

ORIGINAL

STATE OF INDIANA

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Veleta	√		
Ziegner	√		

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA AMERICAN)
WATER COMPANY, INC. FOR APPROVAL)
OF (A) A NEW DISTRIBUTION SYSTEM)
IMPROVEMENT CHARGE (“DSIC”)) CAUSE NO. 42351 DSIC 14
PURSUANT TO IND. CODE CHAP. 8-1-31; (B))
A NEW RATE SCHEDULE REFLECTING) APPROVED: MAR 22 2023
THE DSIC; AND (C) INCLUSION OF THE)
COST OF ELIGIBLE DISTRIBUTION)
SYSTEM IMPROVEMENTS IN ITS DSIC)**

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Veleta, Commissioner
Ann Pagonis, Administrative Law Judge**

On January 20, 2023, Indiana American Water Company, Inc. (“Indiana American” or “Petitioner”) filed with the Indiana Utility Regulatory Commission (“Commission”) its Petition and Submission of Case-in-Chief for approval of a new distribution system improvement charge (“DSIC”) pursuant to Ind. Code ch. 8-1-31 and 170 I.A.C. 6-1.1.

The Indiana Office of the Utility Consumer Counselor (“OUCC”) filed its case-in-chief on February 17, 2023. On February 24, 2023, Indiana American filed rebuttal testimony of Gregory D. Shimansky, accepting a recommendation of the OUCC, rejecting others, and updating the calculation of the DSIC charge and the revised tariff.

On March 6, 2023, the Presiding Officers issued a Docket Entry with questions directed to Indiana American and the OUCC. Indiana American responded on the same day and the OUCC did not respond to the Docket Entry.

The Commission set this matter for an Evidentiary Hearing to be held on March 8, 2023, at 2:30 p.m. in Room 224, PNC Center, 101 West Washington Street, Indianapolis, Indiana. Indiana American and the OUCC participated in the hearing by counsel.

Based on the applicable law and evidence presented, the Commission now finds:

1. Notice and Jurisdiction. Due, legal, and timely notice of the public hearing in this Cause was given and published as required by law. Petitioner also provided notice of its filing in this Cause to its wholesale customers pursuant to 170 IAC 6-1.1-4. Petitioner is a “public utility” within the meaning of that term in Ind. Code § 8-1-2-1 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana. Under Ind. Code ch. 8-1-31 and 170 IAC 6-1.1, the Commission has jurisdiction over DSIC proceedings. As such, the Commission has jurisdiction over Petitioner and the subject matter of this proceeding.

2. **Petitioner's Characteristics.** Petitioner is an Indiana corporation engaged in the business of rendering water utility service to customers in numerous municipalities and counties throughout the State of Indiana for residential, commercial, industrial, public authority, sale for resale and public and private fire protection purposes. Petitioner also provides sewer utility service in Clark, Delaware, Hamilton, Wabash, and Vigo Counties.

3. **Background and Relief Requested.** As a result of the Commission's June 26, 2019 Order in Petitioner's last general rate case in Cause No. 45142 ("2019 Rate Order"), Petitioner's DSIC charge was reset to zero effective July 1, 2019. Petitioner's most recent DSIC was approved in Cause No. 42351 DSIC 13 on March 21, 2022, (the "DSIC 13 Order"). The DSIC rates established in DSIC 13 included the DSIC rates established in DSIC 12, which was approved in Cause No. 42351 DSIC 12 on March 17, 2021 (the "DSIC 12 Order"). On April 18, 2022, Indiana American filed a 12-month reconciliation of the DSIC 12 surcharge. This filing was approved and effective as of May 13, 2022, and it resulted in a four-cent increase to the DSIC. The 5/8" meter charge for the DSIC was then set at \$3.21. Petitioner also submitted a 30-Day filing to remove the utility receipts tax ("URT") from rates on April 29, 2022 and on November 23, 2022 it was approved. The effect on the DSIC charge was to lower the monthly charge on the 5/8" meter by three cents to \$3.18.

In this Cause, Petitioner is proposing to add to the DSIC 13 surcharge (as approved by the Commission on March 21, 2022 and adjusted for the DSIC 12 reconciliation and the repeal of URT) an additional surcharge to include non-revenue producing projects that were completed and placed in service after November 30, 2021 ("DSIC Improvements").

4. **Petitioner's Direct Evidence.** Petitioner presented the direct evidence of Gregory D. Shimansky, Director, Rates & Regulatory for Indiana American, and Stacy S. Hoffman, Director of Engineering for Indiana American.

A. **Calculation of DSIC 14.** Mr. Shimansky testified regarding the filing requirements and methodology for calculating the DSIC. He also explained Petitioner's calculation of the proposed DSIC and sponsored Petitioner's proposed DSIC rates. He stated Petitioner has a DSIC surcharge in effect that was approved in the DSIC 13 Order on March 21, 2022. Mr. Shimansky explained that as part of the Settlement approved by the 2019 Rate Order, the settling parties agreed to a reduction of \$40 million to Petitioner's proposed end of test year rate base, to consist of non-DSIC eligible assets. He stated Indiana American agreed to invest more than \$114,004,218 (excluding costs of removals and retirements) in distribution system improvements during the period between November 30, 2017, and April 30, 2020. He explained Petitioner also agreed that its next DSIC application "shall only include distribution system improvement costs that exceed the \$114,004,218 (excluding costs of removals and retirements) projected to be made during the period between November 30, 2017, and April 30, 2020." Petitioner's Exhibit 1 at 6. Mr. Shimansky testified this DSIC filing captures the assets that were placed in service after November 30, 2021, and it does not include any assets or expenditures closed before April 30, 2020.

Mr. Shimansky then discussed how Petitioner calculated the Net Investor Supplied DSIC Additions. He testified that the Petitioner reduced the DSIC Improvements of \$122,176,904 (shown on Petitioner's Exhibit 1, Attachment GDS-1, Schedule 1, Line 1) by the amount of the related plant retirements associated with the DSIC Improvements, consistent with the DSIC that was approved in the Commission's Order in Cause No. 42351 DSIC 8 issued on December 18, 2013 (the "DSIC 8 Order"). The amount of retirements from December 1, 2021 through November 2022, as shown on

Line 2 of Schedule 1 of Petitioner's Exhibit 1, Attachment GDS-2, was \$6,596,894. Retirements were further adjusted for the actual amount of the cost of removal ("COR"), net of salvage, of \$15,411,878. Mr. Shimansky stated that there were total reimbursements from the Indiana Department of Transportation, as well as other contributions, relative to DSIC 14 projects of \$503,224. The resulting Net Investor Supplied DSIC Additions in Petitioner's direct evidence was \$130,488,664.

