

Cause No. 44676 S1
Attachment KS-4

FILED
March 24, 2021
INDIANA UTILITY
REGULATORY COMMISSION

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Net Original Cost Rate Base - Proof of Order and Calculation of Phase III

	March 31, 2015	<u>Adjustments</u> Amount	Ref.	Adjusted March 31, 2015	<u>Adjustments</u> Amount	Ref.	Phase III
Wastewater Plant in Service	\$ 17,636,363	\$ (70,011)	(1)	\$ 17,432,460	\$ 2,351,074	(6)	\$ 37,349,829
		(180,968)	(2)		(59,182)	(7)	
		32,805	(3)		1,716,000	(8)	
		14,271	(4)		(24,023)	(9)	
					1,974,600	(10)	
					8,024,800	(11)	
					1,500,000	(12)	
					(11,499,400)	(13)	
					15,933,500	(14)	
Furniture and Equipment	675,237			675,237			675,237
Vehicles	<u>316,959</u>			<u>316,959</u>			<u>316,959</u>
Total Utility Plant in Service	18,628,559	(203,903)		18,424,656	19,917,369		38,342,025
Less: Accumulated Depreciation	(5,104,584)	72,208	(5)	(5,032,376)	83,205	(15)	(7,517,002)
					(2,065,338)	(16)	
					(206,460)	(17)	
					(164,385)	(18)	
					(131,648)	(19)	
					131,648	(20)	
Net Utility Plant in Service	<u>13,523,975</u>	<u>(131,695)</u>		<u>13,392,280</u>	<u>17,564,391</u>		<u>30,825,023</u>
Less: Net CIAC	(6,590,571)			(6,590,571)	(434,065)	(21)	(6,260,707)
					741,420	(22)	
					1,305	(23)	
					1,485	(24)	
					13,200	(25)	
					4,431	(26)	
					2,088	(27)	
Less: Advances for Construction	<u>(37,900)</u>			<u>(37,900)</u>			<u>(37,900)</u>
Net Original Cost Rate Base	<u>\$ 6,895,504</u>	<u>\$ (131,695)</u>		<u>\$ 6,763,809</u>	<u>\$ 17,894,255</u>		<u>\$ 24,526,416</u>

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments

(1)

To adjust "Wastewater Plant in Service" for the eight L-3 Corporation Invoices added in 2012 for the Cottages Lift Station.

Adjustment - Decrease	<u>\$ (70,011)</u>
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(2)

To adjust "Wastewater Plant in Service" for the disallowed cost of the County Home Wastewater Treatment Plant from 1999.

Adjustment - Decrease	<u>\$ (180,968)</u>
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(3)

To adjust "Wastewater Plant in Service" for expenses from the test year that were agreed to be capitalized in Phase I.

2014 Expenses	\$ 29,971
2015 Expenses	<u>2,834</u>

Adjustment - Increase	<u>\$ 32,805</u>
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(4)

To adjust "Wastewater Plant in Service" for the Water Back Up Generator from 2004.

Adjustment - Increase	<u>\$ 14,271</u>
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(5)

To adjust "Accumulated Depreciation" to the calculated amount per the Order.

Adjustment - Increase	<u>\$ 72,208</u>
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(6)

To adjust "Wastewater Plant in Service" for the Big 3 Project for the Lessor of the Approved or Actual Costs.

Total Big 3 Construction Costs	<u>\$ 3,378,883</u>
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Pre Approved Amount	\$ 2,100,000	
Easement Acquisition Costs	148,919	
Dewatering Allowance	100,000	
Capitalized Expenses from Test Year	<u>2,155</u>	
Total Big 3 Approved Amount	<u>\$ 2,351,074</u>	

Adjustment - Increase	<u>\$ 2,351,074</u>
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AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(7)

To adjust "Wastewater Plant in Service" for the plant retirements associated with Big 3.

Adjustment - Decrease	<u>\$ (59,182)</u>
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(8)

To adjust "Wastewater Plant in Service" for the Klondike Road Project up to the approved amount of \$1,716,000. Note that the Order stated the capitalized expenses were for projects allowed in Phase III but upon further inspection are Klondike Road Project expenses which is Phase II.

Expenses from Test Year Associated with Klondike Road	\$ 49,590
Klondike Road Construction Costs	<u>1,703,720</u>
Total Klondike Road Construction Costs	<u>\$ 1,753,310</u>

Approved Amount Klondike Road	<u>\$ 1,716,000</u>
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Adjustment - Increase	<u>\$ 1,716,000</u>
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(9)

To adjust "Wastewater Plant in Service" for the plant retirements associated with Klondike Road.

