

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**JOINT PETITION OF INDIANA-AMERICAN)
WATER COMPANY, INC. (“INDIANA)
AMERICAN”) AND THE TOWN OF)
SHERIDAN, INDIANA (“SHERIDAN”) FOR)
APPROVAL AND AUTHORIZATION OF: (A))
THE ACQUISITION BY INDIANA AMERICAN)
OF SHERIDAN’S WATER UTILITY)
PROPERTY (THE “SHERIDAN WATER)
SYSTEM”) AND OF SHERIDAN’S SEWER)
UTILITY PROPERTY (THE “SHERIDAN)
SEWER SYSTEM”) (COLLECTIVELY THE)
“SHERIDAN SYSTEMS”) IN HAMILTON)
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 SHERIDAN WATER AND SEWER)
SYSTEMS AFTER CLOSING; (D) APPROVAL)
OF APPLICATION OF INDIANA)
AMERICAN’S MUNCIE SEWER RULES AND)
REGULATIONS TO THE SHERIDAN)
WASTEWATER SYSTEM, WITH CHANGES)
TO ALLOW ENFORCEMENT OF AN)
INDUSTRIAL PRETREATMENT PROGRAM)
 (“IPP”) AMONG OTHERS; (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. 45050

JOINT PETITION

Indiana-American Water Company, Inc. (“Indiana American”) and the Town of Sheridan, Indiana (“Sheridan”) (collectively “Joint Petitioners”) hereby petition the Commission for certain approvals relating to the proposed acquisition by Indiana American of Sheridan’s water utility properties (the “Sheridan Water System”) and Sheridan’s sewer utility properties (the “Sheridan Sewer System”) (collectively the “Sheridan Systems”). In support, Joint Petitioners respectfully show the Commission:

1. Indiana American is an operating public utility, incorporated under the laws of the State of Indiana, 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 the laws of the State of Indiana, including Ind. Code § 8-1-2-1 *et seq.* Indiana American is engaged in the provision of water utility service to the public in and around numerous communities throughout the State of Indiana, including Hamilton County. Indiana American also provides sewer utility service in two communities. Indiana American has charter power and authority to engage in the business of providing such water and sewer utility service under indeterminate permits, licenses and permits heretofore duly acquired. 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 for the provision of sewer service.

2. Sheridan is a municipality located in Hamilton County, Indiana. Sheridan owns and operates a water distribution system serving approximately 1,261 individually metered customers and a wastewater treatment plant serving approximately 1,233 customers. Sheridan withdrew from the jurisdiction of the Commission for purposes of its water rates and charges and

financing on December 24, 1988. The Sheridan Systems are in the vicinity of Indiana American's existing Noblesville Operation.

3. Indiana American has entered into an agreement with Sheridan (the "Agreement") providing for the purchase of the Sheridan Systems. The Agreement provides that Indiana American will have received all necessary regulatory approvals in its sole discretion, which approvals would include, among other things, the following:

(a) The acquisition of the Sheridan Systems by Indiana American;

(b) From and after the closing date, Indiana American shall charge customers currently served by the Sheridan Water System the current rates and charges for water service applicable in Indiana American's Area One rate group on file with and approved by the Commission, as the same are in effect from time to time;

(c) From and after the Closing Date, Indiana American will charge the Sheridan wastewater customers the rates and charges as the same have been adopted by the Sheridan Council as of the Closing Date, and Indiana American agrees not to increase those rates prior to 2021;

(d) The approval of changes to Indiana American's rules and regulations to allow enforcement of an Industrial Pretreatment Program ("IPP");

(e) The application of Indiana American's rules and regulations for wastewater service to Sheridan customers;

(f) The application of Indiana American's depreciation accrual rates approved by the Commission in Cause No. 43081;

(g) The encumbrance of the Sheridan Systems with the lien of Indiana American's mortgage indenture; and

(h) Confirmation that Indiana American may record for accounting and ratemaking purposes an amount equal to the full purchase price plus transaction costs as the net original cost of the utility plant being acquired.

