

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF COMMUNITY UTILITIES OF )  
INDIANA, INC. FOR: AUTHORITY TO )  
INCREASE ITS RATES AND CHARGES FOR )  
WATER AND WASTEWATER UTILITY )  
SERVICE; APPROVAL OF NEW SCHEDULES )  
OF RATES AND CHARGES APPLICABLE )  
THERE TO; AUTHORITY TO RECOVER )  
CERTAIN COSTS INCURRED IN )  
CONNECTION WITH CAUSE NOS. 44724, )  
45342 AND 45389; AUTHORITY TO RECOVER )  
COSTS INCURRED AND DEFERRED IN )  
CONNECTION WITH THE COVID-19 )  
PANDEMIC; APPROVAL OF A NEW )  
RESIDENTIAL LOW-INCOME RATE FOR )  
WATER AND WASTEWATER SERVICE; AND )  
OTHER APPROPRIATE RELIEF )

CAUSE NO. 45651

DIRECT TESTIMONY

OF

STEVEN LUBERTOZZI

On Behalf of Petitioner  
COMMUNITY UTILITIES OF INDIANA, INC.

PETITIONER'S EXHIBIT 1

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. OVERVIEW OF CUII AND RELATIONSHIP TO CRU AND WSC..... 3

III. CURRENT RATES AND COMPLIANCE WITH LAST RATE CASE ORDER..... 9

IV. NEED FOR RATE RELIEF; RELIEF REQUESTED ..... 18

V. COMPANY MISSION AND PERFORMANCE..... 23

VI. CAPITAL INVESTMENT PLAN..... 30

VII. ASSET MANAGEMENT PLAN ..... 33

VIII. COMPREHENSIVE I&I PLAN REQUEST FOR PROPOSALS ..... 36

IX. CUSTOMER RATE CASE NOTICES ..... 37

X. COMPANY WITNESSES ..... 38

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

3 A. My name is Steven Lubertozi. I am the President of Community Utilities of Indiana, Inc.  
4 ("CUII" or "Company"). I also serve as President of Utility Services of Illinois, Inc. and  
5 as Senior Vice President, North Region for the Corix Group of Companies. My business  
6 address is 500 W. Monroe, Suite 3600, Chicago, Illinois 60661.

7 **Q. PLEASE DESCRIBE YOUR DUTIES IN YOUR CURRENT POSITION.**

8 A. As President, I am responsible for all aspects of the Company's business, culminating in  
9 the ongoing provision of safe drinking water and environmentally responsible wastewater  
10 service to all our customers.

11 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**  
12 **BACKGROUND.**

13 A. I graduated from Indiana University in 1990, and I am a Certified Public Accountant. I  
14 earned my Master of Business Administration from Northwestern University's Kellogg  
15 School of Management. I am a member of the American Institute of Certified Public  
16 Accountants, and I have been employed by Utilities, Inc. (now Corix Regulated Utilities  
17 (US) Inc.), the parent of CUII, since June 2001.

18 I am a past Board Member of the National Association of Water Companies, a  
19 current Board Member of the Indiana Chapter of the National Association of Water  
20 Companies, and a current Board Member of the Financial Research Institute.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY PUBLIC UTILITY**  
2 **COMMISSIONS?**

3 A. Yes. I have provided written and oral testimony before public utilities commissions  
4 throughout the United States, including the Indiana Utility Regulatory Commission  
5 (“Commission”), on topics ranging from cost of equity, capital structure, cost of debt,  
6 acquisition adjustments, divestment strategies, appropriate levels of operations and  
7 maintenance expense, parent company allocations, affiliate transactions, income taxes, and  
8 almost every aspect of utility operations. The other state commissions where I have  
9 presented testimony include Florida, Illinois, Kentucky, Maryland, New Jersey, New  
10 Mexico, Nevada, North Carolina, Pennsylvania, and South Carolina.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. My testimony provides an overview of CUII, its history, and its relationship to Corix  
13 Regulated Utilities and Water Service Corporation (“WSC”). My testimony also discusses  
14 CUII’s current rates and identifies areas of focus and associated requirements included in  
15 CUII’s last rate case order. My testimony also explains why CUII needs rate relief, the  
16 drivers of the need for rate relief, and the specific relief requested by CUII in this  
17 proceeding (including a request for engineering costs incurred in compliance with the  
18 Commission’s Order in Cause No. 44724). Next, my testimony discusses CUII’s vision  
19 and mission, the significant challenges it faces, and the Company’s performance in certain  
20 key areas, including CUII’s performance during the COVID-19 pandemic. My testimony  
21 also provides an overview of our capital investment and asset management plans, as well  
22 as our recent request for proposals (“RFP”) to address inflow and infiltration (“I&I”)

1 mitigation. Finally, my testimony introduces the other Company witnesses who will testify  
2 in support of our requested rate increase.

3 **Q. ARE YOU PROVIDING ATTACHMENTS WITH YOUR TESTIMONY?**

4 A. Yes. I am sponsoring the following attachments:

- 5 • Attachment SML-1 – Affiliated Interest Agreement
- 6 • Attachment SML-2 – Capitalized Time Guidelines
- 7 • Attachment SML-3 – ROE Settlement Agreement
- 8 • Attachment SML-4 – RRA Regulatory Focus Report (11/1/2021)
- 9 • Attachment SML-5 – Notice of Intent to File Rate Case
- 10 • Attachment SML-6 – Proofs of Publication of Notice (to be late-filed)
- 11 • Attachment SML-7 – Bill Insert Provided to Customers (to be late-filed)
- 12 • Attachment SML-8 – Verified Petition (not reproduced here)

13 **Q. WERE THESE ATTACHMENTS PREPARED BY YOU OR UNDER YOUR**  
14 **SUPERVISION?**

15 A. Yes, they were.

16 **II. OVERVIEW OF CUII AND RELATIONSHIP TO CRU AND WSC**

17 **Q. PLEASE PROVIDE AN OVERVIEW OF CUII.**

18 A. CUII is an Indiana corporation and wholly-owned subsidiary of Corix Regulated Utilities  
19 (US) Inc. (“CRU”). CUII owns and operates both a water and a wastewater utility, with  
20 five separate water and wastewater territories in Northwest Indiana, as shown below:

21

**Areas of Operation:**

- Lake County
- 1 Indiana Water Service Inc. - Merrillville (W)
- Lake/Porter County
- 2 Twin Lakes Utilities Inc. - Crown Point (W/S)
- Newton/Jasper County
- 3 WSC Indiana - Demotte (W/S)



1

2 CUII provides water and wastewater services in the Indiana counties of Jasper,  
3 Lake, Newton, and Porter. Altogether, CUII provides water utility services to  
4 approximately 5,300 equivalent residential connections (“ERCs”) and wastewater utility  
5 services to approximately 3,500 ERCs in Indiana. CUII’s customer base is predominantly  
6 residential.