Adjustment - Decrease	<u>\$ (24,023)</u>
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(10)

To adjust "Wastewater Plant in Service" for the CE-III Phase I Project up to the approved amount of \$1,975,200.

Total CE-III Phase I Construction Costs	<u>\$ 1,974,600</u>
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Approved Amount CE-III Phase I	<u>\$ 1,975,200</u>
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Adjustment - Increase	<u>\$ 1,974,600</u>
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(11)

To adjust "Wastewater Plant in Service" for the CE-III Phase II Project up to the approved amount of \$8,024,800.

Total CE-III Phase II Construction Costs	<u>\$ 8,024,800</u>
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Approved Amount CE-III Phase II	<u>\$ 8,024,800</u>
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Adjustment - Increase	<u>\$ 8,024,800</u>
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AMERICAN SUBURBAN UTILITIES, INC

Tippecanoe County

Detail of Adjustments
(Continued)

(12)

To adjust "Wastewater Plant in Service" for the Phosphorus Removal Project up to the approved amount of \$1,500,000.

Total Phosphorus Removal Costs	\$ 1,500,000	
Approved Amount Phosphorus Removal	\$ 1,500,000	
Adjustment - Increase		\$ 1,500,000

(13)

To remove CE-III Phase I, Phase II and Phosphorus actual construction costs, prior adjustments 10 - 12.

Adjustment - Decrease		\$ (11,499,400)
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(14)

To adjust "Wastewater Plant in Service" for the CE-III Project and Phosphorus Removal Project per HWC Engineering estimates.

Adjustment - Increase		\$ 15,933,500
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(15)

To adjust "Accumulated Depreciation" for the plant retirements associated with Big 3 and Klondike Road (shown in Adjustments 7 and 9).

Big 3 Retirement	\$ 59,182	
Klondike Road Retirement	24,023	
Adjustment - Increase		\$ 83,205

(16)

To adjust "Accumulated Depreciation" for depreciation since March 31, 2015.

Adjusted Utility Plant in Service at March 31, 2015	\$ 18,424,656	
Less: Land and Land Rights (Sewer)	(66,326)	
Depreciable Utility Plant in Service	18,358,330	
Times: Annual Depreciation Rate	2.50%	
Annual Depreciation	458,958	
Divided by: Twelve	12	
Monthly Depreciation	38,247	
Times: Number of Months (April 2015 to September 2019)	54	
Calculated Depreciation Expense	2,065,338	
Adjustment - Decrease		\$ (2,065,338)

AMERICAN SUBURBAN UTILITIES, INC

Tippecanoe County

Detail of Adjustments
(Continued)

(17)

To adjust "Accumulated Depreciation" for depreciation on Big 3.

Total Big 3 Approved Amount	\$ 2,351,074
Less: Land and Land Rights	<u>(148,919)</u>
Total Big 3 Depreciable Amount	2,202,155
Times: Annual Depreciation Rate	<u>2.50%</u>
Annual Depreciation	55,054
Divided by: Twelve	<u>12</u>
Monthly Depreciation	4,588
Times: Number of Months (January 2016 through September 2019)	<u>45</u>
Calculated Depreciation Expense	<u>206,460</u>

Adjustment - Decrease \$ (206,460)

(18)

To adjust "Accumulated Depreciation" for depreciation on Klondike Road.

Total Klondike Road Construction Costs	\$ 1,753,310
Times: Annual Depreciation Rate	<u>2.50%</u>
Annual Depreciation	43,833
Divided by: Twelve	<u>12</u>
Monthly Depreciation	3,653
Times: Number of Months (January 2016 through September 2019)	<u>45</u>
Calculated Depreciation Expense	<u>164,385</u>

Adjustment - Decrease \$ (164,385)

(19)

To adjust "Accumulated Depreciation" for depreciation on CE-III Phase I.

Total CE-III Phase I Construction Costs	\$ 1,974,600
Times: Annual Depreciation Rate	<u>2.50%</u>
Annual Depreciation	49,365
Divided by: Twelve	<u>12</u>
Monthly Depreciation	4,114
Times: Number of Months (February 2017 through September 2019)	<u>32</u>
Calculated Depreciation Expense	<u>131,648</u>

Adjustment - Decrease \$ (131,648)

(20)

To remove CE-III Phase I depreciation expense, prior adjustment 19, assuming HWC Engineering estimate as only one phase implementation.

Adjustment - Increase \$ 131,648

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(21)

To adjust "CIAC" to allow for 2015, 2016, 2017, 2018 and 2019 CIAC added.