4. The purchase price for the systems in this acquisition includes a "cost differential" as that term is defined in Ind. Code § 8-1-30.3-1, and as part of the conditions to closing noted above, Joint Petitioners seek an Order of this Commission that the full purchase price of the systems plus transaction costs, including the cost differential, shall be included in Indiana American's rate base for ratemaking purposes in future general rate cases. Ind. Code § 8-1-30.3-5(c) provides that the Commission shall grant such relief if it finds:

- (1) The utility property is used and useful in providing water service, wastewater service, or both water and wastewater service.
- (2) The distressed utility failed to furnish or maintain adequate, efficient, safe, and reasonable service and facilities.
- (3) The utility company will make reasonable and prudent improvements to ensure that customers of the distressed 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 distressed utility are not affiliated and share no ownership interests.
- (7) The rates charged by the utility company before acquiring the utility property of the distressed utility will not increase unreasonably as a result of acquiring the utility property.
- (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.

5. Each of the elements of Ind. Code § 8-1-30.3-5(c) exist with respect to this acquisition. Specifically with respect to element (2), Sheridan fails to furnish or maintain

adequate, efficient, safe and reasonable service and facilities under Ind. Code § 8-1-30.3-6 because the Sheridan Systems are (A) municipally owned utility property of a municipally owned utility that serves fewer than five thousand (5,000) customers; and (B) are being sold under Ind. Code § 8-1.5-2-6.1. Ind. Code § 8-1-30.3-6(5). In addition, while Joint Petitioners need only prove one of the listed conditions in Ind. Code § 8-1-30.3-6, the Sheridan Water System also satisfies a second condition: due to necessary improvements to its systems or operations, Sheridan is unable to furnish and maintain adequate service to its customers at rates equal to or less than those of Indiana American. IC 8-1-30.3-6(4).

6. Indiana American and Sheridan are seeking approval pursuant to IC 8-1-30.3-5(d) of this transaction prior to closing on the acquisition. Indiana American is causing notice to be mailed to Sheridan customers of the change (reduction) in rates they will see as a result of the transaction. No change in Indiana American's existing rates and charges for current Indiana American customers is being sought by this Joint Petition. In future general rates cases, the acquisition will not increase Indiana American's rates by more than one percent (1%) of Indiana American's base annual revenues; however, Indiana American will provide a notice to all of its customers of the proposed acquisition and this proceeding. Joint Petitioners will set forth in their evidence Indiana American's plan for reasonable and prudent improvements to provide adequate, efficient, safe and reasonable service to Sheridan's customers. A copy of this petition is being provided to the Office of Utility Consumer Counselor so as to notify that office.

7. Joint Petitioners are seeking approval of the sale of the Sheridan water utility system and Sheridan sewer utility system pursuant to the terms and conditions set forth in a purchase agreement included in the evidence to be submitted. The proposed acquisition is in the public interest because the elements of Ind. Code § 8-1-30.3-5(c) have been satisfied and Joint

Petitioners are seeking approval pursuant to Ind. Code § 8-1-30.3-5(d). Indiana American possesses the technical, financial and managerial ability to provide water and sewer utility service following the closing.

8. Following the closing of the proposed acquisition, day-to-day operations of the Sheridan Systems will be assumed by Indiana American's water and sewer utility professionals and Sheridan's customers will receive the same high quality service Indiana American provides to its customers. Indiana American will implement asset management and distribution system prioritization for the Sheridan Systems.

