

**ORIGINAL**

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

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

JOINT PETITION OF INDIANA-AMERICAN )  
 WATER COMPANY INC. (“INDIANA AMERICAN”) )  
 AND THE INDIVIDUAL OWNER OF SUNSET )  
 VILLAGE WATER UTILITY (“SUNSET VILLAGE”) )  
 FOR APPROVAL AND AUTHORIZATION OF: (A) )  
 THE ACQUISITION BY INDIANA AMERICAN OF )  
 SUNSET VILLAGE’S WATER UTILITY PROPERTY )  
 (THE “SUNSET VILLAGE SYSTEM”) IN CLARK )  
 COUNTY, INDIANA IN ACCORDANCE WITH A )  
 PURCHASE AGREEMENT THEREFOR; (B) )  
 APPROVAL OF ACCOUNTING AND RATE BASE )  
 TREATMENT; (C) APPROVAL OF THE RATES AND )  
 CHARGES TO BE APPLIED TO THE SUNSET )  
 VILLAGE SYSTEM AFTER CLOSING; (D) )  
 APPROVAL OF APPLICATION OF INDIANA )  
 AMERICAN’S RULES AND REGULATIONS FOR )  
 WATER SERVICE TO THE SUNSET VILLAGE )  
 WATER SYSTEM; (E) APPLICATION OF INDIANA )  
 AMERICAN’S DEPRECIATION ACCRUAL RATES )  
 TO SUCH ACQUIRED PROPERTIES; AND (F) THE )  
 SUBJECTION OF THE ACQUIRED PROPERTIES TO )  
 THE LIEN OF INDIANA-AMERICAN’S MORTGAGE )  
 INDENTURE. )

**CAUSE NO. 45852**

**APPROVED: AUG 02 2023**

**ORDER OF THE COMMISSION**

**Presiding Officers:**

**David E. Veleta, Commissioner**

**Jennifer L. Schuster, Senior Administrative Law Judge**

On February 21, 2023, Indiana-American Water Company, Inc. (“Indiana American”) and the individual owner of the Sunset Village Water Utility (“Sunset Village”) (collectively, “Joint Petitioners”) filed their Joint Petition and case-in-chief in this Cause seeking certain approvals relating to the proposed acquisition by Indiana American of Sunset Village’s water utility properties (the “Sunset Village System”).

On May 25, 2023, the Office of Utility Consumer Counselor (“OUCC”) filed a Notice of Intent Not to Prefile Testimony. On June 8, 2023, Joint Petitioners filed a Notice of Intent Not to File Rebuttal Testimony in this Cause.

The Commission held an evidentiary hearing in this matter on June 28, 2023 at 10:30 a.m. in Room 222 of the PNC Center, 101 W. Washington Street, Indianapolis, Indiana. Joint Petitioners and the OUCC participated in the hearing by counsel, and Indiana American’s prefiled evidence was offered and admitted into the record without objection.

Based upon the applicable law and evidence of record, the Commission now finds:

**1. Notice and Jurisdiction.** Due, legal, and timely notice of the evidentiary hearing in this Cause was given by the Commission as required by law. Indiana American is a “public utility” within the meaning of that term in Ind. Code § 8-1-2-1 and a “utility company” within the meaning of that term in Ind. Code § 8-1-30.3-3, and Indiana American is subject to the jurisdiction of the Commission in the manner and to the extent provided by law. The Sunset Village System is a sole proprietorship owned and operated by Tina Beckort, a resident of Charlestown, Indiana. The Sunset Village System is “utility property” as that term is defined in Ind. Code § 8-1-30.3-4. Under Ind. Code ch. 8-1-30.3, the Commission has jurisdiction over Indiana American and the subject matter of this proceeding.

**2. Joint Petitioners’ Characteristics.** Indiana American is an operating public utility incorporated under Indiana law, with its principal office and place of business at 153 North Emerson Avenue, Greenwood, Indiana. Indiana American is subject to regulation by the Commission in the manner and to the extent provided by Indiana law, including Ind. Code ch. 8-1-2. Indiana American is engaged in the provision of water utility service to the public in and around numerous communities in Indiana, including Clark County. Indiana American also provides sewer utility service in Clark, Delaware, Hamilton, Wabash, and Vigo Counties. Indiana American has charter power and authority to engage in the business of providing such water and sewer utility service under various franchises, licenses, and permits. Indiana American owns, operates, manages, and controls plant, property, equipment, and facilities for the production, treatment, transmission, distribution, and sale of water for residential, commercial, industrial, other public authority, and sale for resale purposes, for the provision of public and private fire protection service and sewer service.

