 48 months after the first system integrity adjustment order is issued or (2) the date the commission issues an order in the eligible utility's next general rate case proceeding.

B. Reconciliation of SIA-1 Adjustment Revenues

1 **Q: Is the system integrity adjustment reconciled?**

2 A: Yes. IC 8-1-31.5-15 states that at the same time a utility files its annual petition
3 under IC 8-1-31.5-13, the utility shall reconcile the difference between (1) the
4 adjustment amount approved by the Commission for a previous 12 month period
5 and (2) the adjustment revenues received by the utility during the same twelve
6 month period.

7 **Q: If a utility's system integrity adjustment has not been in effect for a full twelve-**
8 **month period, how can its adjustment revenues be reconciled?**

9 A: IC 8-1-31.5-15 simply states the adjustment amount approved for a previous twelve
10 (12) month period must be reconciled with the adjustment revenues received during
11 the same twelve (12) month period. Because the statute requires a utility to "file
12 subsequent adjustments to its system integrity adjustment within 30 days after the
13 end of each twelve (12) month period following the date on which the eligible
14 utility files a petition under section 12," a utility will never have received a full
15 twelve (12) months of adjustment revenues when it files a petition under Section
16 13.¹⁰ If possible, these two sections need to be read in a manner that gives effect to
17 the terms of both provisions. CWA's reading essentially nullifies that part of
18 section 15 that requires a reconciliation to be filed *at the same time* as a petition

¹⁰ The statute allows the Commission 90 days to enter an order on a petition filed under Section 12 but requires subsequent adjustment filings under Section 13 to be filed within a year of the original petition filed under Section 12. Therefore, a utility will at most have recovered 9 months of adjustment revenues and probably less given the time it takes for the utility to gather the information and make its filings.

1 under section 13. A better interpretation would be for the first reconciliation to use
2 a twelve month period that includes less than a full year of adjustment revenues.

3 **Q: How would the reconciliation adjustment be calculated for CWA?**

4 A: The twelve-month period used by CWA in its system integrity adjustment
5 calculation is August 1, 2017 through July 31, 2018. Although the initial system
6 integrity adjustment was implemented on January 1, 2018, the reconciliation
7 adjustment in this case would reconcile the revenues authorized and collected
8 during the period August 1, 2017 through July 31, 2018. The remaining SIA-1
9 revenues collected during the period August 1, 2018 through December 31, 2018
10 would be reconciled in CWA's next system integrity adjustment filing, along with
11 the SIA-2 revenues collected during the period January 1, 2019 through July 31,
12 2019.

Table 2: Reconciliation of SIA-1 Revenues

SIA-1 Revenues Authorized:	Annual	\$ 6,139,673	(A)
	Monthly	511,639	(B) = (A) / 12
SIA-1 Revenues Authorized 1/1/18 - 7/31/18		\$ 3,581,473	(C) = (B) x 7
SIA-1 Revenues Recorded	(1)	3,686,788	(D)
(Over) Under-Collection		\$ (105,315)	(C) - (D)
(1) See CWA Workpaer 6.			

13 **Q: Is it reasonable for CWA to wait until its SIA3 filing to reconcile its SIA-1**
14 **adjustment revenues?**

15 A: No. I consider a reconciliation as proposed above to be more consistent with the
16 statute. But if the Commission decides not to reconcile any SIA-1 revenues at this

1 time, CWA should be required to file a reconciliation of its SIA-1 adjustment
2 revenues on February 1, 2019, which is one month days after the end of the twelve
3 (12) month period of SIA-1 revenues. This would allow for a more timely
4 reconciliation of CWA's system integrity adjustment revenues.

C. OUCC's Calculation of System Integrity Adjustment

5 **Q: What system integrity adjustment did you calculate?**

6 A: I calculated a system integrity adjustment of \$0.2062 per thousand gallons (\$0.1547
7 per CCF), a decrease of .0536 per thousand gallons (\$0.0401 per CCF) from the
8 current authorized system integrity adjustment. See Table 3 below and Attachment
9 MAS-3 for the calculation of my recommended system integrity adjustment.