9. With respect to water, with the application of Indiana American's Area One rates, there will be a rate decrease for all of Sheridan's customers. A Sheridan residential customer using 5,000 gallons per month currently pays \$49.35 per month. Following the closing, the customer with the same consumption will pay \$44.17 per month for customers with fire protection. With respect to wastewater, Indiana American's non-metered rates applicable in its two existing sewer operations will not apply, as Sheridan customers are presently provided metered sewer service. Indiana American does not presently provide metered sewer service. Indiana American proposes to adopt for the Sheridan Wastewater System the sewer rates as the same have been adopted by the Sheridan Council as of the Closing Date. From and after the Closing Date, Indiana American shall continue to charge the Sheridan customers that rate, which Indiana American agrees not to increase prior to 2021. The total bill to be paid by the Sheridan wastewater customers will be lower as a result of this proposal than if Indiana American were to convert them to non-metered sewer service so as to apply its non-metered service rates applicable in the Somerset and Muncie Sewer Operations.

10. Indiana American seeks approval to apply its rules and regulations for sewer service applicable to the Muncie Sewer Operation to the Sheridan Wastewater System, with three modifications: (1) adoption and application of certain identified provisions of Sheridan's Sewer Use Ordinance, (2) adoption and application of an industrial pretreatment program ("IPP") for industrial users of the Sheridan wastewater system, and (3) a provision for pro-rating partial payments with respect to water and wastewater service except where a customer has followed Indiana-American's existing complaint process as set forth in Rule 4.2(d) of its Rules and Regulations Applicable to Water Service (IURC W-15, dated March 30, 2015). These changes are addressed further in Indiana American's case-in-chief.

11. Indiana American seeks approval to record as the net original cost rate base an amount equal to the full purchase price, incidental expenses, and other costs of acquisition, allocated in a reasonable manner among appropriate utility plant in service accounts. This is without regard to amounts that may be recorded on Sheridan's books and records and without regard to any grants or contributions previously received by Sheridan. Indiana American is presenting its proposed journal entry in its evidence to be submitted, together with its proposed allocation among utility plant in service accounts.

12. Joint Petitioners consider that Ind. Code §§ 8-1-2-6, -12, -19, -38, -39, -83, -84, ch. 8-1-30.3, and § 8-1.5-2-6.1, among others, may be applicable to the subject matter of this petition.

13. Joint Petitioners are not yet in a position to file the testimony and evidence constituting their case-in-chief and recognize that the 210 day period for resolution of this proceeding does not commence until that case-in-chief has been filed.

14. The following are the attorneys for Joint Petitioners and are authorized to accept service of papers on behalf of their respective clients:

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WHEREFORE, Joint Petitioners pray that the Commission promptly convene a preliminary hearing and prehearing conference and thereafter an evidentiary hearing for purposes of issuing an Order that would grant the following relief:

(a) Approve that without regard to amounts that may be recorded on Sheridan's books and records and without regard to any grants or contributions that Sheridan may have received, Indiana American may 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 in Petitioners' evidence;

(b) Grant such approvals as may be necessary to consummate the acquisition by Indiana American of the Sheridan Systems on the terms described herein and in the Agreement which will be submitted as a part of Joint Petitioners' evidence herein;

(c) With respect to Sheridan's Water System, authorize the application of Indiana American's rules and regulations and rates and charges generally applicable to Indiana American's Area One rate group, as the same may be changed from time to time, to service to be provided by Indiana American in the areas currently served by the Sheridan Water System;

(d) With respect to Sheridan's Wastewater System, approve the application of the metered sewer rates as the same have been adopted by the Sheridan Town Council as of the Closing Date;

(e) Authorize application of Indiana American's rules and regulations for wastewater service applicable to Indiana American's Muncie Sewer Operation to the Sheridan Wastewater System, with the three modifications described herein;

(f) Authorize Indiana American to apply its existing depreciation accrual rates to the Sheridan Systems;

(g) Approve the encumbering of the properties comprising the Sheridan Systems by subjecting such properties to the lien of Indiana American's Mortgage Indenture; and

(h) Grant to Joint Petitioners all other appropriate relief.

Dated this 16th day of February, 2018.



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 16th day of February, 2018, by electronic transmission to the following:

Indiana Office of Utility Consumer Counselor
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