The Sunset Village System serves approximately 85 individual owners of 134 customer lots. These customers are comprised of residential customers and one restaurant/bar. The Sunset Village System is in the vicinity of Indiana American’s existing Southern Indiana Operations in Clark County.

**3. Relief Requested.** Joint Petitioners filed their Joint Petition in this Cause pursuant to Ind. Code § 8-1-30.3-5 and request that the Commission (1) grant such approvals as may be necessary to consummate the acquisition of the Sunset Village System by Indiana American on the terms described in the Joint Petition and the Asset Purchase Agreement between Indiana American and Sunset Village; (2) approve and authorize that, without regard to amounts that may be recorded on Sunset Village’s books and records and without regard to any grants or contributions that Sunset Village may have received, Indiana American may record for ratemaking purposes as the net original cost of the utility plant being acquired an amount equal to the full purchase price, plus incidental expenses, and other costs of acquisition, allocated among utility plant in service accounts as proposed in Joint Petitioners’ evidence; (3) authorize Indiana

American to apply the rules and regulations applicable to its existing water customers to water utility customers to be served by Indiana American as a result of the acquisition; (4) approve the accounting entry described in the direct testimony of Gregory Shimansky to reflect the acquisition of the Sunset Village System; (5) approve and authorize Indiana American to charge the monthly recurring water rates and charges that are currently applicable to its River's Edge Water System; (6) authorize Indiana American to apply its existing depreciation accrual rates approved by the Commission in Cause No. 44992 to the Sunset Village assets; and (7) approve the encumbering of the properties comprising the Sunset Village System with the lien of Indiana American's Mortgage Indenture.

#### **4. Joint Petitioners' Evidence.**

**A. Acquisition Background.** Kari Britto, Indiana American's Senior Manager of Business Operations, described how Ind. Code § 8-1-30.3-5 establishes certain circumstances under which a public water or wastewater utility that acquires the utility property of an "offered utility" may petition the Commission to include any "cost differential" associated with the acquisition as part of its rate base. Ms. Britto described how the proposed acquisition of the Sunset Village System fits within the statute.

Ms. Britto explained that an "offered utility" is too small to capture economies of scale or is not furnishing or maintaining adequate, efficient, safe, and reasonable service and facilities if the Commission finds any of the six conditions listed in Ind. Code § 8-1-30.3-6 exist. She testified that the Sunset Village System serves fewer than 8,000 customers and is at risk of violating one or more state or federal regulatory requirements that affects the safety, adequacy, efficiency, or reasonableness of the services or facilities. She also stated that, with the planned retirement of its owner, Ms. Beckort, Sunset Village will not have adequate managerial or technical expertise to continue to own and operate the system. Thus, the Sunset Village System meets three of the criteria listed in Ind. Code § 8-1-30.3-6.

Ms. Britto described how the proposed acquisition satisfies each of the requirements for acquisition of an "offered utility" under Ind. Code § 8-1-30.3-5. Compliance with each of these requirements is described in further detail in the Commission's findings, below.

Ms. Britto testified that the customers of the Sunset Village System will benefit from the acquisition through improved economies of scale and improved operations. She stated that Indiana American has the financial, managerial, and technical ability and expertise to adequately run the utility in a way Sunset Village cannot because of its small size. As an example, she stated that Indiana American has 113 employees with distribution licenses, 88 employees with water treatment licenses, and 19 licensed wastewater operators. Benefits of the acquisition include access to Indiana American's licensed operators, inclusion in Indiana American's prioritization model and asset management program, the ability to leverage Indiana American's purchasing and contracting expertise, access to Indiana American's testing and research resources, and access to Indiana American's technology and information systems.

Ms. Britto testified that Indiana American has complied with the requirements of Ind. Code § 8-1-30.3-5(e) by providing notice to Indiana American’s customers and the OUCC and a statement of known infrastructure, environmental, or other issues affecting the offered utility and the process for determining reasonable and prudent improvements upon completing the acquisition.