Additional SDC CIAC in 2015	\$ 14,060
Additional SDC CIAC in 2016	15,600
Additional SDC CIAC in 2017	191,860
Additional SDC CIAC in 2018	101,343
Additional SDC CIAC in 2019	<u>111,202</u>

Adjustment - Increase in CIAC		<u>\$ 434,065</u>
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(22)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC).

Contribution in Aid of Construction - Sewer as of 3/15/15	\$ 6,590,571
Times: Annual Amortization Percentage	<u>2.5%</u>
Annual Amortization of CIAC	<u>164,764</u>
Divided by: Twelve	<u>12</u>
Monthly Amortization of CIAC	<u>13,730</u>
Times: Number of Months (April 2015 to September 2019)	<u>54</u>
Calculated Amortization of CIAC	<u>741,420</u>

Adjustment - Increase in Accumulated Amortization		<u>\$ 741,420</u>
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(23)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC) added in 2015.

Additional Contribution in Aid of Construction in 2015	\$ 14,060
Times: Annual Amortization Percentage	<u>2.5%</u>
Annual Amortization of CIAC	<u>352</u>
Divided by: Twelve	<u>12</u>
Monthly Amortization of CIAC	<u>29</u>
Times: Number of Months (January 2016 to September 2019)	<u>45</u>
Calculated Amortization of CIAC	<u>1,305</u>

Adjustment - Increase in Accumulated Amortization		<u>\$ 1,305</u>
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AMERICAN SUBURBAN UTILITIES, INC

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(24)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC) added in 2016.

Additional Contribution in Aid of Construction in 2016	\$ 15,600
Times: Annual Amortization Percentage	2.5%
Annual Amortization of CIAC	<u>390</u>
Divided by: Twelve	<u>12</u>
Monthly Amortization of CIAC	<u>33</u>
Times: Number of Months (January 2016 through September 2019)	<u>45</u>
Calculated Amortization of CIAC	<u>1,485</u>

Adjustment - Increase in Accumulated Amortization \$ 1,485

(25)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC) added in 2017.

Additional Contribution in Aid of Construction in 2017	\$ 191,860
Times: Annual Amortization Percentage	2.5%
Annual Amortization of CIAC	<u>4,796</u>
Divided by: Twelve	<u>12</u>
Monthly Amortization of CIAC	<u>400</u>
Times: Number of Months (January 2017 through September 2019)	<u>33</u>
Calculated Amortization of CIAC	<u>13,200</u>

Adjustment - Increase in Accumulated Amortization \$ 13,200

(26)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC) added in 2018.

Additional Contribution in Aid of Construction in 2018	\$ 101,343
Times: Annual Amortization Percentage	2.5%
Annual Amortization of CIAC	<u>2,534</u>
Divided by: Twelve	<u>12</u>
Monthly Amortization of CIAC	<u>211</u>
Times: Number of Months (January 2018 through September 2019)	<u>21</u>
Calculated Amortization of CIAC	<u>4,431</u>

Adjustment - Increase in Accumulated Amortization \$ 4,431

AMERICAN SUBURBAN UTILITIES, INC

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(27)

To adjust "CIAC" to allow for annual amortization of Contribution in Aid of Construction (CIAC) added in 2019.

Additional Contribution in Aid of Construction in 2019	\$ 111,202	
Times: Annual Amortization Percentage	<u>2.5%</u>	
Annual Amortization of CIAC	2,780	
Divided by: Twelve	<u>12</u>	
Monthly Amortization of CIAC	232	
Times: Number of Months (January 2019 through September 2019)	<u>9</u>	
Calculated Amortization of CIAC	<u>2,088</u>	
Adjustment - Increase in Accumulated Amortization		<u>\$ 2,088</u>

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Calculation of Unmetered Sales at Phase II Rates and Charges

<u>User Class</u>	Flat Rate Per Month	Number of Units (1)	Annualized Revenue
Residences or Residential Equivalents	\$ 53.19	2,711	\$ 1,730,377
Mobile Home	34.58	568	235,697
Multiple Family - Per Unit	43.09	2,828	1,462,302
Motels and Hotels - Per Unit	17.02	1	204
Service Stations	137.23	1	1,647
Schools (per Student, faculty and staff member	2.66	5,441 (2)	173,677
Commercial User Estimated Use	2,922.31	1	<u>35,068</u>
Annualized Non Metered Sales at Phase II Rates			<u><u>\$ 3,638,972</u></u>

(1) Number of Units Billed by Type as of September 30, 2019.