Mr. Shimansky explained that the rate of return used in this proceeding is Petitioner's weighted average cost of capital based on the most recent data available through November 20, 2022. He testified the long-term debt cost rate used in this calculation is 4.73%. The common equity rate of return is 9.80%, as approved in the 2019 Rate Order. The weighted average cost of capital used is 6.23% after tax. He testified that Petitioner's Exhibit 1, Attachment GDS-2, Schedule 5 to his direct testimony shows the derivation of the weighted cost of capital of 6.23% and the pre-tax rate of return of 7.77%. Also shown on Petitioner's Exhibit 1, Attachment GDS-2, Schedule 5 to his direct testimony is Petitioner's calculation of a gross revenue conversion factor of 134.6335%, calculated using the taxes and fees that will be in effect during the time the DSIC revenues are billed. Mr. Shimansky testified the calculation no longer includes the gross-up for the URT that was repealed. Mr. Shimansky further testified that the gross revenue conversion factor was multiplied by the weighted cost of the non-debt components of the capital structure to determine the pre-tax return of 7.77%.

Mr. Shimansky testified Petitioner determined its depreciation expense of \$2,596,543 by using the annual depreciation rates by primary plant account previously approved by the Commission, multiplied by the DSIC Improvements, net of related retirements. He testified the depreciation rates used were those that were approved by the Commission in Cause No. 44992 and made effective with the rate increase approved by the Commission in Cause No. 45142.

Mr. Shimansky testified that for the first time, Indiana American included property tax recovery in this DSIC filing. Mr. Shimansky explained that Senate Enrolled Act No. 273, which passed in 2022, added property taxes to the definition of "infrastructure improvement costs" making them eligible for recovery. Further, he noted that property taxes associated with eligible infrastructure improvements were added to Ind. Code § 8-1-31-13(b) excluding these costs from the ten percent DSIC revenue cap. Mr. Shimansky testified that the inclusion of property taxes as recoverable costs was enacted in 2022, effective July 1, 2023. He asserted that, as such, property taxes were not originally included in the calculations used in the DSIC 12 Order or the DSIC 13 Order, but property taxes on those investments are now recoverable because those investments were not included in rate base in the most recent general rate case.

Mr. Shimansky testified as to how property tax expense was calculated for the projects. Mr. Shimansky testified Petitioner's Exhibit 1, Attachment GDS-2 Schedule 6 shows the calculation of property taxes, which he said are "calculated by multiplying the plant investment balances, net of depreciation, by the current or most recent tax rate for the projected period." Petitioner's Exhibit 1, page 12.

Mr. Shimansky also testified how the repeal of the URT, enacted in 2022 through House Enrolled Act 1002, was incorporated into the filing. Mr. Shimansky testified that the URT repeal affected three parts of the DSIC filing and he walked through the changes to the individual calculations reflecting the repeal.

Mr. Shimansky testified and provided schedules showing that the combined revenues of DSIC 12, DSIC 13, and DSIC 14 that are to be considered when comparing against the ten percent revenue cap are \$21,274,494, which do not exceed ten percent of Petitioner's total authorized revenues of \$230,508,121. Mr. Shimansky testified he used total Indiana American revenues, as opposed to water only revenues, to calculate the DSIC cap because the plain language of Ind. Code § 8-1-31-13 does not say that the revenues need to be bifurcated before such an analysis is done, nor does it say that only water revenues apply. Mr. Shimansky also explained that per applicable state law, the DSIC surcharge will be applied as a monthly fixed charge based upon meter size. He further explained how the monthly surcharge of \$8.06 per equivalent 5/8-inch meter to produce total annual DSIC revenues of \$35,752,729 was calculated. Mr. Shimansky testified that for this calculation, the meters from the Town of Lowell and River's Edge were excluded.

B. Description of DSIC Improvements. Mr. Shimansky and Indiana American witness Stacy S. Hoffman outlined Petitioner's compliance with the Commission's DSIC rules in 170 IAC 6-1.1 Mr. Hoffman sponsored Petitioner's Exhibit 2, Attachment SSH-1, which provides a summary of costs for non-blanket and blanket project categories, and Petitioner's Exhibit 2, Attachment SSH-2 and Petitioner's Exhibit 2, Attachment SSH-3, which provide the list of projects included in this DSIC. Petitioner's Exhibit 2, Attachment SSH-2, Part 1 lists non-blanket projects individually by project number, with project description, the date placed in service, the project purpose, the resulting benefits, the applicability of easements, the range of age of plant retired, pipe diameters, pipe length, and the total costs incurred. Petitioner's Exhibit 2, Attachment SSH-2, Part 2 provides specific detail of non-blanket hydrants, non-blanket hydrant valves, and non-blanket main valves, which were installed or retired as part of the non-blanket projects described in Petitioner's Exhibit 2, Attachment SSH-2, Part 1. Mr. Hoffman testified this specific detail was provided in accordance with the DSIC 13 Order.

The first part of Petitioner's Exhibit 2, Attachment SSH-3 lists statewide blanket projects, including lead service line replacements and retirements, by project number, with project description, the project purpose, the resulting benefits, the range of age of plant retired, and the total costs incurred. The second part of Petitioner's Exhibit 2, Attachment SSH-3 lists quantities of blanket project assets replaced and retired, including lead service lines. The third part of Petitioner's Exhibit 2, Attachment SSH-3 provides specific detail of blanket hydrants, hydrant valves, and main valves. Mr. Hoffman explained that this specific detail was also provided in accordance with the Commission's DSIC 13 Order.

Petitioner's Exhibit 2, Attachment SSH-4 lists all projects with additional cost detail by utility account. Petitioner's Exhibit 2, Attachment SSH-5 lists all projects with retirement cost detail by utility account. Petitioner's Exhibit 2, Attachment SSH-6 lists all projects with COR and salvage detail by utility account. Mr. Hoffman testified that Petitioner has invoices and other cost support for all projects listed in Petitioner's Exhibit 2, Attachment SSH-2 and Petitioner's Exhibit 2, Attachment SSH-3.