Ezat Nayeri, Engineering Manager for Indiana American, testified about challenges facing the Sunset Village System that may affect its ability to operate efficiently. Mr. Nayeri testified that the Sunset Village System only operates one well with an estimated capacity of 21,600 gallons per day, which limits its capacity and reliability. In 2021, the Sunset Village System reported a maximum day demand of 21,018 gallons per day (“gpd”), which is approximately 97% of the system capacity. He stated that additional demand resulting from customer growth or an increase in customer usage may exceed the system’s capacity. Mr. Nayeri also said that the lack of a second well also presents a reliability challenge as a failure or planned maintenance on the single well will impact the water system’s ability to provide water service.

**B. Proposed Acquisition and Asset Purchase Agreement.** Ms. Britto testified that acquisition discussions between Indiana American and Sunset Village first occurred in the summer of 2021 and ultimately led to the execution of the Asset Purchase Agreement on January 24, 2023. Ms. Britto and Ms. Beckort testified that the Agreement is the result of arm’s length negotiations between a willing buyer (Indiana American) and a willing seller (Sunset Village). Sunset Village and Indiana American are not affiliated in any way, and they share no ownership interests. Ms. Britto testified the purchase price of \$150,000 was determined based on appraisals obtained pursuant to the process established in Ind. Code § 8-1-30.3-5.5. Ms. Beckort sponsored as Attachment TB-1 a copy of the engineering and land appraisals performed by Banning Engineering and BLN Engineers and Mills, Biggs, Haire & Reisert, Inc., respectively. The appraisal was signed by two disinterested Indiana registered professional engineers and a disinterested Indiana certified appraiser. The total appraised value of the Sunset Village Water System as determined by the appraisers is \$205,310 for the utility’s assets and land. Ms. Britto testified that a team of Indiana American’s operation and engineering professionals reviewed the appraisal and conducted site visits in November 2021 and June 2022 to visually assess the condition of the assets in the appraisal.

Ms. Beckort discussed the reasons for Sunset Village’s decision to enter the proposed transaction. She stated that she is not interested in owning and operating a water utility anymore because water utility regulation is getting far more complicated, and, as a small system, there are issues finding labor, maintaining regulatory compliance, and not having the scale to gain efficiencies. She testified that maintaining regulatory compliance factored greatly into her decision, as the increasing stringency of federal and state laws and regulations regarding the operations of water utilities require greater technical and financial resources and expertise than she can maintain. She opined that it would be in the best interests of Sunset Village’s customers, from both a financial and operations perspective, to be a part of the larger Indiana American customer base and system.

The Asset Purchase Agreement was filed as Attachment KB-2 to Ms. Britto's direct testimony. Ms. Britto testified that Indiana American proposes to acquire all the property necessary to operate the Sunset Village System, the property that is the subject of Sunset Village's appraisal, as set forth in Section 2.1 of the Agreement. The acquired assets are listed in the appraisals (Attachment TB-1). Mr. Nayeri testified that Sunset Village is currently operating the system and using the utility property to provide water service to its customers, and, therefore, the utility property is used and useful for purposes of Ind. Code § 8-1-30.3-5(d)(1).

C. **Accounting and Ratemaking Treatment.** Gregory Shimansky, Indiana American's Director of Rates and Regulatory, testified that Indiana American is proposing to record the net original cost of the Sunset Village System to include the purchase price of \$150,000 along with incidental expenses and other costs, currently estimated at \$77,651, in the manner reflected in the proposed journal entry shown on Attachment GDS-1 to his direct testimony. Upon findings by the Commission that the factors in Ind. Code § 8-1-30.3-5(d) have been met, the statute requires the Commission to authorize Indiana American to make accounting entries recording the acquisition that reflect the full purchase price, incidental expenses, and other costs of acquisition as the net original cost of the utility plant in service assets being acquired, allocated in a reasonable manner among appropriate utility plant in service accounts. Ind. Code § 8-1-30.3-5(f). Mr. Shimansky also testified that the purchase price includes a cost differential as defined in Ind. Code § 8-1-30.3-1 and as used in Ind. Code § 8-1-30.3-5(c). He explained that a cost differential will exist in all transactions where the purchase price is derived from something other than original costs.