(2) Number of Students, Faculty, and Staff at the five schools

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Net Operating Income

	Phase II Rates with Phase II Expenses	Adjustments		Adjusted			Adjusted
	Per Para-Submissic	Amount	Ref.	Pro forma at Phase II Rates	Adjustments	Ref.	Pro forma at Phase III Rates
					Amount		
<u>Operating Revenues</u>							
Unmetered Sales	\$ 3,562,007	\$ 76,965	(1)	\$ 3,638,972	1,389,723	(8)	\$ 5,028,695
Metered Sales	131,427	9,600	(2)	141,027	53,858	(8)	194,885
Forfeited Discounts per Rate Case	14,675			14,675			14,675
Connection Fees from Rate Case	95,000			95,000			95,000
Total Operating Revenues	<u>3,803,109</u>	<u>86,565</u>		<u>3,889,674</u>	<u>1,443,581</u>		<u>5,333,255</u>
<u>Operating Expenses Per Order</u>							
Operation and Maintenance Expenses	1,616,671			1,616,671			1,616,671
Depreciation Expense	604,197	348,973	(3)	953,170			953,170
CIAC Amortization	(165,506)	(10,110)	(4)	(175,616)			(175,616)
<u>Taxes Other Than Income Taxes</u>							
FICA Tax	40,291			40,291			40,291
Utility Receipts Tax	53,230	(324)	(5)	52,906	20,210	(9)	73,116
Property Taxes	164,005	8,273	(6)	172,278			172,278
Total Taxes Other Than Income Taxes	<u>257,526</u>	<u>7,949</u>		<u>265,475</u>	<u>20,210</u>		<u>285,685</u>
Income Taxes	<u>481,309</u>	<u>(240,156)</u>	(7)	<u>241,153</u>	<u>373,036</u>	(10)	<u>614,189</u>
Total Operating Expenses	<u>2,794,197</u>	<u>106,656</u>		<u>2,900,853</u>	<u>393,246</u>		<u>3,294,099</u>
Net Operating Income	<u>\$ 1,008,912</u>	<u>\$ (20,091)</u>		<u>\$ 988,821</u>	<u>\$ 1,050,335</u>		<u>\$ 2,039,156</u>

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments

(1)

See Calculation of Unmetered Sales at Phase II Rates and Charges.

(2)

To adjust "Metered Sales" for the increase in number of metered customers since March 2015.

Minimum billing for 10,000 Gallons at Phase II Rates	\$ 66.63	
Times: Annualize	12	
Annual Minimum Billing	800	
Times: Increase in Metered Customers	12	
Adjustment - Increase		<u>\$ 9,600</u>

(3)

To adjust "Depreciation Expense" to allow for the Utility Plant in Service to include the Phosphorus and CE-III Phase I and Phase II.

Adjusted UPIS	\$ 38,342,025	
Less: Land and Land Rights	(215,245)	
Depreciable Utility Plant in Service	38,126,780	
Times: Annual Depreciation Rate	2.50%	
Pro Forma Annual Depreciation Expense	953,170	
Less: Amount for Phase II Submission	(604,197)	
Adjustment - Increase		<u>\$ 348,973</u>

(4)

To adjust "CIAC Amortization" to allow for annual amortization of Contribution in Aid of Construction.

Contribution in Aid of Construction - Sewer	\$ 7,024,636	
Times: Annual Amortization Percentage	2.5%	
Pro Forma Annual Amortization Expense	175,616	
Less: Amount for Phase II Submission	(165,506)	
Adjustment - Increase in CIAC Amortization		<u>\$ 10,110</u>

(5)

To adjust "Taxes Other Than Income Taxes" for Utility Receipts Tax.

Pro Forma Operating Revenues - Phase I Adjusted	\$ 3,638,972	
Phase II Adjusted Metered/Unmetered Sales	\$ 3,779,999	
Less: Exemption	(1,000)	
Taxable Operating Revenues	3,778,999	
Times: Utility Receipts Tax Rate	1.4%	
Pro Forma Utility Receipts Tax	52,906	
Less: Amount for Phase II Submission	(53,230)	

Adjustment - Decrease \$ (324)

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(6)

To adjust "Property Taxes" for property tax expense.

Phase III Property Taxes per Order	172,278
Less: Amount for Phase II Submission	<u>(164,005)</u>

Adjustment - Increase 8,273

(7)

To adjust "Income Taxes" for Indiana State Corporate Tax and Federal Corporate Tax.