Table 3: OUCC Calculation of System Integrity Adjustment

Authorized Revenues from Cause No. 44685	\$ 546,673,314
Actual Revenues for 12 months ended 7/31/17	524,203,096
Cumulative Deficit (Excess)	22,470,218
System Integrity Collar	10,933,466
Adjustment Amount	11,536,752
	94%
Cumulative System Integrity Adjustment	10,844,547
Less: SIA-1 Authorized Revenues	6,139,673
SIA-1 Over-Collection	105,312
SIA-2 System Integrity Adjustment	\$ 4,599,562
Rate per 1,000 Gallons (2019 budget - 22,303,786)	\$ 0.2062
Rate per CCF (2019 budget - 29,738,383)	\$ 0.1547

D. Eligible Infrastructure Improvements

1 **Q: Did CWA provide a statement regarding the amount spent on eligible**
2 **infrastructure improvements as required by the Commission's Final Order in**
3 **Cause No. 44990?**

4 A: No. As discussed above, Ms. Bardhan testified this statement is "not relevant to this
5 SIA2 filing since SIA1 has not been in effect for a full twelve month period. This
6 statement...will be provided in SIA3."

7 **Q: Should CWA provide these statements and certifications in each system**
8 **integrity adjustment filing?**

9 A: Yes. Regardless of whether a system integrity adjustment has been in effect for a
10 full twelve-month period, CWA can and should provide a statement regarding the
11 amount spent on eligible infrastructure improvements as ordered by the
12 Commission in Cause No. 44990. The Commission's order requires "a statement
13 as to whether the amount spent on eligible infrastructure improvements exceeds the
14 amount of adjustment revenues *collected* as a result of the SIA during the applicable
15 12-month period." (Emphasis added.) The order doesn't require that twelve months
16 of SIA revenues be collected, only that the amount spent exceeds the amount
17 "collected" during the twelve month period.

18 **Q: Did CWA certify that the SIA-2 revenues to be collected will be used for**
19 **eligible infrastructure improvements?**

20 A: No. This requirement appears in Section 12 of IC 8-1-31.5, which also applies to
21 this petition.

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

23 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 my current position with the OUCC. In 2011, I was promoted to
12 Senior Utility Analyst. In 2018, I was promoted to Chief Technical Advisor.

13 Since joining the OUCC I have attended the National Association of
14 Regulatory Utility Commissioners ("NARUC") Eastern Utility Rate School in
15 Clearwater Beach, Florida, and the Institute of Public Utilities' Advanced
16 Regulatory Studies Program in East Lansing, Michigan. I have also attended several
17 American Water Works Association and Indiana Rural Water Association
18 conferences as well as the National Association of Utility Consumer Advocates
19 ("NASUCA") Water Committee Forums. I have participated in the NASUCA
20 Water Committee and the NASUCA Tax and Accounting Committee. In March
21 2016 I was appointed chair of the NASUCA Tax and Accounting Committee.

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

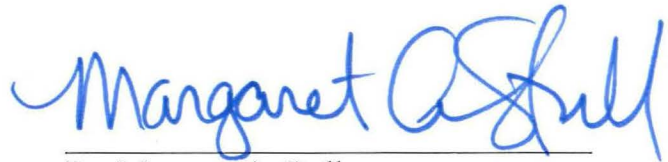
3 A: Yes. I have testified before the Commission as an accounting witness in various
4 causes involving water, wastewater, electric, and gas utilities.

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

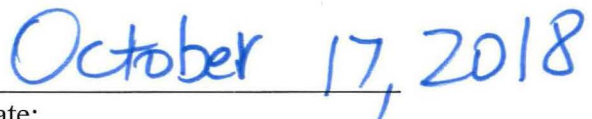
6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
7 Texas until I moved to Indiana in 2002.