Mr. Shimansky testified that Indiana American does not intend to maintain the Sunset Village System as a stand-alone operation for ratemaking purposes. He stated that, upon closing, Indiana American will move the customers of the Sunset Village System to the existing Indiana American Area 3 rates, including routine volumetric monthly billing rates. Mr. Shimansky testified that Indiana American made the determination to move Sunset Village customers to Area 3 rates, the rate currently exclusive to the customers of the River's Edge System, because, like River's Edge, Sunset Village has a large portion of revenues that come from seasonal customers that are only connected for part of the year. Given the similarities between River's Edge and the Sunset Village customer base and acquisitions, Indiana American believed it was appropriate to apply the Area 3 rates to Sunset Village customers and wait until a general rate case to decide whether to maintain this existing flat rate/partial year structure or to propose a different structure. Mr. Shimansky also described the average monthly water rate an average residential customer of the Sunset Village System could expect to pay.

Mr. Shimansky testified that the rates charged by Indiana American to its existing customers will not increase unreasonably in future general rate cases solely because of acquiring the Sunset Village System. Under Ind. Code § 8-1-30.3-5(d)(7), rates and charges are deemed not to increase unreasonably solely as a result of the acquisition if the net original cost proposed to be recorded is not greater than two percent of the acquiring utility's net original cost rate base as determined in its most recent general rate case, plus any adjustments to the rate base under Ind. Code chs. 8-1-31 and 8-1-31.7 that have occurred after the rate case. Mr. Shimansky testified the amount to be booked as net original cost for the Sunset Village System is small enough it will not increase Indiana American's rates unreasonably. He testified Indiana American's net original cost

rate base, plus any adjustments to the rate base under Ind. Code chs. 8-1-31 and 8-1-31.7 after the rate case, is \$1,365,243,504, and two percent of this amount is \$27,304,870, much greater than the \$227,651 Indiana American proposed to record to complete the acquisition.

Mr. Shimansky stated that rates and charges in future general rate cases will not increase unreasonably solely as a result of acquiring the utility property from the Sunset Village System based on his calculation on Attachment GDS-2, which shows the revenue requirement impact from the Sunset Village acquisition as a 0.013% decrease to the potential revenue requirement. Mr. Shimansky testified this is primarily driven by the Sunset Village rate base per customer of \$1,699, which is less than Indiana American's \$4,133 average per customer.

Mr. Shimansky described Indiana American's proposal that the Sunset Village assets be subject to Indiana American's depreciation accrual rates approved by the Commission in Cause No. 44992 to be implemented upon the close of the transaction. Depreciation rates for Indiana American approved in Cause No. 44992 were implemented in July 2019 with rates for Indiana American's recent rate case in Cause No. 45142.

**D. Rules and Regulations.** Ms. Britto testified that Indiana American is proposing to apply the same rules and regulations applicable to existing water customers to customers of the Sunset Village System.

**E. Lien of Mortgage Indenture.** Ms. Britto noted that Indiana American is requesting approval of the encumbrance of the properties comprising the Sunset Village System under the lien of Indiana American's General Mortgage as of the closing. Mr. Shimansky described the liens that will attach to the Sunset Village System assets upon their acquisition by Indiana American pursuant to Indiana American's Indenture of Mortgage dated as of May 1, 1968, as supplemented and amended (the "General Mortgage"), which secures most of Indiana American's utility property for the benefit of the holders of Indiana American's bonds.

## **5. Commission Discussion and Findings.**

**A. Applicability of Statute.** Pursuant to Ind. Code §§ 8-1-2-83(a) and 8-1-2-84(c), the Commission is required to approve the transfer by one public utility to another of its franchise, works, and system. If Ind. Code § 8-1-30.3-5 applies in such a transaction, the Commission must, as part of its order, include certain approvals with respect to the recording of the transaction. For the latter section to apply to the acquisition of a water or wastewater utility, two criteria must be met: the utility is being acquired in a transaction involving a willing buyer and seller, and one of the two utility companies must be subject to Commission jurisdiction. We find that both conditions are satisfied in this case. Indiana American is a public utility subject to our jurisdiction, and no party has disputed the fact that this transaction involves a willing buyer and a willing seller.