7 CUII was created in 2015 in order to merge into a single entity the three separate  
8 wholly-owned Indiana subsidiaries of CRU described above – Twin Lakes, Water Service  
9 Company, and Indiana Water Service. The merger was approved by the Commission’s July

1 8, 2015 Order in Cause No. 44587. Under the approved merger, the existing rates of each  
2 of three constituent Indiana utilities remained in effect for the customers located in  
3 divisions of CUII corresponding to the service areas formerly served by those three former  
4 utilities. In its last base rate case (Cause No. 44724), CUII proposed, and the Commission  
5 approved, a move to single-tariff pricing.

6 CUII provides water service via 10 wells and more than .174 million (mm) linear  
7 feet of water distribution mains, and wastewater service via more than .177 mm linear feet  
8 of wastewater collection mains and two wastewater treatment facilities, in four different  
9 counties in Indiana – Jasper, Lake, Newton, and Porter Counties.

10 **Q. PLEASE DESCRIBE THE RELATIONSHIP OF CUII TO CRU AND WSC.**

11 A. As mentioned above, CUII is a wholly-owned subsidiary of CRU; CRU was formerly  
12 known as Utilities, Inc.<sup>1</sup> CRU is an Illinois corporation that owns more than 60 water and  
13 sewer utilities, including CUII, operating in 17 states. CRU has been involved in the water  
14 and sewer industry for over 40 years and has approximately 300,000 customers. CRU  
15 continues to provide CUII necessary funding, as well as the expertise and services of  
16 seasoned management through WSC, described below.

17 **Q. PLEASE DESCRIBE WSC.**

18 A. WSC, like CUII, is a wholly-owned subsidiary of CRU. WSC is a service company  
19 organization that is familiar with the business and property of CUII (and the other regulated  
20 operating companies within the Corix group of companies) and experienced in the conduct,  
21 management, financing, construction, accounting, and operation of CUII's water and sewer

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<sup>1</sup> Utilities, Inc. changed its name to Corix Regulated Utilities (US) Inc. effective July 25, 2019.

1 service businesses. WSC provides necessary services pursuant to a contract (the "Affiliated  
2 Interest Agreement"). This Affiliated Interest Agreement has been submitted to the  
3 Commission from time to time (e.g., in 2010; as part of the MSFRs in Cause No. 44724;  
4 and as part of the MSFRs in this proceeding). Recently, in November 2021, CUII submitted  
5 a newly-executed Affiliated Interest Agreement with the same substantive provisions in  
6 order to comply with the termination date requirement contained the Commission's GAO  
7 2016-5. A copy of the Affiliated Interest Agreement is attached hereto as Attachment  
8 SML-1.

9 **Q. WHAT IS THE RELATIONSHIP BETWEEN CUII AND CRU, AND HOW DOES**  
10 **THIS RELATIONSHIP BENEFIT THE COMPANY'S CUSTOMERS?**

11 A. As indicated, CUII is wholly owned subsidiary of CRU. CRU is unique in that for over 40  
12 years its business has been owning, and operating through WSC, smaller and medium-  
13 sized water and sewer companies. It is an advantage to CUII to be part of an organization  
14 whose sole focus is on its type and size of operations. CRU has the expertise needed in  
15 areas of importance to small water and sewer companies, such as in construction and  
16 engineering, accounting, data processing, billing and customer services, and regulation.  
17 Having its main focus on its water and sewer businesses, CRU has the knowledge and  
18 ability to meet the challenges facing the water and wastewater industry today.

19 **Q. WHAT IS THE RELATIONSHIP BETWEEN WSC AND CUII?**

20 A. Like any large public utility, CUII requires business and corporate services to operate and  
21 serve customers. CUII receives those services from and through WSC. Specifically, WSC



1 employs or provides personnel and the necessary resources to perform the services for CUII  
2 per the Affiliated Interest Agreement.

3 **Q. WHAT TYPES OF SERVICES DOES WSC FURNISH TO CUII?**

4 A. The services that WSC furnishes to CUII generally fall into the same categories of services  
5 that all public utilities require to operate and serve customers. Company witness Elicegui  
6 describes these services and explains how WSC and the Corix executive leadership team  
7 furnish them. If WSC did not furnish those services to CUII, CUII would have to perform  
8 the services itself or procure the services from other service providers.

9 **Q. DO CUII'S CUSTOMERS BENEFIT FROM THE COMPANY'S ARRANGEMENT**  
10 **WITH WSC?**

11 A. Yes, in multiple ways, which Mr. Elicegui further expounds. Specifically, in addition to  
12 the centralized expertise that the arrangement provides CUII, CUII's customers benefit  
13 from economies of scale and scope by CUII's affiliation with a larger organization. Further,  
14 the centralized delivery of common support services – the costs of which are shared among  
15 CUII and the other operating companies within the Corix family that benefit from the  
16 services – enables the services to be provided to CUII and each operating company at a  
17 lower cost than if the services were provided to CUII on a stand-alone basis (assuming  
18 replication of the services on such a smaller scale was possible).

19 **Q. WHAT DO WSC CHARGES TO CUII REPRESENT?**

20 A. Per the Affiliated Interest Agreement, WSC furnishes the services to CUII. The services  
21 are furnished at cost. WSC also allocates to CUII the Company's proportionate share of  
22 WSC's rate base, including depreciation, and amortization. Interest on debt and a return on

1 the equity invested service company capital is included in the Company's revenue  
2 requirement.

3 **Q. HOW DOES WSC CHARGE CUII FOR THE SERVICES CUII RECEIVES?**

4 A. Per a methodology discussed in the Affiliated Interest Agreement and outlined in the Cost  
5 Allocation Manual (*see* Elicegui Attachment SME-2). Specifically, costs that are directly  
6 attributable to one or more operating companies are directly charged or assigned to or  
7 among those operating companies. Costs that, because of their nature, cannot practicably  
8 be identified and related to services to a particular operating company are allocated among  
9 all operating companies per an established allocation methodology. The costs are  
10 distributed on a monthly basis and are prorated among CUII and the other operating  
11 companies based on their respective proportions of active ERCs, as defined in the  
12 Affiliated Interest Agreement. (An ERC is a value assigned to a customer or class of  
13 customer based on meter size, with one ERC being the standard connection for a single-  
14 family residence.)

15 **Q. ARE THERE MEASURES EMPLOYED TO CONTROL THE COSTS OF THE**  
16 **SUPPORT SERVICES THAT CUII RECEIVES AS A CORIX FAMILY**  
17 **COMPANY?**

18 A. Yes. CUII and its affiliates rely on continuous, rigorous budgeting and review processes to  
19 ensure that support services costs are controlled. Specifically, the members of the Corix  
20 Executive Leadership Team are directly accountable for expenses incurred within their  
21 budgets, and a portion of each member's compensation is at risk insofar as it depends upon  
22 their responsible cost management. Further, the annual budgeting process includes

1 headcount mapping; there can be no headcount addition without demonstrated need. And  
2 the budget process itself takes several months, with budgets undergoing analysis by not  
3 only each budget owner, but also vice presidents and other management at the operating  
4 company, corporate, and WSC levels. Following this thorough review, the budgets are  
5 again carefully assessed by Ms. Sparrow, the Chief Financial Officer, the Corix Executive  
6 Leadership Team, the Corix Audit Committee, and, ultimately, the Corix Board of  
7 Directors. At each layer of review, the costs are scrutinized to ensure efficiency of  
8 operations at all levels.