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. 44990 SIA-2
Indiana Office of
Utility Consumer Counselor


Date:

IC 8-1-31.5	Chapter 31.5. System Integrity Adjustments
8-1-31.5-1	Definitions
8-1-31.5-2	"Actual revenues"
8-1-31.5-3	"Adjustment amount"
8-1-31.5-4	"Adjustment revenues"
8-1-31.5-5	"Authorized revenues"
8-1-31.5-6	"Cumulative excess or deficit"
8-1-31.5-7	"Eligible utility"
8-1-31.5-8	"Not-for-profit utility"
8-1-31.5-9	"System integrity adjustment"
8-1-31.5-10	"System integrity collar"
8-1-31.5-11	Limit on system integrity adjustment; allocation
8-1-31.5-12	Petition for system integrity adjustment; requirements; utility consumer counselor; hearing and order; duration of system integrity adjustment
8-1-31.5-13	Utility granted system integrity adjustment is required to petition for change in its adjustment amount
8-1-31.5-14	Utility's cumulative excess or deficit must be reset to zero
8-1-31.5-15	Utility must reconcile difference between adjustment amount and adjustment revenues
8-1-31.5-16	Approval of utility's system integrity adjustment petition is not a general increase in basic rates and charges
8-1-31.5-17	Comparison of actual revenues and authorized revenues to be included in utility's annual report
8-1-31.5-18	Rules or procedures to administer chapter

IC 8-1-31.5-1 Definitions

Sec. 1. The definitions in IC 8-1-2-1 apply throughout this chapter.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-2 "Actual revenues"

Sec. 2. As used in this chapter, "actual revenues" means the annual operating revenues that an eligible utility receives or accrues for a twelve (12) month period authorized for recovery through basic rates and charges approved by the commission in the eligible utility's most recent general rate case. However, the term does not include the following:

- (1) Revenues received through an infrastructure improvement charge approved by the commission under IC 8-1-31.
- (2) Revenues from the operation of a utility that an eligible utility acquires after the commission's most recent order establishing the eligible utility's level of annual operating revenues authorized for recovery by the eligible utility through existing rates and charges.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-3 "Adjustment amount"

Sec. 3. As used in this chapter, "adjustment amount" means the dollar amount:

- (1) by which an eligible utility's actual revenues for a twelve (12) month period differ from the eligible utility's authorized revenues for the same twelve (12) month period; and
- (2) that the eligible utility seeks to recover from or credit to customers through a system integrity adjustment requested in a petition filed under section 12 or 13 of this chapter.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-4 "Adjustment revenues"

Sec. 4. As used in this chapter, "adjustment revenues" means revenues produced through application of a system integrity adjustment. The term does not include revenue from other rates and charges.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-5 "Authorized revenues"

Sec. 5. As used in this chapter, "authorized revenues" means the annual operating revenues of an eligible utility approved by the commission for a twelve (12) month period in the eligible utility's most recent general rate case.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-6 "Cumulative excess or deficit"

Sec. 6. As used in this chapter, "cumulative excess or deficit" means the amount by which an eligible utility's actual revenues are:

- (1) in the case of an excess, greater than; or
- (2) in the case of a deficit, less than;

the eligible utility's authorized revenues measured on a cumulative annual basis from the effective date of the commission's order in the eligible utility's most recent general rate case proceeding.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-7 "Eligible utility"

Sec. 7. As used in this chapter, "eligible utility" means a:

- (1) public utility;
- (2) municipally owned utility; or
- (3) not-for-profit utility;

that provides water or wastewater service and is under the jurisdiction of the commission for the approval of rates and charges.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-8 "Not-for-profit utility"

Sec. 8. As used in this chapter, "not-for-profit utility" has the meaning set forth in IC 8-1-2-125(a). The term includes a utility company that is owned, operated, or held in trust by a consolidated city.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-9 "System integrity adjustment"

Sec. 9. As used in this chapter, "system integrity adjustment" means an amount charged by an eligible utility to allow the automatic adjustment of the eligible utility's basic rates and charges to recover from or credit to customers an adjustment amount.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-10 "System integrity collar"

Sec. 10. As used in this chapter, "system integrity collar" means a dollar amount that is equal to the product of:

- (1) an eligible utility's authorized revenues; multiplied by
- (2) two hundredths (0.02).