**B. Sale Approval and Public Interest.** A proposed sale is considered to be in the public interest if it meets the requirements of Ind. Code § 8-1-30.3-5(d), which are the following:

- (1) The utility property is used and useful to the offered utility in providing water service, wastewater service, or both.
- (2) The offered utility is too small to capture economies of scale or has failed to furnish or maintain adequate, efficient, safe, and reasonable service and facilities.
- (3) The utility company will improve economies of scale or, if otherwise needed, make reasonable and prudent improvements to the offered utility's plant, the offered utility's operations, or both, so that customers of the offered utility will receive adequate, efficient, safe, and reasonable service.
- (4) The acquisition of the utility property is the result of a mutual agreement made at arms length.
- (5) The actual purchase price of the utility property is reasonable.
- (6) The utility company and the offered utility are not affiliated and share no ownership interests.
- (7) The rates charged by the utility company will not increase unreasonably in future general rate cases solely as a result of acquiring the utility property from the offered utility. For purposes of this subdivision, the rates and charges will not increase unreasonably in future general rate cases so long as the net original cost proposed to be recorded under [Ind. Code § 8-1-30.3-5(f)] is not greater than two percent (2%) of the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case. If the amount proposed to be recorded under subsection (f) is greater than two percent (2%) of the acquiring utility's net original cost rate base as determined in the acquiring utility's most recent general rate case, plus any adjustments to the rate base under IC 8-1-31 and IC 8-1-31.7 that have occurred after the rate case, the commission shall proceed to determine whether the rates charged by the utility company will increase unreasonably in future general rate cases solely as a result of acquiring the utility property from the offered utility and, in making the determination, may consider evidence of:
  - (A) the anticipated dollar value increase; and
  - (B) the increase as a percentage of the average bill.
- (8) The cost differential will be added to the utility company's rate base to be amortized as an addition to expense over a reasonable time with corresponding reductions in the rate base.

The OUCC did not file testimony in this case, and, thus, none of these elements have been challenged by the OUCC. Nevertheless, Ind. Code § 8-1-30.3-5 directs us to consider whether each statutory requirement has been met.

i. **Used and Useful Property.** Mr. Nayeri testified that the utility property is used and useful to Sunset Village, as it is currently operating the system and using the property to provide water service to its customers. No party disputed this, and therefore, we find that this requirement is met.

ii. **Offered Utility Too Small to Capture Economies of Scale.** Ms. Britto testified that the Sunset Village System serves fewer than 8,000 customers, which is one of the findings the Commission may make under Ind. Code § 8-1-30.3-6 to demonstrate that the offered utility is too small to capture economies of scale. After considering the evidence of record, we find that, pursuant to Ind. Code § 8-1-30.3-6(5), the Sunset Village System “is too small to capture economies of scale or [is] not furnishing or maintaining adequate, efficient, safe and reasonable service and facilities.”

iii. **Purchaser Will Improve Economies of Scale.** Ms. Britto and Ms. Beckort testified about how Indiana American’s ownership of the Sunset Village System will improve economies of scale and provided a number of examples to support their testimony. Ms. Britto also testified that Indiana American has the financial, managerial, and technical ability and expertise required to adequately run the Sunset Village System. The small size of the Sunset Village System means any major improvements or repairs to the systems could have resulted in large rate increases because there are so few customers to absorb any large unexpected or additional expenses, including meeting the long-term capital improvement needs of the system. Mr. Nayeri described how Indiana American will determine what improvements Indiana American will make upon closing. We find that the evidence of record demonstrates that Indiana American will improve economies of scale of the Sunset Village System and will make reasonable and prudent improvements to the offered utility’s plant and operations if needed.

iv. **Arm’s-Length Negotiations.** Ms. Beckort and Ms. Britto both testified that the Asset Purchase Agreement was the result of arm’s-length negotiations between Sunset Village and Indiana American. Thus, we find that this requirement is met.

v. **Reasonable Price.** Both Ms. Beckort and Ms. Britto testified that the purchase price for the Sunset Village System is less than the appraised value, as determined by appraisals that meet the requirements of Ind. Code § 8-1-30.3-5.5. Therefore, pursuant to Ind. Code § 8-1-30.3-5(c)(2), we find that the purchase price is considered reasonable for purposes of Ind. Code § 8-1-30.3-5(d).

vi. **Buyer and Seller Are Unaffiliated.** The undisputed evidence of record reflects that Sunset Village and Indiana American are not affiliated and share no ownership interests, and, therefore, this requirement is met.