9 **Q. ARE THE WSC CHARGES TO CUII PRUDENT AND REASONABLE?**

10 A. Yes. Again, in my experience, the support services furnished to CUII and its regulated  
11 utility affiliates are the same types of support services that public utilities commonly rely  
12 on to operate and serve customers. Further, extensive budgeting processes are employed,  
13 as I described, to ensure cost control. As Mr. Elicegui states, the support services provided  
14 to CUII are necessary for the continued operation of the Company. Finally, as I explained,  
15 CUII and its customers benefit from the economies of scale and larger company affiliation  
16 that the support services arrangement provides CUII. Accordingly, the forecasted test  
17 period level of WSC charges to CUII are prudent and reasonable.

18 **III. CURRENT RATES AND COMPLIANCE WITH LAST RATE CASE ORDER**

19 **Q. WHEN WAS CUII'S LAST INDIANA RATE CASE AND WHAT WERE THE**  
20 **RESULTS OF THAT CASE?**

21 A. CUII's last base rate case was filed in December of 2015 and utilized a future test period  
22 (twelve months ended September 30, 2017). The Commission issued an order in Cause No.

1 44724 on January 24, 2018, that authorized CUII to earn an overall rate of return of 8.175%  
2 for the Company's water and wastewater operations. In its Order in Cause No. 44724, the  
3 Commission also identified several areas of focus for CUII along with associated  
4 requirements.

5 **Q. PLEASE ELABORATE ON THE AREAS OF FOCUS AND ASSOCIATED**  
6 **REQUIREMENTS IDENTIFIED BY THE COMMISSION IN CUII'S LAST RATE**  
7 **CASE ORDER.**

8 A. With regard to capital projects, the Commission identified the following areas of  
9 improvement for the Company:

- 10 • Improved documentation to more thoroughly demonstrate capital projects are  
11 reasonable and prudent;
- 12 • Improvements in oversight of and financial controls with respect to contractors'  
13 invoices including use of a 3-way match process;
- 14 • Improvements in communications with the OUCC regarding significant capital  
15 improvement projects;
- 16 • More thorough documentation of pre-construction engineering analyses;
- 17 • Revision to CUII's capitalized time guidelines;
- 18 • Improvement in supervision over contractor work performance and in technical  
19 review of contractors' work;
- 20 • Various reporting requirements (report to IURC concerning implementation of 3-  
21 way match process; detailed wastewater lateral and manhole repair tracking forms).

1           With regard to service quality, the Commission directed CUII to develop a master  
2 plan (or system improvement plan (“SIP”)) to address three key aspects of service quality:  
3 (1) wastewater backups in homes; (2) manhole overflows; and (3) discoloration of drinking  
4 water. CUII was directed to provide detailed plans to measurably improve performance in the  
5 three key aspects through use of two primary components: a comprehensive I&I program and  
6 a multi-faceted program to decrease incidences of discolored water. The Commission also  
7 directed CUII to hold periodic technical conferences, to meet periodically with the Lakes of  
8 the Four Seasons Homeowners Association (“LOFS”), and to file various reports concerning  
9 these service quality issues.

10 **Q. HAS CUII COMPLIED WITH THE COMMISSION’S 44724 REQUIREMENTS**  
11 **CONCERNING CAPITAL PROJECTS?**

12 A. Yes. As discussed in more detail below, CUII has improved its documentation of capital  
13 projects. We have segregated the duties within the 3-way match process for contractor  
14 invoices. For example, for capital projects CUII’s Director, Engineering & Asset  
15 Management or Project Manager, will create the purchase order, I approve the purchase  
16 order, and CUII’s State Operations Manager will receipt the purchase order.

17           We have met with the OUCC and the LOFS’s Board numerous times to discuss  
18 proposed capital projects. Discussions with both the OUCC and the LOFS were held at the  
19 Commission’s offices during technical conferences required in Cause No. 44724, the  
20 Company continues to provide quarterly reports to the IURC, OUCC, and LOFS, and  
21 Company continues to have quarterly meetings with the LOFS’s Board of Directors. We  
22 have improved our documentation of pre-construction engineering analyses, and we have

1 revised our capitalized time guidelines. *See* Attachment SML-2. As Mr. Grosvenor's  
2 testimony discusses, we have improved our supervision of contractor work performance  
3 and review of contractors' work. And we have made the required filings with the  
4 Commission. (*See* documents included in Motion for Administrative Notice.)

5 **Q. HAS CUII COMPLIED WITH THE COMMISSION'S DIRECTIVES**  
6 **REGARDING SERVICE QUALITY?**

7 A. Yes. Service quality initiatives are discussed in Mr. Grosvenor's testimony. Additionally,  
8 I would note that we have held regulatory meetings with LOFS concerning these issues.  
9 Specifically, Company representatives have met quarterly with the LOFS's Board of  
10 Directors since the Commission's Order in Cause No. 44724, as follows:

<b>Meeting</b>	<b>Date</b>	<b>Location</b>
First quarter 2018	February 14, 2018	CUII Offices
Second quarter 2018	May 17, 2018	CUII Offices
Third quarter 2018	August 16, 2018	CUII Offices
Fourth quarter 2018	December 5, 2018	CUII Offices
First quarter 2019	March 27, 2019	CUII Offices
Second quarter 2019	July 10, 2019	CUII Offices
Third quarter 2019	October 23, 2019	CUII Offices
Fourth quarter 2019	February 5, 2020	CUII Offices
First quarter 2020	May 21, 2020	Virtual meeting
Second quarter 2020	August 26, 2020	Virtual meeting
Third quarter 2020	December 16, 2020	Virtual meeting
Fourth quarter 2020	January 13, 2021	Virtual meeting
First quarter 2021	April 14, 2021	Virtual meeting
Second quarter 2021	July 14, 2021	Virtual meeting
Third quarter 2021	October 13, 2021	Virtual meeting
Fourth quarter 2021 (planned)	January 12, 2022	Virtual meeting

11  
12 These quarterly meetings typically include the following topics:

- 13
- Customer communications, including Town Hall meetings;

- 1           • Basement backups and manhole overflows;
- 2           • Inflow reduction program;
- 3           • Home inspections;
- 4           • Smoke and dye testing;
- 5           • Lateral televising;
- 6           • Annual cleaning and televising;
- 7           • Sewer capital investment program;
- 8           • Collection Systems Improvements;
- 9           • Wastewater treatment plant expansion project; and
- 10          • Lateral point repairs/replacements.