An eligible utility's system integrity collar is satisfied when the eligible utility's cumulative excess or deficit equals or exceeds the eligible utility's system integrity collar.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-11 Limit on system integrity adjustment; allocation

Sec. 11. (a) A system integrity adjustment may not exceed the product of an eligible utility's adjustment amount multiplied by ninety-four hundredths (0.94).

(b) For purposes of the credit or recovery of an adjustment amount, a system integrity adjustment must be allocated only to an eligible utility's non-industrial rate classes.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-12 Petition for system integrity adjustment; requirements; utility consumer counselor; hearing and order; duration of system integrity adjustment

Sec. 12. (a) An eligible utility that is not collecting a system integrity adjustment may file with the commission a petition setting forth rate schedules that establish a system integrity adjustment to recover from or credit to customers the eligible utility's adjustment amount. The petition must establish that the eligible utility's system integrity collar has been satisfied on a cumulative basis following the effective date of the commission's order in the eligible utility's most recent general rate case. The eligible utility's system integrity collar may not be included in the calculation of its adjustment amount. The eligible utility shall certify in the petition that the eligible utility will use any adjustment revenues for eligible infrastructure improvements (as defined in IC 8-1-31-5).

(b) An eligible utility shall serve the office of the utility consumer counselor a copy of the petition at the same time the petition is filed with the commission. The office of the utility consumer counselor may do the following:

- (1) Examine information of the eligible utility to confirm proper calculation of the proposed system integrity adjustment.
- (2) Submit a report of the examination to the commission not later than thirty (30) days after the petition is filed.

(c) The commission shall hold a hearing on the petition and issue its order not later than ninety (90) days after the petition is filed.

(d) If the commission determines that the system integrity adjustment is properly calculated, the commission shall enter an order approving the petition. The system integrity adjustment may be collected until the earlier of the following:

- (1) Forty-eight (48) months after the date set forth in the order entered under this subsection on which the eligible utility may begin collecting the system integrity adjustment.
- (2) The date on which the commission issues an order in the eligible utility's next general rate case proceeding.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-13 Utility granted system integrity adjustment is required to petition for change in its adjustment amount

Sec. 13. (a) This section applies to an eligible utility for which the commission has issued an order approving a petition under section 12(d) of this chapter.

(b) An eligible utility shall file a petition for a change in its adjustment amount:

- (1) not more than thirty (30) days after the end of each twelve (12) month period following the date on which the eligible utility files a petition under section 12 of this chapter; and
- (2) until the commission issues an order in the eligible utility's next general rate case proceeding after the commission approves a system integrity adjustment.

(c) An eligible utility shall serve the office of the utility consumer counselor a copy of the petition at the same time the petition is filed with the commission.

(d) The commission shall hold a hearing on the petition and issue its order not later than ninety (90) days after the petition is filed.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-14 Utility's cumulative excess or deficit must be reset to zero

Sec. 14. For purposes of satisfying a system integrity collar, an eligible utility's cumulative excess or deficit shall be reset to zero (0) upon the effective date of the commission's order in the eligible utility's next general rate case proceeding after the commission approves a system integrity adjustment.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-15 Utility must reconcile difference between adjustment amount and adjustment revenues

Sec. 15. At the same time an eligible utility files a petition under section 13 of this chapter, the eligible utility shall reconcile the difference between:

- (1) the adjustment amount approved by the commission for a previous twelve (12) month period; and
- (2) the adjustment revenues received by the eligible utility during the same twelve (12) month period.