vii. **Rates Will Not Increase Unreasonably.** Under Ind. Code § 8-1-30.3-5(d)(7), we must find that “rates charged by the utility company will not increase unreasonably in future general rate cases solely as a result of acquiring the utility property from” Sunset Village, meaning that the amount to be booked as net original cost does not exceed two percent of the acquiring utility company’s net original cost rate base from its most recent general rate case, plus any adjustments to the rate base under Ind. Code chs. 8-1-31 and 8-1-31.7 that have



occurred after the rate case. As explained in Mr. Shimansky's testimony, Indiana American's net original cost rate base plus any adjustments to the rate base under Ind. Code chs. 8-1-31 and 8-1-31.7 after the rate case, is \$1,365,243,504. Two percent of this amount is \$27,304,870, far more than the \$227,651 Indiana American is proposing to record to complete this transaction. Further, Mr. Shimansky testified that rates and charges in future general rate cases will not increase unreasonably solely because of Indiana American acquiring the Sunset Village System. He stated that the calculation of the revenue impact shown on line 47 of Attachment GDS-2 indicates that the revenue requirement impact of this acquisition is a decrease of 0.013%.

Based on the evidence of record, we find that the rates charged by the utility company will not increase unreasonably in future general rate cases solely because of acquiring the utility property from the offered utility.

**viii. Cost Differential Amortization.** Mr. Shimansky's uncontested testimony states that his proposed journal entry allocates the entire purchase price reasonably among utility plant in service accounts. Thus, the cost differential will be amortized and charged to expense over a reasonable period of time through depreciation expense.

**ix. Conclusion.** Because we find the evidence of record demonstrates that all the requirements of Ind. Code § 8-1-30.3-5(d) have been met, we find that the proposed sale of the Sunset Village System to Indiana American through the Asset Purchase Agreement is in the public interest.

**C. Ind. Code § 8-1-30.3-5(e).** Under Ind. Code § 8-1-30.3-5(e), Indiana American, as the acquiring utility, is required to provide the following:

- (1) Notice to customers of the acquiring utility company that a petition has been filed with the commission under this chapter. The notice provided under this subdivision must include the cause number assigned to the petition. Notice under this subdivision may be provided to customers in a billing insert.
- (2) Notice to the office of the utility consumer counselor.
- (3) A statement of known infrastructure, environmental, or other issues affecting the offered utility, and the process for determining reasonable and prudent improvements upon completing the acquisition.

Based on the evidence of record, we find that Indiana American has satisfied all three of these requirements. Mr. Shimansky sponsored as Attachment GDS-4 the statutory notice including the cause number that was provided to customers via bill insert and late-filed in this Cause on February 27, 2023. Notice was provided to the OUCC through service of the Petition and Joint Petitioners' case-in-chief. Finally, Mr. Nayeri testified about known issues currently impacting the Sunset Village System and explained the process Indiana American will undertake after closing to determine what improvements need to be made to the system.

**D. Sale Approval and Accounting Treatment.** Because we have determined that Joint Petitioners have satisfied all the requirements listed in Ind. Code § 8-1-30.3-5(d) and (e), we find that Joint Petitioners' petition should be granted and thus the provisions of Ind. Code § 8-1-30.3-5(f) directs the Commission as follows:

In a proceeding under subsection (d), the commission shall issue its final order not later than two hundred ten (210) days after the filing of petitioner's case in chief. If the commission grants the petition, the commission's order shall authorize the acquiring utility company to make accounting entries recording the acquisition and that reflect:

- (1) the full purchase price;
- (2) incidental expenses; and
- (3) other costs of acquisition;

As the net original cost of the utility plant in service assets being acquired, allocated in a reasonable manner among appropriate utility plant in service accounts.

The amount that Indiana American seeks to record in net original cost rate base is equal to the purchase price of \$150,000 plus approximately \$77,651 in estimated incidental expenses and other costs of acquisition for a total original cost rate base of approximately \$227,651. The OUCC did not take issue with the proposed purchase price.