11           In addition to the quarterly meetings with the LOFS Board, the Company has  
12 conducted one rain barrel giveaway on July 29, 2017, held at CUII's offices; two Town  
13 Hall meetings on October 26, 2017, and on August 29, 2018, held at the LOFS Clubhouse;  
14 and two customer workshops on June 4, 2019, and December 10, 2019, held at the Jerry  
15 Ross Elementary School. At the Town Hall meetings and customer workshops, CUII  
16 representatives were able to discuss with customers regarding I&I, water quality, customer  
17 service, customer rates, home inspections, smoke testing, and capital projects.

18 **Q. IN WHAT OTHER WAYS HAS THE COMPANY RESPONDED TO THE**  
19 **COMMISSION ORDER IN CAUSE NO. 44724?**

20 A. In addition to the items discussed above, the Company has also continued to focus on its  
21 comprehensive I&I removal program, which consist of two parts: (1) Assessment and (2)  
22 Corrective Action.

1           As the IURC, OUCC and LOFS are aware, the Company also requested  
2           preapproval of one water capital project Iron Filter Replacement Project, which was  
3           approved by the Commission in Cause No. 45342, and two wastewater projects the  
4           Collection System Improvement Project (“CSIP”) and the Wastewater Treatment  
5           Expansion Project (“WTEP”), which were denied by the Commission in Cause No. 45389.  
6           In response to the Commission’s Order in Cause No. 45342, the Company awarded the  
7           construction project to Bowen, and that project is due to be in service on or before May 31,  
8           2022. In response to the Commission’s Order in Cause No. 45389, the Company  
9           determined that it needs to engage an external engineering firm to (1) review existing data,  
10          review previous IURC proceedings, and provide recommendations for continued reduction  
11          to I&I, and (2) assist with a project to remediate all known defects in one of the basins in  
12          the LOFS subdivision with the most I&I and then compare historical I&I to post-  
13          remediation I&I.

14   **Q.   WHAT CONSTRUCTION, ENGINEERING, AND LEGAL COSTS ARE**  
15   **INCLUDED IN THIS CASE IN RESPONSE TO CAUSE NO. 45342?**

16   A.   In this rate case, the Company has included actual costs and projected costs for both  
17          engineering and construction, which includes capitalized time and interest during  
18          construction. Additionally, the Company has included the costs incurred, \$114,000 (see  
19          workpaper k) to litigate Cause No. 45342 as a deferred Operational and Maintenance  
20          (“O&M”) expense amortized over three years.



1 **Q. WHAT CONSTRUCTION, ENGINEERING, AND LEGAL COSTS ARE**  
2 **INCLUDED IN THIS CASE IN RESPONSE TO CAUSE NO. 45389?**

3 A. In this rate case, the Company has not included any actual construction costs; however, the  
4 Company has included for recovery engineering costs needed to prepare requests for  
5 proposals, bids, and other engineering and design related costs, as a deferred O&M item  
6 amortized over forty years, which is consistent with the Company's wastewater  
7 depreciation rate. Additionally, the Company has included the costs incurred, \$115,000  
8 (see workpaper k) to litigate Cause No. 45389 as a deferred O&M expense amortized over  
9 three years.

10 **Q. PLEASE DESCRIBE THE ENGINEERING COSTS RELATED TO THE**  
11 **WASTEWATER PROJECTS DENIED IN CAUSE 45389.**

12 A. The engineering costs relate to both the Collection System Improvement Projects (CSIP)  
13 and the Wastewater Treatment Plant Projects (WTPP). When interest during construction  
14 and capitalized time are included, the Company incurred \$367,000 related to the CSIP and  
15 \$1,233,000 related to the WTPP.

16 Before interest during construction and capitalized time, a total of approximately  
17 \$318,525 was spent for engineering and design of the CSIP. The \$318,525 includes costs  
18 related to utility locates and geotechnical engineering to supplement the design efforts, and  
19 engineering. The engineering included design of upgrades at three lift stations (LS B, LS  
20 C, LS D) and construction of new forcemain for all three lift stations. Permitting efforts  
21 were initiated during design. Complete plans, specifications, and bidding documents were  
22 prepared. Bids were solicited for the project. These bids were used in the pre-approval

1 process. (Note that these amounts do not include Interest During Construction (“IDC”) or  
2 capitalized time.)

3 Before interest during construction and capitalized time, a total of approximately  
4 \$1,100,289 was spent for engineering and design of the WWTP. The \$1,100,289 includes  
5 costs related to utility locates, geotechnical engineering, sampling, electrical equipment to  
6 supplement the design efforts engineering in support of the pre-approval process, including  
7 preparation of reports, and design engineering. The engineering included design of the  
8 wastewater treatment plant expansion, including a new headworks, a new oxidation ditch,  
9 two new clarifiers, a new sludge building with equipment, a new operations building, and  
10 repurposing of several existing structures to support the new treatment processes.  
11 Permitting efforts were initiated during design. Complete plans, specifications, and bidding  
12 documents were prepared. Bids were solicited for the project. These bids were used in the  
13 pre-approval process. (Note that these amounts do not include IDC or capitalized time.)

14 **Q. PLEASE EXPLAIN WHY THE COMPANY HAS INCLUDED THE ABOVE**  
15 **ENGINEERING COSTS IN THIS CASE.**

16 A. The Company incurred these costs in response to the Commission’s Order in Cause No.  
17 44724. In Cause No. 44724, the Commission found, among other items, that CUII was  
18 required to “Develop and Implement a System Improvement Plan (SIP) focused on Three  
19 Key Aspects of Service Quality for Petitioner’s Water and Wastewater System.”<sup>2</sup> The  
20 Three Key Aspects included the following: (1) decrease total incidences of wastewater  
21 backups in homes, (2) decrease total incidences of manhole overflows, and (3) decrease

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<sup>2</sup> See Cause No. 44724, page 76.

1 total complaints of discoloration of drinking water. The Commission provided additional  
2 guidance on page 76 in Cause No. 44724:

3           Additionally, Petitioner shall propose capital investments that require  
4 Commission approvals and suggested timetables for the filings and  
5 approvals. For proposed significant capital investments, Petitioner shall  
6 provide proper documentation of engineering studies and detailed  
7 competitive bids from contractors to support Petitioner's proposals.  
8

9 In our view, these engineering costs were incurred in compliance with Commission  
10 directives and as such, they should be eligible for recovery in this rate case.

11 **Q. WHAT NEW PROCESSES HAS CUII IMPLEMENTED WITH RESPECT TO**  
12 **INSPECTING CONTRACTOR-PERFORMED CONSTRUCTION?**

13 A. CUII oversees contractor-performed construction by determining project execution  
14 standards in the plans and specifications, maintaining regular communication with the  
15 contractor with phone calls and meetings, and performing field review of construction.  
16 Plans and specifications are generally prepared for each project. These plans and  
17 specifications are reviewed by CUII to ensure those meet the goals of the project.

18           Contractors are required to provide submittals for materials to be used in  
19 construction on projects. These submittals are typically reviewed by the engineer for  
20 adherence with the project plans and specifications.