Mr. Hoffman further testified Petitioner's Exhibit 2, Attachment SSH-10 lists quantities and cost information for lead service line replacements and retirements ("LSLR") from 2017 through November 2022, for the purpose of sharing an update on Indiana American's LSLR work from the inception of the Indiana American's LSLR program, approved by the Commission in Cause No. 45043. Petitioner's Exhibit 2, Attachment SSH-11 separately summarizes main relocation projects and lead service line projects from Petitioner's Exhibit 2, Attachment SSH-2 and Petitioner's Exhibit

2, Attachment SSH-3, Part 1. He explained these projects are separately delineated because DSIC costs associated with lead service line replacements and with relocations are not subject to the ten percent cap on total DSIC revenues.

Mr. Hoffman generally described the types of projects included in this Cause. He testified that all the DSIC Improvements included in this Cause are replacement infrastructure, reinforcement projects, and distribution system retirements. He stated that replacement infrastructure includes water mains, tanks, tank coating systems, valves, hydrants, service lines, and meters. He explained that a portion of the replacement infrastructure is associated with right-of-way improvement projects wherein the location of Indiana American infrastructure directly conflicted with other public infrastructure improvement projects like road and sewer projects. Other projects included replacement of obsolete water mains, tanks, tank coating systems, hydrants, valves, meters, and service lines that are in poor condition or hydraulically deficient for providing adequate service including public fire protection. He further explained that reinforcement infrastructure consists of mains, valves, and hydrants with the purpose of improving pressure, and fire flow and service reliability of the existing distribution system.

Mr. Hoffman testified that all retirements associated with the new infrastructure were recorded on Indiana American's books and records as of the date of Petitioner's filing. He testified that no costs of removals were estimated. Mr. Hoffman explained that all listings on Petitioner's Exhibit 2, Attachment SSH-2 and Petitioner's Exhibit 2, Attachment SSH-3 represent eligible DSIC projects, and the items listed conform to the Commission's determinations of eligible DSIC costs in prior DSIC proceedings. He explained the presentation of the blanket projects, noting that blanket categories are used for common, similar activities like replacement meters, service lines, hydrants, and unscheduled main replacements.

Mr. Hoffman testified regarding what types of projects are eligible for inclusion in Petitioner's DSIC filings. He explained that this is Indiana American's fourteenth DSIC filing, and, over the years, the Commission's Orders have clarified and provided guidance on the types of projects it considers to satisfy the DSIC statute's requirements.

Mr. Hoffman asserted all DSIC Improvements listed in Petitioner's Exhibit 2, Attachments SSH-2 and SSH-3 meet the DSIC statutory requirements. He testified that none of the projects increase revenues by connecting the distribution system to new customers, all the projects are in service and none of the projects were previously included in rate base. Mr. Hoffman explained that as Director of Engineering he has familiarity with these projects through regular communication with Indiana American Engineering staff during the planning, design, and construction phases of these projects. Indiana American project managers also confirm projects are in service through a physical inspection and then enter in-service dates for completed projects in Indiana American's accounting software system.

Mr. Hoffman testified that he verified none of the project costs identified in this Cause were included in rate base in any prior Causes. He explained some of the remaining project costs included in this current Cause No. 42351 DSIC 14 are for projects that were placed in service prior to December 1, 2021; however, the project costs included in this current Cause were not included in rate base in any prior Causes because the costs were incurred after the most recent rate base cutoff or because Petitioner had not completed all accounting for these costs by the most recent rate base cutoff.

Mr. Hoffman testified regarding the funding of the DSIC Improvements. He stated that projects included in this DSIC 14 were funded by Petitioner or were reimbursed by Indiana Department of Transportation or others, as noted by Mr. Shimansky. He testified that all necessary local, state and federal permits, approvals, and authorizations applicable to the projects have been obtained. He testified that no affiliates were directly or indirectly engaged in connection with the installation of projects listed in Petitioner's Exhibit 2, Attachments SSH-2 and SSH-3.

Mr. Hoffman explained that Petitioner has a five-year Strategic Capital Expenditure Plan that provides for budgeted amounts of approximately \$496,000,000 for replacement mains, reinforcement mains, DSIC tank related work, hydrants, services, and meters for the period 2023-2027. He testified that of the \$496,000,000, approximately \$48,000,000 is budgeted over the same period for water main replacements required by state and local governments because of planned and anticipated road improvements and other infrastructure projects. He testified Petitioner would continue to review the planned level of investment and will make adjustments as required to address priorities for replacement and reinforcement infrastructure.

5. OUC's Evidence. The OUC presented the evidence of Margaret A. Stull, Chief Technical Advisor, Water/Wastewater Division.

Ms. Stull recommended a \$6.28 monthly DSIC per equivalent 5/8" meter. Ms. Stull testified her calculation differs from Indiana American's calculation in three ways: (1) she updated the gross revenue conversion factor to reflect the current IURC fee; (2) she included the reconciliation amounts used in the Commission's Order in Cause No. 42351 DSIC 11 issued on March 14, 2018 (the "DSIC 11 Order") and the DSIC 12 Order (\$-71,276 + \$203,070 = \$131,794); and (3) she excluded property tax expense.

With respect to the gross revenue conversion factors, Ms. Stull testified she disagreed with Indiana American's proposed factors because the calculations do not incorporate the current IURC fee rate. Ms. Stull recommended a gross revenue conversion factor of 134.6283%, to be applied to the return on DSIC additions, and a gross revenue conversion factor of 101.1449% to be applied to depreciation expense and property taxes.

Ms. Stull also included the net \$131,794 increase to the DSIC surcharge related to the reconciliations of the DSIC 11 Order and the DSIC 12 Order. Ms. Stull testified she disagreed with Indiana American's calculation of DSIC operating revenues, because it does not include the over-collection and under-collection reflected in Indiana American's reconciliations in the DSIC 11 Order and the DSIC 12 Order. Ms. Stull included these reconciliation adjustments in her recommended operating revenues.

Ms. Stull noted that in 2022, the DSIC statute was amended to allow for the recovery of property taxes in addition to a return on and of a utility's investment in DSIC eligible investments. She explained that the statute¹ includes property taxes as a component of "infrastructure improvement costs" and noted the statute states that "property taxes to be paid by the public utility based upon the first assessment date following placement in service" may be included for recovery in a DSIC. She added that the statute also excludes the property taxes from the calculation of the ten percent cap.

¹ Ind. Code § 8-1-31-5.5(1)(b)

Ms. Stull stated Indiana American included in its DSIC surcharge the \$8,002,472 of property taxes on the DSIC Improvements and the additions included in DSIC 12 and DSIC 13. She explained that Indiana American based its property tax expense on the 2021 property taxes payable in 2022. Ms. Stull did not agree with Indiana American's property tax proposal in this case. She stated that Indiana American has applied the property tax change retroactively to DSICs filed prior to the effective date of the amended statute. She stated that even if such retroactive application were proper, Indiana American has not applied the correct property tax rates indicated by the new provision.