Total Phase II Adjusted Operating Revenues	\$ 3,889,674
Less: Phase III Operation and Maintenance Expenses	(1,616,671)
Less: Phase III Net Depreciation Expense	(777,554)
Less: Adjusted Phase III Taxes Other Than Income Taxes	(285,685)
Add: Adjusted Phase III Utility Receipts Tax	73,116
Less: Synchronized Interest	<u>(301,410)</u>
Adjusted State Taxable Income	981,470
Times: Indiana Corporate Income Tax Rate	<u>6.5%</u>

Estimated State Corporate Tax \$ 63,796

Adjusted State Taxable Income	\$ 981,470
Less: State Income Taxes	(63,796)
Less: Utility Receipts Tax	<u>(73,116)</u>
Adjusted Federal Taxable Income	<u>\$ 844,558</u>

Amount Subject to 21% Tax \$ 177,357

Estimated Federal Tax 177,357

Total Estimated Taxes for Phase III Using Phase II Operating Revenue	241,153
Less: Amount for Phase II Submission	<u>(481,309)</u>

Adjustment - Decrease \$ (240,156)

(8)

See Calculation of Allowable Net Operating Income and Rate Impact for Phase III Rates.

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Detail of Adjustments
(Continued)

(9)

To adjust "Taxes Other Than Income Taxes" for Utility Receipts Tax.

Increase in Operating Revenues - Phase III	\$ 1,443,581	
Times: Utility Receipts Tax Rate	<u>1.4%</u>	
Adjustment - Increase		<u>\$ 20,210</u>

(10)

To adjust "Income Taxes" for Indiana State Corporate Tax and Federal Corporate Tax.

Increase in Operating Receipts - Phase III	\$ 1,443,581	
Times: Indiana Corporate Income Tax Rate	<u>6.5%</u>	
Estimated Additional State Corporate Tax		<u>\$ 93,833</u>

Additional State Taxable Income	\$ 1,443,581	
Less: Additional State Income Taxes	(93,833)	
Less: Additional Utility Receipts Tax	<u>(20,210)</u>	
Additional Federal Taxable Income	<u>\$ 1,329,538</u>	

Amount Subject to 21% Tax	1,329,538	<u>279,203</u>	
Estimated Additional Federal Tax			<u>279,203</u>
Total Adjustment - Increase			<u>\$ 373,036</u>

AMERICAN SUBURBAN UTILITIES, INC.

Tippecanoe County, Indiana

Calculation of Allowable Net Operating Income and Rate Impact for Phase III Rates

Calculated Rate Base	\$ 24,526,416
Times: Weighted Cost of Capital (As Authorized by Order)	<u>8.31%</u>
Allowable Net Operating Income	2,038,145
Less: Adjusted Net Operating Income	<u>(988,821)</u>
Deficit	1,049,324
Divide by: Revenue Conversion Factor	<u>72.680%</u>
Required Increase in Operating Revenues	1,443,765
Divide by: Adjustable Operating Revenues	<u>3,779,999</u>
Percentage Rate Increase Required	<u><u>38.19%</u></u>
Pro Forma Adjustable Operating Revenue for Phase III	<u><u>\$ 5,223,581</u></u>

AMERICAN SUBURBAN UTILITIES, INC.
 Tippecanoe County, Indiana

Schedules of Phase I and Phase II and Calculated Phase III Rates and Charges

Flat Rates for One Month	Phase I Rates (1)	Phase II Rates (2)	Phase II (TCJA) Rates (3)	Phase III Rates
<u>Consumption Periods</u>				
Residences or Residential Equivalents	\$ 48.89	\$ 56.52	\$ 53.19	73.50
Mobile Home	31.78	36.74	34.58	47.79
Multiple Family - Per Unit	39.60	45.78	43.09	59.55
Motels and Hotels - Per Unit	15.64	18.08	17.02	23.52
Service Stations	126.12	145.79	137.23	189.64
Schools (per student, faculty and staff member)	2.45	2.83	2.66	3.68
 <u>Metered Rates for One Month Consumption</u>				
<u>Applicable to Metered Commercial Customers</u>				
First 10,000 Gallons	6.124	7.079	6.663	9.21
Next 10,000 Gallons	6.076	7.027	6.611	9.14
Next 100,000 Gallons	5.626	6.504	6.122	8.46
Next 200,000 Gallons	5.060	5.849	5.506	7.61
Next 200,000 Gallons	4.417	5.106	4.806	6.64
Next 500,000 Gallons	3.397	3.927	3.696	5.11
Over 1,020,000 Gallons	2.266	2.619	2.466	3.41
 <u>Minimum Charge</u>				
Commercial User (based on 10,000 gallons per month)	61.24	70.79	66.63	92.08

(1) Rates and Charges were effective December 2016.

(2) Rates and Charges were effective March 2017.

(3) Rates and Charges were effective February 2019.