The eligible utility may recover from or credit to customers the reconciliation amount through a system integrity adjustment by filing a petition under section 12 of this chapter.
As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-16 Approval of utility's system integrity adjustment petition is not a general increase in basic rates and charges

Sec. 16. For purposes of IC 8-1-2-42(a), the approval of a petition filed under section 12 or 13 of this chapter is not a general increase in basic rates and charges.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-17 Comparison of actual revenues and authorized revenues to be included in utility's annual report

Sec. 17. An eligible utility that:

- (1) is subject to the jurisdiction of the commission; and
- (2) serves five thousand (5,000) or more customers;

shall include in its annual report to the commission on a form prescribed by the commission under IC 8-1-2-12 a comparison of actual revenues and authorized revenues for the period covered by the report.

As added by P.L.104-2016, SEC.3.

IC 8-1-31.5-18 Rules or procedures to administer chapter

Sec. 18. The commission shall adopt by rule under IC 4-22-2 or by order other procedures not inconsistent with this chapter that the commission finds reasonable or necessary to administer this chapter.

As added by P.L.104-2016, SEC.3.

DATA REQUEST NO. 11:

Please explain the basis for the position that the "collar" does not apply to this system integrity adjustment (SIA-2).

RESPONSE:

Petitioner objects to the foregoing Data Request to the extent it seeks attorney work product or confidential attorney-client communications. Subject to and without waiving the foregoing objection, Petitioner's position that the system integrity collar is a one-time, threshold requirement that is only required to be satisfied to file a petition for a SIA under IC 8-1-31.5-12 is based on its application of the plain and ordinary meaning of the clear and unambiguous language in Sections 10, 12, 13 and 14 of the statute.

WITNESS:

N/A

DATA REQUEST NO. 12:

Please cite the section of the system integrity adjustment statute that Petitioner believes asserts its position that the "collar" does not apply to this system integrity adjustment (SIA-2).

RESPONSE:

See response and objection to Data Request No. 1.11 above, which are incorporated herein by reference.

WITNESS:

N/A

Calcualtion of CWA System Integrity Adjustment

		<u>SIA 1</u>	<u>SIA 2</u>	<u>Cumulative</u>	<u>Rate per 1,000 Gallons</u>	<u>Rate per CCF</u>
2019 Budgeted Non-Industrial Volumes					22,303,786	29,738,383
CWA Authorized Revenues	(A)	\$ 267,685,589	\$ 278,987,725	\$ 546,673,314		
CWA Actual Revenues	(B)	<u>255,800,310</u>	<u>268,402,786</u>	<u>524,203,096</u>		
Cumulative (Excess) Deficit	(C) = (A) - (B)	11,885,279	10,584,939	22,470,218		
Collar	(D) = (A) x 2.0%	<u>5,353,712</u>	<u>5,579,755</u>	<u>10,933,466</u>		
Adjustment Amount	(E) = (C) - (D)	6,531,567	5,005,185	11,536,752		
Cumulative System Integrity Adjustment	(E) x 94.0%	6,139,673	4,704,874	10,844,547		
SIA-1 Authorized Revneues				<u>6,139,673</u>		
System Integrity Adjustment before Reconcilaition				\$ 4,704,874	<u>\$ 0.2109</u>	<u>\$ 0.1582</u>
SIA-1 Authorized Revenues - Annual	(A)	\$ 6,139,673				
SIA-1 Authorized Revenues - Monthly	(B) = (A) / 12	511,639				
SIA-1 Revenues Authorised 1/1/18 - 7/31/18	(C) = (B) x 7	3,581,473				
SIA-1 Revenues Recorded	(D)	<u>3,686,788</u>				
(Over) Under-Collection of SIA-1 Revenues	(C) - (D)	<u>\$ (105,315)</u>		<u>\$ (105,315)</u>		
Net System Integrity Adjustment				<u>\$ 4,599,559</u>	<u>\$ 0.2062</u>	<u>\$ 0.1547</u>