We note that, in our final orders in Cause Nos. 45461 and 45550, in which we authorized Indiana American's acquisitions and rate base treatment of the Wastewater One and Lowell systems, we found that it was premature to evaluate the reasonableness of actual incidental expenses and found that when Indiana American files its next rate case, the amount actually recorded on its books and records pursuant to the authority granted here will be subject to review for reasonableness. *Indiana-American Water Co., Inc.*, Cause No. 45550, Order at 19 (Dec. 22, 2021); *Indiana-American Water Co., Inc.*, Cause No. 45461, Order at 13-14 (June 2, 2021).

We therefore find that, subject to the foregoing finding with respect to incidental expenses and other costs of acquisition, Indiana American is hereby authorized to record, for ratemaking purposes, as the net original cost rate base of the assets being acquired, an amount equal to the full purchase price, incidental expenses, and other costs of acquisition, allocated among utility plant in service accounts as proposed by Indiana American in its journal entry provided in Attachment GDS-1, pursuant to Ind. Code § 8-1-30.3-5(f). We approve Indiana American's proposed accounting and journal entries as described in Mr. Shimansky's direct testimony and Attachment GDS-1 and find that the costs reflected on the books and records of Indiana American shall be used as the original cost of such properties for accounting, depreciation, and rate base valuation purposes. As acknowledged by Mr. Shimansky, the journal entry should be adjusted to reflect actual (rather than estimated) incidental expenses and other costs of acquisition and may be subject to review for reasonableness.

We find that Indiana American's existing depreciation accrual rates approved by the Commission in Cause No. 44992 on May 30, 2018, and as included in the calculation of rates with the order in Cause No. 45142 dated June 26, 2019, should be applied on and after the closing date of the acquisition to depreciable property purchased from Sunset Village pursuant to the Asset Purchase Agreement.

**E. Rates and Rules.** Upon close, Indiana American is proposing to move customers of the Sunset Village System to Indiana American's existing Area 3 rates. Further, Indiana American is proposing, with respect to water service to customers of the Sunset Village System, to apply the same rules and regulations applicable to Indiana American's existing water customers.

The OUCC did not oppose Indiana American's proposals with respect to rates to be charged or the rules and regulations to be made applicable for the Sunset Village System. Therefore, we find that, on and after the closing, Indiana American may charge Sunset Village customers its Area 3 rates and charges currently in effect and otherwise apply to customers of the Sunset Village System the rules and regulations applicable to its existing customers, all as reflected in Attachment GDS-3 to Joint Petitioners' Exhibit No. 4.

**F. Encumbrances.** We approve the encumbering of the properties comprising the Sunset Village System by subjecting such properties to the lien of Indiana American's General Mortgage as of the closing.

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

1. Joint Petitioners are authorized to consummate the acquisition of the Sunset Village System by Indiana American on the terms described in the Asset Purchase Agreement and in the evidence as discussed in this order.

2. In accordance with our findings above, Indiana American is authorized to reflect the acquisition of the Sunset Village System on its books and records as of the closing by making the accounting and journal entries described in Joint Petitioner's Exhibit No. 4, as adjusted to actual incidental expenses and costs of the acquisition. Indiana American may record for ratemaking purposes as net original cost rate base of the assets being acquired an amount equal to \$150,000, plus actual incidental expenses and other costs of acquisition, allocated among utility plant in service accounts as shown in Joint Petitioners' Exhibit No. 4, Attachment GDS-1.

3. Indiana American is authorized to charge customers currently served by the Sunset Village System its Area 3 rates and charges currently in effect, as reflected in Attachment GDS-3 to Joint Petitioners' Exhibit No. 4. Prior to placing into effect the foregoing water rates, Indiana American shall file with the Water/Wastewater Division of the Commission the revised pages in its Schedule of Rates and Tariffs for Water Service (IURC W-21-A) reflecting the water rates authorized in this order.

4. Indiana American is authorized to apply the rules and regulations applicable to its existing customers to water utility customers of the Sunset Village System from and after closing.

5. The net original cost, as defined in this order, of the acquired property shall be used for accounting, depreciation, and rate base valuation purposes after closing.

6. Indiana American is authorized to apply its depreciation accrual rates on and after the closing date of the acquisition to depreciable property purchased from Sunset Village pursuant to the Asset Purchase Agreement.

7. Indiana American is authorized to encumber the properties comprising the Sunset Village System with the lien of Indiana American's mortgage indenture.

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

**HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:**

**APPROVED: AUG 02 2023**

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

---

**Dana Kosco  
Secretary of the Commission**