Ms. Stull explained that DSICs focus on new plant. She asserted that once a DSIC recovery has been established, that DSIC should not be increased in a subsequent DSIC. She noted that in this case Indiana American included in its request the property tax costs for additions included in prior DSIC cases – DSIC 12 and DSIC 13. She added the new statutory language makes no provision for applying the property tax retroactively to prior DSIC applications. She stated the DSIC recovery for plant added in DSIC 12 and DSIC 13 have already been decided and the recovery to be authorized for the utility plant in service added in DSIC 12 and DSIC 13 are not an issue in this case and should not be revisited.

Ms. Stull then explained her position with respect to the property tax rates used for the DSIC 14 additions noting that the statute provides that the property tax rate to be used is to be based on the first assessment date following placement in service. She noted that most of the additions included in DSIC 14 were placed in service in 2022, but Indiana American used the tax rates payable in 2022, which are based on the 2021 assessment. She explained that this assessment date is prior to the date most of the DSIC Improvements were placed in service. Ms. Stull testified that property taxes in Indiana are paid two years in arrears. She added they are assessed in May of Year One based on the property values as of December 31 of Year Zero. She noted they are payable in two installments in Year Two (May and November). The DSIC Improvements were placed in service from December 2021 through November 2022.

Ms. Stull explained she did not include property taxes in her calculation with respect to the new DSIC Improvements because the plain language of the statute is clear that the 2022 property tax assessments should be used to determine the property tax expense for the DSIC Improvements placed in service in 2022. She stated that, because of Indiana American's decision to file this DSIC when it did, the 2022 property tax assessment was not available and will not be available before the Commission issues its order in this DSIC. Therefore, she did not include any property tax for the DSIC Improvements.

Ms. Stull also calculated the ten percent cap imposed by Ind. Code § 8-1-31-13 based on total water operating revenues, rather than total Indiana American operating revenues as proposed by Indiana American. Nevertheless, Ms. Stull testified that as shown on Public's Exhibit 1, Attachment MAS-1, Schedule 4, the \$21,274,161 of the OUCC's recommended DSIC 14 revenues (excluding main relocations and lead service line replacement) represent 9.28% of total Step 2 base water operating revenues as approved in Cause No. 45142, as adjusted by Cause No. 45032 and the URT repeal. This is less than the ten percent cap imposed by Ind. Code § 8-1-31-13.

Finally, Ms. Stull testified that to avoid double recovery, COR should be excluded from the DSIC calculation because Indiana American is recovering COR from its customers before these costs are actually incurred, as the cost is built into Indiana American's authorized depreciation rates.

Ms. Stull testified that according to “Accounting for Public Utilities,” COR means “the cost of demolishing, dismantling, tearing down or otherwise removing...plant.” Accounting for Public Utilities, Chapter 6 - Public Utility Depreciation, §6.03[2], page 6-7. Ms. Stull testified that COR is recovered from customers before these costs are actually incurred by Indiana American because the cost is built into Indiana American’s authorized depreciation rates. She explained that Indiana American’s authorized depreciation rate is designed to allow it to recover the original cost of the asset plus an estimated COR, net of salvage, over the life of the asset.

Ms. Stull explained why she proposed COR be excluded from the calculation of DSIC. She noted that a public utility providing water service is properly allowed to recover the costs it incurs in removing replaced plant. But Indiana American has already recovered those removal costs, as soon as it began to earn a return of its investment in the replaced plant through its authorized depreciation expense. She asserted it is inequitable and bad public policy to allow Indiana American to continue to recover these costs through depreciation rates designed by its depreciation study to recover future removal costs over the life of the asset and also through the DSIC surcharge.

Ms. Stull explained that she had not addressed the inclusion of removal costs in prior DSIC cases because the fact that Indiana American’s approved depreciation rates already include removal costs was not recognized and therefore not previously addressed. She stated that COR is a complex ratemaking concept, especially in the context of a capital tracker such as a DSIC. She added that removal costs are not typically in the forefront of regulatory approvals. Because these DSIC cases require the OUCC and the Commission such limited amount of time to review and consider applications, the fact of double recovery was not readily apparent to her. Based on her recent research and analysis, Ms. Stull said she considered it important to bring this issue to the attention of the Commission.

Ms. Stull said eliminating the COR from DSIC 14 project costs would reduce total DSIC revenues by \$1,196,774 and the DSIC 14 surcharge by \$0.27 per residential customer per month or \$3.24 per year. Ms. Stull clarified she is not asking the Commission to decide now whether COR should be excluded from the calculation of this DSIC. Ms. Stull noted that in the DSIC 8 Order, the Commission stated that a proposal to change existing DSIC accounting methodologies should be addressed in the Petitioner’s next rate case instead of being addressed in the context of an expedited DSIC proceeding. She stated that neither the parties to this case nor the Commission has the necessary time to fully present this complicated issue as part of this expedited proceeding, and therefore, consistent with the Commission’s discussion in the DSIC 8 Order, the OUCC will raise this issue in Indiana American’s next rate case.

6. Petitioner’s Rebuttal Evidence. On rebuttal, Mr. Shimansky testified Petitioner accepted the OUCC’s modification to the gross revenue conversion factor to reflect the most recent IURC fee. Mr. Shimansky also presented a correction to the calculation of Petitioner’s DSIC charge reflecting an additional \$921,929 contribution Petitioner identified during the discovery process. Mr. Shimansky testified Petitioner revised its DSIC 14 filing to include this additional contribution and he sponsored revised Petitioner’s Exhibit 1R, Attachment GDS-2R showing the updated charge and calculations, as well as a revised version of the tariff marked as Petitioner’s Exhibit 1R, Attachment GDS-1R.

Mr. Shimansky also made some corrections to his direct testimony. Mr. Shimansky testified and provided schedules showing that the combined revenues of DSIC 12, DSIC 13, and DSIC 14 that

are to be considered when comparing against the ten percent revenue cap are \$21,186,761, not \$21,274,494 as he testified in direct examination. The corrected amount of \$21,186,761 does not exceed ten percent of Petitioner's total authorized revenues of \$230,508,121. Also, Mr. Shimansky corrected the total reimbursements from the Indiana Department of Transportation, as well as other contributions relative to the DSIC Improvements on rebuttal. The total was \$1,425,153, not \$503,224 as he had stated in direct examination. Finally, Mr. Shimansky corrected the gross revenue conversion factor from 134.6335% to the correct percentage of 134.6283% to reflect the current IURC fee.