21           Regular communication is maintained between CUII, the contractor, and the  
22 engineer through regular meetings, including pre-construction meetings and progress  
23 meetings. Communication between meetings is maintained using email, phone calls, and  
24 on-site meetings. Contractors are required to maintain a schedule for the project and  
25 coordinate with CUII for any work that may interrupt regular operations. CUII staff are

1 present during any major service disruptions (e.g., tie-in of new watermain). During regular  
2 site meetings, CUII and the engineer review the work performed by the contractor and  
3 evaluate compliance with the plans and specifications. Applications for payment are  
4 evaluated by CUII and the engineer.

5 **Q. DOES CUII REQUIRE CONTRACTORS TO LIST MATERIALS, EQUIPMENT,**  
6 **AND QUANTITY OF LABOR ON INVOICES?**

7 A. Yes. CUII generally solicits bids from multiple contractors for its projects. These projects  
8 are typically bid on either a unit price basis or lump sum basis. For unit price projects, the  
9 quantities are identified by the design engineer prior to bidding. Contractor payment is  
10 determined from the quantities completed by the contractor (e.g., payment per linear foot  
11 of watermain installed or valve installed). For lump sum projects, the contractor provides  
12 a Schedule of Values allocating portions of the contract price to various portions of the  
13 project and used as the basis for reviewing contractor's applications for payment (e.g., cost  
14 for site work, cost for filter equipment). Applications for payment are reviewed by CUII  
15 and the engineer (if engaged for the project). For both types of projects, CUII has a basis  
16 upon which to make payments to contractors.

17 **IV. NEED FOR RATE RELIEF; RELIEF REQUESTED**

18 **Q. WHY IS THE COMPANY REQUESTING RATE RELIEF AT THIS TIME?**

19 A. In order to continue to provide water and wastewater utility services, CUII's rates must  
20 allow it to continue to provide safe, adequate, and reliable service. CUII cannot defer  
21 reliability investments, must continue to compensate employees fairly today, must ensure  
22 its financial stability, and must also consider the long-term cost of service and future

1 customers, insofar as it should not reduce costs today that would ultimately increase costs  
2 in the long run. Under present rates, the Company is not able to meet its operating costs  
3 and earn a reasonable return on its investment. For the 12 months ending September 30,  
4 2021, CUII earned a 6.00% return on its weighted average cost of capital and is forecasted  
5 to earn a 0.69% return on its weighted average cost of capital as of September 30, 2022,  
6 both of which are far below the weighted average cost of capital authorized by this  
7 Commission in January of 2018. Without appropriate rate relief, CUII's ability to continue  
8 to provide environmentally safe, reliable, and efficient water and sewer utility services to  
9 its customers and meet its financial obligations will be adversely impacted.

10 That said, rate affordability is also a top priority across the organization. All aspects  
11 of CUII's business are regularly reexamined through a lens of innovation while we  
12 anticipate the needs of our customers, implement best practices, and seek to mitigate  
13 economic uncertainty. CUII continuously explores available cost savings opportunities to  
14 mitigate the level of rate increases. We identify with people in our communities who  
15 struggle to make ends meet and expect to earn the opportunity to be fairly compensated  
16 based on performance by elevating processes and implementing best practices that are in  
17 the public interest. For this reason, we are proposing a new, low-income rate for our most  
18 vulnerable residential customers to help them manage their bills.

19 **Q. WHAT RELIEF IS CUII REQUESTING IN THIS PROCEEDING?**

20 A. In addition to the items discussed above, and as discussed in greater detail in Mr. Dickson's  
21 testimony, CUII is requesting an annual revenue increase of \$2,168,016 for its water  
22 operations and an annual revenue increase of \$1,243,473 for its wastewater operations,

1 based on a forward-looking test period. In addition, CUII is requesting approval of a new  
2 low-income rate for residential customers, which is discussed in detail in Mr. Dickson's  
3 testimony. Finally, CUII is requesting authority to recover certain costs incurred in  
4 connection with the COVID-19 pandemic and deferred in accordance with the  
5 Commission's Order in Cause No. 45380.

6 **Q. WHAT IS THE TEST YEAR CUII IS PROPOSING?**

7 A. The twelve-month period ending September 30, 2023. CUII selected a future test year to  
8 capture planned expenditures and expected costs, accurately reflect future sales, and reduce  
9 regulatory lag.

10 **Q. WHAT ARE SOME OF THE DRIVERS CAUSING CUII TO SEEK RATE RELIEF**  
11 **AT THIS TIME?**

12 A. One of the drivers of CUII's rate increase is capital investment. By the end of the future  
13 test period CUII's rate base will have increased by \$13 million above the prior case test  
14 year level. These improvements will provide a benefit to the customers in the form of  
15 improved water quality, reduction to service disruptions due to main breaks, and reduced  
16 inflow and infiltration to the wastewater treatment plant.

17 **Q. ARE THESE CAPITAL IMPROVEMENTS REFLECTED IN THE REVENUE**  
18 **REQUIREMENT OF THE COMPANY AS PRESENTED IN MR. DICKSON'S**  
19 **TESTIMONY?**

20 A. Yes. Mr. Dickson's testimony and exhibits show that for the Company to realize a fair rate  
21 of return, the Company needs to increase rates to produce an approximately \$3,411,489  
22 million in additional annual revenues. For our customers to continue receiving quality

1 utility service, the costs of necessary improvements and increased operating costs need to  
2 be recovered through the Company's rates.

3 **Q. HOW HAS THE COMPANY DETERMINED THE FAIR RATE OF RETURN IT**  
4 **HAS PROPOSED?**

5 A. Customers expect, and CUII is required to provide, reliable, and safe service. The Company  
6 has made significant capital improvements since the prior case test year level and additional  
7 capital expenditures are forecasted to provide that service. To fund these needed  
8 expenditures, the Company must compete for capital in the capital markets. If the Company  
9 is not earning a fair and equitable return on equity ("ROE"), investors can choose to invest  
10 elsewhere. A fair and equitable ROE is necessary to support continued investment in the  
11 Company.