Mr. Shimansky testified Ms. Stull is incorrect in her contention that Indiana American misstated the revenues from DSIC 12 and DSIC 13 by not including the reconciliation amounts. Mr. Shimansky testified the reconciliation amount is a reconciliation done on an annual basis between the total adjustment revenues and the total improvement costs. Mr. Shimansky explained that once the reconciliation amount has either been refunded or collected, as the case may be, then it is no longer included in the calculation. Mr. Shimansky explained that to include the reconciliation amounts again in this proceeding would have the effect of changing the authorized revenues and would result in collecting too much or too little revenues. He testified that Ms. Stull's modification to include the DSIC reconciliation amounts is incorrect and inconsistent with how reconciliation amounts have been handled in previous DSIC proceedings.

Mr. Shimansky also responded to Ms. Stull's recommendation to exclude property taxes from the calculations of DSIC 12, DSIC 13, and DSIC 14. Mr. Shimansky explained Ms. Stull excluded property taxes on the DSIC Improvements based on her claim Petitioner does not yet know the tax rate that will apply when the accrued taxes are paid. He explained she excluded property taxes on the DSIC 12 and DSIC 13 improvements based on her claim Petitioner cannot go back and apply the new statute to the eligible infrastructure improvements that have been in earlier DSICs. Mr. Shimansky testified Ms. Stull's interpretation of the statute is wrong on both points, and her interpretation of the new statutory language would essentially eliminate the new provision the General Assembly has adopted.

With respect to Ms. Stull's recommendation to exclude property taxes on the DSIC Improvements because the tax rate is not yet known, Mr. Shimansky explained Ms. Stull's interpretation of the statute is incorrect because she focuses on the tax "rate" rather than the assessment date. Mr. Shimansky testified the statute does not use the words tax "rate"; it uses the word "assessment" and the "assessment" of the liability occurs in the year prior to payment and is estimated and accrued as reflected in Mr. Shimansky's schedules. Mr. Shimansky explained that Ms. Stull's approach would create a mismatch between the accrual of the expense (which occurs in the year of assessment), and the recovery of the revenue requirement associated with that expense (because the tax rate is not known until the year after the accrual of the expense and liability). Mr. Shimansky testified Ms. Stull's approach is inconsistent with traditional property tax accounting and ratemaking, and therefore it is an unreasonable interpretation of the language the legislature used.

Mr. Shimansky further testified Ms. Stull's position to exclude recovery of property taxes related to the DSIC 12 and DSIC 13 improvements is also incorrect. Mr. Shimansky testified Ms. Stull's position is inconsistent with the result in the DSIC 11 Order where there were two changes approved to earlier DSIC charges due to the changes in law: the decrease to the federal income tax rate used in the gross revenue conversion factor due to the Tax Cuts and Jobs Act and the change to apply DSIC as a fixed charge by meter size. Mr. Shimansky explained the "adjustment amount" in the statute is to be calculated to provide for recovery of "infrastructure improvement costs" and those

“infrastructure improvement costs” now include property taxes. Mr. Shimansky further testified the OUCC’s claim that Indiana American’s property tax recovery contains the application of “property tax retroactively to prior DSIC applications” is false. Mr. Shimansky explained the property tax expensed during the period DSIC 14 is recovered will be based on DSIC 12 infrastructure improvement costs, in which the investments in DSIC 12 and DSIC 13 are included. Thus, the property tax recovered during the period DSIC 14 is recovered should also include the property taxes based on DSIC 12 and DSIC 13 investments.

Generally, Mr. Shimansky testified that when you combine Ms. Stull’s interpretation as applied to the DSIC Improvements with her exclusion of the property tax on improvements included in past DSICs, it would essentially eliminate this new provision from the statute. Mr. Shimansky explained that under Ms. Stull’s view, Indiana American cannot include property taxes on new improvements because it does not have tax rates available yet. However, under her interpretation, Indiana American could also not come back in a later DSIC to pick up these property taxes because it would be retroactive in that Petitioner would be changing the infrastructure improvement costs for eligible infrastructure improvements that were the subject of a past DSIC. Mr. Shimansky explained this presents a situation where the property taxes are never recoverable, despite the General Assembly taking the specific steps to amend the statute to provide for their recovery.

Mr. Shimansky also responded to Ms. Stull’s recommendation to apply the ten percent cap to only water revenues. Mr. Shimansky testified he disagreed with Ms. Stull’s recommendation because the statute uses the words “ten percent of the eligible utility’s base revenue level approved by the commission in the eligible utility’s most recent general rate proceeding” and does not separate water from wastewater. Mr. Shimansky testified the issue does not make a difference, however, because both Ms. Stull and Indiana American agree the DSIC Petitioner proposed does not exceed ten percent as required by Ind. Code § 8-1-31-13.

Mr. Shimansky also responded to Ms. Stull’s contention that it is “inequitable and bad policy” to allow Indiana American to recover estimated COR through depreciation rates and also to recover COR through the DSIC, as well as Ms. Stull’s request that this issue be addressed in Petitioner’s next rate case. Mr. Shimansky testified recovering COR through depreciation rates that would also recover COR through the DSIC results directly from Instruction No. 27 of the Uniform System of Accounts (“USOA”) which the Commission has promulgated as a rule. Mr. Shimansky explained Instruction No. 27 says that when Indiana American retires existing plant and replaces it with new infrastructure improvement, it accounts for the retirement by crediting Utility Plant in Service with the original cost of the retired asset and by debiting accumulated depreciation for the original cost as well as the actual COR. Mr. Shimansky testified the recognition of COR that is incurred has been properly accounted for pursuant to the USOA and recognized in the DSIC all the way back to DSIC 1. Mr. Shimansky also responded to Ms. Stull’s contention that Indiana American’s treatment of COR results in double recovery. Mr. Shimansky testified Ms. Stull is confusing return *on* with return *of*. He explained the recovery “of” COR, has, in theory, been done through the application of depreciation accrual rates. That depreciation expense (including COR) is reflected as a reduction to rate base. When the COR is actually incurred, that reduction is reversed and rate base increases because of the COR that is incurred, pursuant to Instruction No. 27 of the USOA.