12 With respect to the cost of common equity, the Company engaged a cost of common  
13 equity expert to determine a fair and equitable ROE. However, before filing this case, CUII  
14 reached out to the OUCC and LOFS to see if they would be interested in negotiating the  
15 ROE for this case before our cost of equity expert expended much in the way of hours and  
16 fees. CUII and the OUCC mutually agreed to a return on equity of 9.50% for CUII in this  
17 case, along with cost of equity expert consulting fees capped at \$10,000 (a significant  
18 savings in rate case expense). The LOFS is not a party to the agreement but has indicated  
19 to CUII that it will not object to or contest the agreement. Attachment SML-3 is a copy of  
20 the ROE Settlement Agreement entered into by CUII and the OUCC. In addition to the  
21 agreed upon ROE, the Company is proposing to use the following capital structure and

1 weighted average cost of capital (“WACC”), which is based on its parent company’s actual  
2 capital structure and actual cost of debt as of September 30, 2021:

<b>Description</b>	<b>Percent</b>	<b>Cost</b>	<b>WACC</b>
Long Term Debt	49.2%	5.01%	2.46%
Common Equity	50.8%	9.50%	4.83%
<b>Total</b>	<b>100.0%</b>		<b>7.29%</b>

3  
4 **Q. WHY IS THIS WACC REASONABLE?**

5 A. The proposed WACC is reasonable because it strikes a reasonable balance of customer and  
6 shareholder interests by allowing CUII to earn a rate of return on its rate base roughly  
7 consistent with its overall cost of capital. If the authorized rate of return on rate base  
8 exceeds the overall cost of capital, then customers bear the burden of excessive prices.  
9 Conversely, if the authorized rate of return on rate base is lower than the overall cost of  
10 capital, then the utility will be unable to raise capital at a reasonable cost. Ultimately, the  
11 utility may be unable to raise sufficient capital to meet demands for service, thereby  
12 impairing service quality. Therefore, customer interests are best served when the  
13 authorized rate of return on rate base is neither higher nor lower than the overall cost of  
14 capital.

15 The capital structure is based on CUII’s parent company’s actual capital structure,  
16 and it is a reasonable capital structure for a utility. The cost of debt is based on CUII’s  
17 parent company’s actual cost of long-term debt and is reasonable. Although we are not  
18 presenting expert ROE analyses in this case, a review of recent authorized returns on equity  
19 in other utility cases supports our view that a 9.50% ROEs is in a reasonable range of  
20 returns on equity for a utility such as CUII. For example, Regulatory Research Associates



1 recently reported that from January through September 2021, electric distribution-only  
2 utility authorized ROEs averaged 9.51%; natural gas utility authorized ROEs averaged  
3 9.54%; and water utility authorized ROEs averaged 9.40%. *See* Attachment SML-4.  
4 Further, a recent Indiana natural gas utility rate case order authorized a 9.80% ROE. *See*  
5 Final Order in IURC Cause No. 45468 (Nov. 17, 2021). And two recent water utility rate  
6 case orders reflected authorized returns on equity of 9.80%. *See* Final Orders in IURC  
7 Cause Nos. 45416-U (Feb. 17, 2021) and 45142 (June 26, 2019).

8 **V. COMPANY MISSION AND PERFORMANCE**

9 **Q. WHAT IS THE COMPANY'S VISION AND MISSION?**

10 A. CUII's vision is to be the preferred private water and wastewater utility for our customers  
11 and communities. Our mission is to improve the quality of life for our customers and  
12 communities by providing safe, reliable, and cost-effective water and wastewater services  
13 while promoting environmental stewardship.

14 **Q. HOW DOES CUII PLAN TO ACHIEVE THIS VISION AND MISSION?**

15 A. We plan to achieve our vision and mission by accomplishing the following strategic goals:

- 16 • Operational and Service Excellence – developing our people, strengthening our  
17 processes, and investing in our technology to support a high-performance  
18 organization and a culture of continuous improvement.
- 19 • Collaboration and Engagement – communicating and engaging with our team  
20 members, customers, and communities with relevant and timely billing, service,  
21 and operational information to improve stakeholder awareness and collaboration.

- 1           • Strong Financial Performance – managing and planning business costs, pursuing  
2           growth, and mitigating enterprise risks in a prudent manner to engender trust and  
3           confidence in our financial responsibility and ensure access to needed capital.
- 4           • World Class Talent – attracting and retaining top talent to deliver dependable,  
5           timely, courteous, and quality services to meet the needs of our customers and  
6           communities.

7   **Q.   WHAT ARE THE CHALLENGES CUII IS FACING?**

8   A.   Our major challenges are: (1) updating and replacing aging infrastructure, and the  
9   corresponding need to attract and secure capital; (2) complying with increasing  
10   environmental compliance requirements; (3) attracting and retaining employees in an  
11   economy near full employment; (4) managing increasing construction costs, driven in part  
12   by that same economy near full employment as well as supply chain issues; and (5)  
13   addressing the need for increased scale and regionalization in order to address some of  
14   these challenges and help keep rates reasonable.

15   **Q.   WHAT RECENT OPERATIONAL IMPROVEMENTS AND COST CONTROL**  
16   **INITIATIVES HAS CUII UNDERTAKEN IN FURTHERANCE OF ITS**  
17   **STRATEGIC GOALS?**

18   A.   The following are examples of how CUII has demonstrated its focus on improving service  
19   and controlling costs:

20   **Asset Management**

21           CUII is committed to implementing 21<sup>st</sup> century technology to enable real-time  
22   asset management and condition tracking with an eye towards cost containment. This is a

1 whole new approach in the water industry and will provide digital mapping and cataloging  
2 assets in data bases that enables CUII to proactively manage the condition of infrastructure  
3 through preventative maintenance, rather than react to plant failures. The planned  
4 implementation of a robust Asset Management Plan (“AMP”) will enable CUII to avoid  
5 ill-timed capital expenditures and expensive repairs and to improve service performance  
6 and reduce water losses.

7 **Rate Affordability**

8 CUII is proposing a low-income rate in an effort to alleviate the impact of the  
9 proposed rate increase on our most vulnerable customers. The purpose of the program is to  
10 enable customers struggling economically to qualify for a lower rate that is applied to a  
11 base level of usage. Company witness Dickson discusses this special rate in more detail.

12 **Customer Experience**

13 CUII recognizes the need for modern platforms to interact with customers in the  
14 age of the “Internet of Things.” The Company went live with a new platform targeting  
15 customer engagement in March of 2019. The Smart Energy Water (“SEW”), branded as  
16 “*MyUtilityConnect*,” is a “Best in Class” customer engagement cloud computing platform  
17 that provides our customers with enhanced tools and improved communication with our  
18 Company. The platform is designed to offer convenience and control to our customers to  
19 access their account data anytime, anywhere, and on any device (phone, tablet, computer)  
20 all while keeping things simple and user-friendly. *MyUtilityConnect* is directly integrated  
21 with CUII’s Customer Care & Billing system (“CC&B”) and our payment vendor, First  
22 Billing Service (“FBS”) to provide direct, real time updates and payments to customer

1 accounts. And, because CC&B is directly integrated with the Operations Management  
2 System (“OMS”), real time payments will cancel severance work orders in OMS, which in  
3 turn will avoid what is known as a “truck roll.” Truck rolls are service call outs where an  
4 operator physically mobilizes to the customer’s location, only to arrive at the location and  
5 find out that the work order is no longer needed. Truck rolls cost time and money that could  
6 otherwise be used to optimize plant operations. *MyUtilityConnect* has an “Alerts” module  
7 customers can use to view current and planned alerts for their home along with detailed  
8 information on the alert overlaid on a map. Customers can opt-in to receive alert  
9 notifications not only by phone, but also by email, text, and push notifications, offering  
10 multiple ways for customers to stay informed. This technology is expected to significantly  
11 enhance how we engage with our customers.

12 **Business Intelligence**

13 Adaptive Insights - The Company went live with Adaptive Insights in 2018.  
14 Adaptive Insights modernizes the planning, modeling, budgeting, and forecasting functions  
15 enabling CUII’s financial management team to make better decisions, faster. The platform  
16 provides everything the Company needs for continuous and comprehensive financial  
17 planning, reporting, and analysis. We can produce accurate budgets quickly and easily and  
18 collaborate across the enterprise from anywhere -- by web, mobile, and Excel. The platform  
19 also takes workforce planning to the next level with a powerful solution. Management can  
20 deliver dynamic headcount and skills-based plans that drive better business results and  
21 strengthen collaboration with human resources and other business partners to optimize  
22 workforce plans to achieve strategic goals.

1           Meter to Cash ("MTC") - MTC is a business intelligence solution for daily use by  
2 CUII's Billing and Customer Service operation and financial team. It is a tool to measure  
3 performance, compliance, and drive operational efficiency. MTC provides a dashboard that  
4 provides meaningful insights into billing, financial, field and customer service data from  
5 CC&B. It provides access to graphical and drill down operational reports from each leg of  
6 the meter-to-cash cycle. It is used to reveal exceptions and omissions in "to-do's," billing,  
7 field work, collections, adjustments, payments, and more. MTC also pinpoints gaps in  
8 configuration and staffing imbalances. Summary reporting provides a monthly view of  
9 process efficiency and quality. Trend reports provide long-term and year over year  
10 perspectives.

11           FUSION - FUSION is CUII's internally-branded implementation of Oracle Cloud.  
12 It is a multi-functional platform which integrates payroll, time entry, recruiting,  
13 onboarding, performance management, benefits administration, human capital  
14 management, health and safety incident tracking, accounting, procurement, expense  
15 management, payment processing, vendor management and project management systems  
16 into a single, integrated platform. This modern system uses the latest cloud and security  
17 technology to offer users instant access to this functionality from an office computer or a  
18 tablet in the field. The modern capabilities of this platform will replace CUII's aging ERP  
19 system, Oracle - JD Edwards, and provides a platform to replace manual processes with  
20 best-in-class, automated workflows and offer managers instant reporting and real-time  
21 vision into the status of both workforce and financial information. FUSION is a  
22 foundational platform that will offer future integration opportunities into our OMS Asset

1 Management platform that will deliver additional operational efficiencies for employees  
2 completing work orders and service requests to customers.

3 These business intelligence tools are essential for managers to provide a high level  
4 of planning, troubleshooting, process improvement, and strategy services to CUII.

5 **Q. CAN YOU BRIEFLY ADDRESS WHAT ACTIONS THE COMPANY TOOK IN**  
6 **RESPONSE TO THE COVID-19 PANDEMIC?**

7 A. Yes. One of our first steps was to set up a standardized Incident Command Structure to  
8 ensure all decision-making was centralized and to ensure the safety of our employees and  
9 the communities that we serve. Below is a list of some the other measures CUII has taken  
10 to address the impact of COVID-19 on utility operations and our customers:

- 11 1) Voluntary suspension of disconnections through October of 2021;
- 12 2) Voluntary reconnections for previously disconnected customers;
- 13 3) Implementation of more flexible credit and collection practices;
- 14 4) Critical Inventories and Spares Planning;
- 15 5) Workforce Planning;
- 16 6) Facility Emergency Action Plans;
- 17 7) Suspension of All Non-essential Business Travel – This suspension of business  
18 travel does not include regular, essential operational and field activities, which  
19 can be performed using recommended social distancing measures;
- 20 8) Remote Work and Office Closures – All Company offices were closed to the  
21 public temporarily, effective at 5:00 pm on March 16, 2020;

- 1           9) Cyber Security Precautions – Company Information Technology Services  
2           personnel have been working to ensure employees are operating in a secure  
3           manner from home WiFi networks through VPN access;
- 4           10) Essential Operations Continuity Planning;
- 5           11) Emergency Security Clearances for Access to Plants and Facilities – To ensure  
6           our operations personnel have access to plants and facilities in locations where  
7           movement is restricted, all operations staff will carry an Essential Personnel  
8           Card;
- 9           12) Health and Safety Guidance Policies for Operations Staff
- 10           a. Social Distancing Scheduling,  
11           b. Updated PPE Guidance,  
12           c. Vehicle Maintenance Guidance,  
13           d. Multiple Employee Tasks, and  
14           e. Critical Contractor/Visitor Guidance;
- 15           13) Essential Personal Protective Equipment;
- 16           14) Lone Worker Safety; and
- 17           15) Vaccine Coordinators – The coordinator assists with tracking each county's  
18           vaccine program and can assist the Company's operating staff to getting signed  
19           up for their vaccine.

1 **Q. CAN YOU ELABORATE ON THE CUSTOMER SUPPORT MEASURES CUII**  
2 **UNDERTOOK?**

3 A. Yes. To begin with, effective in March 2020, CUII voluntarily initiated a customer  
4 disconnection moratorium, and suspended water and wastewater service disconnections for  
5 non-payment and the imposition of late payment fees or penalties. In conjunction with this  
6 decision, customers who had recently been disconnected for nonpayment were reconnected  
7 at no charge, at their election, and collection of any outstanding balances and late fees was  
8 suspended during this time. CUII deferred some of its COVID-19 related costs and is  
9 seeking recovery in this proceeding. CUII witness Guttormsen discusses the Company's  
10 deferred COVID-19 costs.

11 **Q. WHAT TYPE OF ASSISTANCE DOES CUII OFFER TO ITS MOST**  
12 **VULNERABLE CUSTOMERS?**

13 A. CUII offers customers Deferred Payment Arrangements up to 12 months, and CUII  
14 recognizes that our most vulnerable customers need a unique rate, which is discussed in  
15 detail in Mr. Dickson's testimony.

16 **VI. CAPITAL INVESTMENT PLAN**

17 **Q. PLEASE DESCRIBE CUII'S CAPITAL INVESTMENT PLAN ("CIP").**

18 A. The Company's CIP is a rolling five-year spending plan that is based on the existing and  
19 anticipated needs of each of our water and wastewater systems. This plan includes two  
20 distinct groups of spending: (1) non-project asset additions/replacements, which include  
21 (a) asset additions/replacements and (b) capitalized time for asset additions/  
22 replacements, and (2) projects, which include (a) engineering, equipment and construction



1 costs, (b) capitalized time for project management, and (c) Interest During Construction  
2 (“IDC”). The Company’s internal guidelines require any capital investment cost that is  
3 greater than \$50,000 or takes longer than one month to place into service to be treated as a  
4 project. Other investments are captured as non-project asset additions/replacements.