Mr. Shimansky testified that while the OUCC can raise the issues it wishes in Petitioner’s next general rate case, he would strongly urge the Commission not to chart yet another approach to accounting for retirements in the context of capital addition adjustment mechanisms. Mr. Shimansky

testified the Commission’s approach to retirements has been inconsistent, and he explained that Ms. Stull is advocating yet another digression from consistency, and this time from more than 20 years of precedent. Mr. Shimansky also cited to Section 8 of the Commission’s Order in Cause No. 45609 SEI 1 issued on February 22, 2023, which approved Indiana American’s existing DSIC COR methodology for Service Enhancement Improvement Charges.

7. **Evidence Introduced at the Hearing and Docket Entry Response.** Through cross-examination, the OUCC asked about the calculation of property taxes. Mr. Shimansky testified he did not calculate net depreciation for purposes of calculating taxes to be paid on eligible infrastructure improvements in this DSIC. The OUCC questioned the accuracy of the calculation because Petitioner did not deduct from the assessed value calculation the depreciation that would have accrued on the DSIC Improvements between their in-service dates and the ensuing January 1. In response to cross-examination, Mr. Shimansky stated that making this adjustment would only account for a partial year’s depreciation and that doing so would be immaterial to the total DSIC calculation.

During the hearing, Petitioner’s response to the docket entry questions was admitted into evidence over the OUCC’s objection. In the docket entry response, Petitioner stated that the “assessment date” is January 1 of every year and taxes on real property and personal property are paid in two installments by May 10 and November 10 of the year following the assessments. *See* Ind. Code §§ 6-1.1-2-1.5; 6-1.1-1-2; and 6-1.1-22-9(a). The township assessor determines the assessed value of fixed property owned by the utility as of the assessment date of that year. Ind. Code § 6-1.1-8-24(a). Every year, a public utility company must file a statement (Form UD-45) concerning the value and description of the distributable property which is owned or used by the company on the assessment date of that year with the Indiana Department of Local Government Finance before July 1. Ind. Code § 6-1.1-8-19. Public utility taxes, which are those assessed under Ind. Code 6-1.1-8, are a lien upon the property assessed which accrues on the assessment date of the year of assessment. Ind. Code § 6-1.1-8-38(a). Similarly, a lien arises on each tract of real property for all property taxes levied against the tract, including the land under an improvement and all subsequent penalties and cost resulting from the taxes. This lien attaches on the assessment date, January 1, of the year for which the taxes are assessed. Ind. Code § 6-1.1-22-13(a). Petitioner stated that because property taxes are assessed on January 1 of each year and are payable in two installments in the following year, property owned and in service as of January 1 should be assessed as of that date.

8. **Commission Discussion and Findings.**

A. **DSIC Requirements and Calculation.** Ind. Code ch. 8-1-31 requires the Commission to approve a DSIC to allow a water utility to adjust its basic rates and charges to recover a pre-tax return, depreciation expense, and, with the passage of Senate Enrolled Act 278 (2022), property taxes, on eligible infrastructure improvements. Senate Enrolled Act 278 added property taxes to the definition of “infrastructure improvement costs” thereby making property taxes eligible for recovery as part of a public utility’s calculated DSIC charge. Now, Ind. Code § 8-1-31-5.5, as amended by P.L. 61-2022 (effective July 1, 2022), states as follows:

Sec. 5.5. As used in this chapter, “infrastructure improvement costs” means the following:

- (1) For a public utility:
 - (A) depreciation expenses;

- (B) property taxes to be paid by the public utility based upon the first assessment date following placement in service; and
 - (C) pretax return;
- associated with eligible infrastructure improvements.

P.L. 61-2022 also amended Ind. Code ch. 8-1-31 to specify that property taxes associated with eligible infrastructure improvements are not subject to the ten percent cap that is set forth in Ind. Code § 8-1-31-13.

Further, Ind. Code § 8-1-31-5 defines eligible infrastructure improvements for water distribution infrastructure of a public utility to include new water utility distribution or collection plant projects that:

- (a) do not increase revenues by connecting to new customers;
- (b) are in service and used and useful; and
- (c) were not included in the public utility's rate base in its most recent general rate case.

Under Ind. Code § 8-1-31-6, the rate of return allowed on eligible infrastructure improvements is equal to the public utility's weighted cost of capital. Ind. Code § 8-1-31-12 provides that the cost of common equity to be used in determining the weighted cost of capital shall be the most recent determination by the Commission in a general rate proceeding of the public utility unless the Commission finds that such determination is no longer representative of current conditions.

In 2017, the Indiana Legislature passed House Enrolled Act 1519, which changed how the DSIC surcharge is to be calculated. In the past, the surcharge was to be calculated as a percentage that was applied to both the consumer's volumetric and metered service charge revenues for all rate groups. Now, Ind. Code § 8-1-31-8, as amended by P.L. 91-2017 (effective July 1, 2017), states as follows:

Sec. 8. (a) Except as provided in subsection (d), an eligible utility may file with the commission a petition setting forth rate schedules establishing an amount that will allow the adjustment of the eligible utility's basic rates and charges to provide for recovery of infrastructure improvement costs. The adjustment shall be calculated as a monthly fixed charge based upon meter size. (Emphasis added.)

As a result, Petitioner is now required to calculate the surcharge applicable to the total DSIC revenue requirement as a fixed charge based upon a meter equivalency size.

B. Approval of Proposed DSIC. The only issues in dispute in this Cause affecting the DSIC to be charged are the calculation of total DSIC revenues upon which the calculation is based and Indiana American's inclusion of property taxes. While there is also disagreement between the parties over the appropriate treatment of costs of removal, the OUCG does not propose to exclude COR from the DSIC calculation in this Cause, but it maintains that the issue should be addressed in Indiana American's next rate case. Thus, this issue does not affect the DSIC charge in this proceeding. We discuss each of these issues, in turn, in the following paragraphs.

- (1) **Calculation of Total DSIC Revenues.** The OUCG included a \$131,794

increase to the DSIC surcharge based on Ms. Stull's recommendation to include the over- and under-collections reflected in Indiana American's reconciliations in the DSIC 11 Order and DSIC 12 Order. On rebuttal, Mr. Shimansky testified Ms. Stull's modification to include the reconciliation amounts is incorrect and is inconsistent with how reconciliation amounts have been handled in previous DSIC proceedings. Mr. Shimansky explained that the DSIC reconciliation is done on an annual basis and once the reconciliation amount has been either refunded or collected, it is no longer included in the calculation. Mr. Shimansky further testified that to include the reconciliation amounts again in this proceeding would have the effect of changing the authorized revenues and would result in collecting too much or too little revenues.

We agree with Indiana American that it is incorrect to include the DSIC reconciliation amounts as the OUCC recommends. The "authorized revenues" for each DSIC are what this Commission approves in that individual DSIC proceeding. We agree with Mr. Shimansky that including the reconciliation amounts now would have the effect of Indiana American collecting too much or too little revenue and is inconsistent with how operating revenues have been calculated in previous DSIC proceedings. As such, we find it is inappropriate to include the DSIC reconciliation amounts as the OUCC recommends as part of operating revenues in this proceeding.

(2) **Property Taxes.** Pursuant to Senate Enrolled Act 273 (2022), property taxes were added to the definition of "infrastructure improvement costs" under Ind. Code § 8-1-31-5.5 and property tax expense is now recoverable as part of the DSIC calculation. Despite this change in the statute, the OUCC recommends in this proceeding that property taxes be excluded on the DSIC Improvements as well as the DSIC 12 and DSIC 13 eligible improvements. With respect to the DSIC 12 and DSIC 13 improvements, Ms. Stull argues that once a DSIC recovery has been established, that DSIC should not be increased in subsequent DSIC cases. Ms. Stull also argues that the statute makes no provision for applying the property tax retroactively. With respect to the DSIC Improvements, Ms. Stull argues Indiana American used the wrong tax rate to calculate property tax expense because Petitioner used tax rates payable in 2022, which are based on 2021 assessments. Ms. Stull testified the plain language of the statute is clear that the 2022 property tax assessments should be used to determine the property tax expense for the DSIC Improvements. She concluded that because the 2022 property tax rate was not available at the time of filing and will not be available before this Commission issues its order, property tax should not be included for the DSIC Improvements.

On rebuttal, Mr. Shimansky testified Ms. Stull's interpretation of the statute is wrong on both points, and her interpretation of the new statutory language would essentially eliminate the new provision the General Assembly adopted in 2022. Mr. Shimansky responded to Ms. Stull's contention that property taxes on the DSIC 12 and DSIC 13 improvements should be disallowed, because, once DSIC recovery is established, the DSIC should not be increased in subsequent DSIC cases. Mr. Shimansky testified Ms. Stull's position is inconsistent with the DSIC 11 Order where there were two changes approved to earlier DSIC charges due to the changes in law.² Further, he testified Petitioner's request does not result in retroactive ratemaking, because the property tax expensed during the period of time DSIC 14 is recovered will be based on DSIC infrastructure improvement costs, in which the investments in DSIC 12 and DSIC 13 are included. Thus, the property tax recovered during the period of time DSIC 14 is recovered should also include the property taxes based on DSIC 12 and DSIC 13

² The first change was related to the Tax Cuts and Jobs Act, which lowered the federal income tax rate that had been used in the gross revenue conversion factor in prior DSIC proceedings. Secondly, the DSIC was changed to a fixed charge by meter size. Pet. Ex. 1R at 5.

investments. He explained that retroactivity would involve changing the recovery approved in the DSIC 12 or DSIC 13 cases to include property taxes expended in those time periods.

With respect to the OUCC's recommendation to exclude property taxes on the DSIC Improvements because the tax rate is not yet known, Mr. Shimansky explained Ms. Stull's interpretation of the statute is incorrect because she focuses on the tax "rate" rather than the assessment date. Mr. Shimansky testified the statute does not use the words "tax rate". Instead, it uses the word "assessment", and the "assessment" of the liability occurs in the year prior to payment, and is estimated and accrued as reflected in Mr. Shimansky's schedules. Mr. Shimansky explained that Ms. Stull's approach would create a mismatch between the accrual of the expense (which occurs in the year of assessment), and the recovery of the revenue requirement associated with that expense (because the tax rate is not known until the year after the accrual of the expense and liability). Mr. Shimansky testified Ms. Stull's approach is inconsistent with traditional property tax accounting and ratemaking, and it is an unreasonable interpretation of the language the legislature used.

At the outset of this finding, we acknowledge that Ms. Stull's interpretation of the statute as applied to the DSIC 12, DSIC 13 and DSIC 14 improvements would effectively eliminate the new provision for recovery of property taxes from the statute. Under Ms. Stull's interpretation, Indiana American cannot include property taxes on new improvements because it does not have tax rates available yet and has not yet filed its Form UD-45 for taxes assessed on January 1, 2023. However, also under her interpretation, Indiana American could not come back in a later DSIC to recover these property taxes because it would be retroactive in that Petitioner would be changing the infrastructure improvement costs for eligible infrastructure improvements that were the subject of a past DSIC. We find that Ms. Stull's interpretation presents a situation where property taxes are effectively never recoverable, despite the Indiana General Assembly passing Senate Enrolled Act 278 making them so.

It is well-established in the constructs of statutory interpretation that "a statute is to be construed so as to not bring about an absurd result." *Citizens Action Coalition of Ind. v. Northern Indiana Public Service Co.*, 796 N.E.2d 1264, 1269 (Ind. Ct. App. 2003). For this Commission to accept Ms. Stull's interpretation as it relates to property tax recovery in this proceeding, we would effectively create a situation where property taxes could never be recovered regardless of when the property tax was assessed, or a public utility filed for recovery. This cannot be what the Indiana General Assembly intended when it passed Senate Enrolled Act 278 in the 2022 Legislative Session to make property tax recoverable as part of the DSIC. Accepting such interpretation would produce an absurd result, which is contrary to the long-standing tenets of statutory interpretation and past decisions of this Commission.

With respect to the DSIC 12 and DSIC 13 improvements, we find that property tax was properly included for recovery in this proceeding. Further, for the reasons explained in Mr. Shimansky's rebuttal testimony and reiterated in this Order, we agree recovery of property tax expense on the DSIC 12 and DSIC 13 improvements would not result in retroactive ratemaking. Therefore, we find Indiana American's inclusion of property tax expense related to the DSIC 12 and DSIC 13 improvements in this proceeding was appropriate and is recoverable as part of the DSIC calculation.

With respect to the DSIC Improvements, we also find that Ms. Stull's interpretation of the statute confuses the terms of tax "rate" and assessment date. The plain language of the statute does

not use the term tax “rate”; it uses the word assessment.³ Ind. Code § 8-1-31-5.5(1)(B). The “assessment date” for the liability occurs in the year prior to payment on January 1. Ind. Code § 6-1.1-2-1.5(a)(2) (“the annual assessment date for tangible property is . . . January 1”). Ms. Stull’s approach would create a mismatch between the accrual of the expense and the recovery of the revenue requirement associated with that expense. Further, the Commission has long held that for ratemaking purposes property taxes are computed using the latest assessed value and most recent tax rates available. *See, e.g. Indiana Cities Water Corp.*, Cause No. 39166, 1992 WL 475564 at *9 (Ind. P.S.C. July 8, 1992)(finding public utility’s adjustment to increase property tax expense using the most current assessed value and tax rate available was reasonable and should be accepted). Thus, Ms. Stull’s approach is also inconsistent with traditional property tax accounting and ratemaking.

We also reject the OUCC’s argument made post-hearing that a utility must wait until after it files its Form UD-45 to recover property taxes on eligible improvements during the current year. We have reviewed this standard form, and it does not break out DSIC-eligible improvements from other tangible property; as such it would not facilitate review of the calculation at all. See Public’s Exhibit CX-1. Further, had the legislature intended the filing of this form to be a prerequisite to recovery of property taxes, we believe it would have said so explicitly.

Finally, we address an argument raised by the OUCC through cross-examination about the calculation of property taxes. The OUCC questioned the accuracy of the calculation because Petitioner did not deduct from the assessed value calculation the depreciation that would have accrued on the eligible additions between their in-service dates and the ensuing January 1. In response to cross-examination, Mr. Shimansky indicated that depreciation expense had not been removed from Petitioner’s property tax calculation and making this adjustment would only account for a partial year’s depreciation. He testified that deducting a partial year’s depreciation would be immaterial to the total DSIC calculation. We note that in his direct testimony, Mr. Shimansky stated yearly property tax expenses are calculated by multiplying the plant investment balances, net of depreciation expense, by the most recent tax rate for the projected timeframe. We recognize that the Parties were attempting to apply the amended statute, dealing with a complicated issue, property taxes, within a limited review period. However, because a corrected calculation was not provided by Petitioner, we are unable to verify the impact of not factoring depreciation expense. Therefore, we direct Petitioner to revise its DSIC factor to deduct depreciation expense when submitting its tariff and submit documentation supporting the calculation.

For these reasons, and in accordance with Senate Enrolled Act 278 (2022), we find Petitioner is authorized to recover the property tax expense associated with DSIC 12, DSIC 13 and DSIC 14 eligible improvements as part of this proceeding.

(3) Ten Percent Cap under Ind. Code § 8-1-31-13. One disagreement is the amount of revenues that should be used for purposes of calculating the ten percent cap imposed by Ind. Code § 8-1-31-13. Mr. Shimansky explained that Petitioner based its calculation on total company operating revenues, noting the statute does not make a distinction between water and wastewater revenues. In contrast, the OUCC based its calculation on total water operating revenues. In rebuttal, Mr. Shimansky asserted it is inappropriate to calculate the ten percent based only on water revenues

³ The plain language of Ind. Code § 8-1-31-5.5(1)(B) is as follows: “property taxes to be paid by the public utility based upon the first assessment date following placement in service.”

as Ms. Stull recommends, because the plain language of the statute states “ten percent of the eligible utility’s base revenue level approved by the commission in the eligible utility’s most recent general rate proceeding.” Ind. Code § 8-1-31-13.

While we acknowledge that the parties disagree on which revenues should be applied towards the ten percent cap, this issue does not make a difference in the overall limitation imposed by the statute. As evidenced by the parties’ testimony, regardless of which revenues are used, both the OUCC and Indiana American determined that Petitioner’s proposal does not exceed the ten percent as required by Ind. Code § 8-1-31-13. Whether the revenues from wastewater customers should be considered in determining whether a surcharge imposed on water customers for water distribution plant additions exceeds the ten percent cap is not an issue that needs to be decided in this case. Nonetheless, as a matter of guidance to the utility, we agree with the OUCC that wastewater revenues should not be used to calculate the ten percent cap on a water DSIC. We note that the purpose of the ten percent DSIC revenue cap is to limit the rate increase to the ratepayers who will ultimately benefit from and pay for the DSIC Improvements. Most utilities do not have combined water and wastewater operations like Petitioner. However, even in Petitioner’s last base rate case, it accounted for water and wastewater revenues separately. The DSIC Improvements for which Petitioner seeks recovery in this Cause are for water improvements only, and the subsequent DSIC charge will only be paid for by Petitioner’s water customers, not its wastewater customers. In keeping with standard cost of service ratemaking, we believe that DSIC water adjustment revenues should be compared to a utility’s base water revenues.

(4) **Ultimate Finding.** For the reasons set forth herein, and based on the evidence presented, the Commission finds that Petitioner’s request for a DSIC as modified herein complies with the requirements of Ind. Code ch. 8-1-31 and 170 IAC 6-1.1. Accordingly, we find that Petitioner is authorized to collect from each of its present and future water customers, excluding the former customers of the Town of Lowell and River’s Edge, a monthly DSIC of \$8.03 per equivalent 5/8” meter as set forth on Petitioner’s Exhibit 1R, Attachment GDS-2R, to be modified per our finding in section 8.B.(2).

C. **Reconciliation of Petitioner’s DSIC.** Ind. Code § 8-1-31-14 establishes that at the end of each 12-month period following a DSIC order, the eligible utility shall reconcile the difference between adjustment revenues and infrastructure improvement costs during that period and recover or refund the difference, as appropriate, through additional adjustments. Petitioner shall reconcile the DSIC approved by this Order in the manner prescribed by Ind. Code § 8-1-31-14 and 170 IAC 6-1.1-8.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The DSIC, which is calculated as a fixed charge by meter size and is designed to generate total annual DSIC revenues of \$35,634,692, will be approved after it is modified per our finding in section 8.B.(2).

2. Prior to placing into effect the above-authorized DSIC, Indiana American shall file under this Cause Petitioner’s Exhibit No. 1R, Attachment GDS-1R including a revised DSIC factor deducting depreciation from the property tax calculations and supporting calculations thereof as an appendix to its schedule of rates and charges for water service for approval by the Commission’s Water/Wastewater Division.

3. The above-authorized DSIC shall be subject to reconciliation as described in Finding Paragraph 8.C. above.

4. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, VELETA, AND ZIEGNER CONCUR:

APPROVED: MAR 22 2023

**I hereby certify that the above is a true
and correct copy of the Order as approved.**

Dana Kosco
Secretary of the Commission