5 **Q. PLEASE DESCRIBE THE COMPANY’S CAPITAL INVESTMENT BUDGETING**  
6 **AND FORECASTING PROCESS FOR PROJECTS.**

7 A. The project investment needs of CUII’s water and wastewater systems are determined by  
8 a variety of initiating events and informative drivers and are intended to continually  
9 improve service levels, comply with permit requirements, prevent health and safety issues,  
10 prevent asset failures, improve operator efficiency, reduce operating costs, and  
11 occasionally, to increase system capacity. These forward-looking capital projects are  
12 refined into the CIP, through collaboration between Operations, Operations Management,  
13 and Finance in conjunction with utilizing the Company’s AMP, which I describe in more  
14 detail below. Through utilizing the AMP, the Company can review existing asset  
15 conditions and their respective Consequences of Failure (“CoFs”) to help evaluate and  
16 prioritize projects to determine the appropriate timing for further development and cost  
17 estimation.

18 In order to establish engineering, equipment, and construction costs for projects in  
19 the CIP, the Company utilizes its best available information, which could include  
20 engineering estimates, contractor bids, and internally-generated estimates. The capitalized  
21 time component of the project is calculated by multiplying the forecasted quantity of  
22 capitalized hours by our hourly cap time rate for Indiana. Capitalized hours generally

1 include project management and additional operations demands during completion of the  
2 project. The IDC component of the project is calculated by multiplying the IDC rate in  
3 Indiana by the forecasted, monthly, outstanding project balance.

4 **Q. PLEASE DESCRIBE THE COMPANY'S CAPITAL INVESTMENT BUDGETING**  
5 **AND FORECASTING PROCESS FOR NON-PROJECT ASSET ADDITIONS AND**  
6 **REPLACEMENTS.**

7 A. The Company starts with a base year forecast for asset additions/replacements investment  
8 totals in each of the following plant categories: (1) Source of Supply and Pumping, (2)  
9 Transmission and Distribution, (3) System Pumping, (4) Treatment and Disposal, (5)  
10 Collection, and (6) General. The base year total is populated using a historical average of  
11 spending in each respective category, then adjusted up or down to account for items that  
12 may be material and non-recurring. The base spending in each of the subsequent years is  
13 also adjusted by an average Consumer Price Index using the Water and Sewerage  
14 Maintenance item from the United States Department of Labor, Bureau of Labor Statistics  
15 and is adjusted up or down to account for irregular spending.

16 The capitalized time component for non-project asset additions/replacements is  
17 determined in the same manner as the asset additions and replacements but uses an average  
18 of historical capitalized hours in each of the six plant categories. The average of these hours  
19 is assumed to continue through the five-year CIP. The hourly cap time rate is multiplied by  
20 the forecasted quantity of hours to calculate the capitalized time investment for each  
21 calendar year.

1 **VII. ASSET MANAGEMENT PLAN**

2 **Q. WHAT IS THE PROCESS FOR EVALUATING POTENTIAL CAPITAL**  
3 **PROJECTS?**

4 A. Potential projects are identified typically from review of the AMP, focusing on the highest  
5 risk assets. As explained below, other justifications are considered for potential projects  
6 beyond risk. After potential projects are identified, they are evaluated and prioritized on a  
7 system-by-system basis by a team consisting of Operations and Finance.

8 **Q. AT A HIGH LEVEL, WHAT IS THE AMP?**

9 A. The Company's AMP was developed using the United States Environmental Protection  
10 Agency ("USEPA") Asset Management Framework.<sup>3</sup> Corix has implemented asset  
11 management Company-wide, with each unit of the Company developing plans specific to  
12 its operations. The asset management framework is built around a body of leading practices  
13 that focus on seeking the lowest total lifecycle cost of ownership for infrastructure assets,  
14 while delivering services at a level customers and stakeholders require, at an acceptable  
15 level of risk to the organization and stakeholders. The AMP is intended for use as a central,  
16 living document or set of documents that helps articulate to the Company and stakeholders  
17 how assets are managed. The Company is committed to an AMP that will continue to  
18 develop and improve.

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<sup>3</sup> The USEPA Asset Management Framework documents are available online here:  
<https://www.epa.gov/sustainable-water-infrastructure/asset-management-water-and-wastewater-utilities>.

1 **Q. HOW ARE CAPITAL PROJECTS SCHEDULED USING THE AMP?**

2 A. The highest priority projects, as identified in the AMP or by other means, are generally  
3 scheduled soonest. The projects are evaluated to determine expected length for study,  
4 design, permitting, and construction. The timing of projects is evaluated and adjusted to  
5 minimize scheduling issues and to ensure timing requirements and limitations are met. The  
6 Company reviews the recommendations of engineers regarding when work should be  
7 completed. Scheduling is also adjusted to account for the capacity of the Operations team  
8 to manage multiple ongoing projects.

9 **Q. WHAT ARE THE KEY COMPONENTS OF THE AMP?**

10 A. The key components of the AMP are include, among others, identifying levels of service  
11 required, critical assets/key risks involved, and development of an Asset Register ("AR").  
12 The AR is a systematic record of assets and their attributes. The AR for linear (or  
13 horizontal) water assets was developed using the electronic maps previously developed.  
14 Operators and Operations Managers reviewed watermain maps and verified, to the best of  
15 their knowledge, the size, material, and age of each watermain. The AR includes a  
16 condition assessment of the assets along with the expected service life expectancy of the  
17 equipment/assets. The AR and a review of historic problems related to an asset provides  
18 guidance regarding the prioritization and prudent replacement of such assets.

19 **Q. WHAT IS THE CURRENT STATUS OF THE AMP?**

20 A. The Company has completed development of the AR. The development involved a  
21 thorough review of each facility and completing an inventory of all assets. The AMP,  
22 however, is a continually evolving and improving process. The Company will continue to

1 improve its standards and practices, in line with recognized programs such as the USEPA  
2 Asset Management Framework.

3 **Q. DOES THE AMP GUARANTEE THAT A PARTICULAR ASSET ON THE AR**  
4 **MUST BE UPDATED OR REPLACED ON A PARTICULAR SCHEDULE?**

5 A. No. The AMP is an important factor in the “evaluation” of such replacements or upgrades  
6 and to plan and prioritize such work for future budgeting purposes. That said, the AMP  
7 does not guarantee, nor is there any way to definitively predict the actual “end of life” of a  
8 particular asset. However, based upon the nominal life expectancy of an asset, in addition  
9 to the actual condition assessment and review of the historic data, the AMP allows a better  
10 prioritization of such replacements.

11 **Q. HOW DOES THE COMPANY MAINTAIN THE AMP?**

12 A. The Company implemented the Lucity system in 2018. As described previously in my  
13 testimony, Lucity is an Operations Management System that incorporates the Company's  
14 Geographic Information Systems (“GIS”) and Computer Maintenance Management  
15 Systems (“CMMS”). The Lucity system has several benefits including: (1) improved  
16 ability to access information and maintain information on assets, (2) improved customer  
17 service through real-time work orders and field activities, (3) improved line-of-sight on  
18 preventative maintenance, asset conditions, service levels and risk, and (4) better data to  
19 support decision-making through improved capital project identification, prioritization and  
20 justification.

21 Relevant to asset management, Lucity allows the Company to maintain the AR in  
22 a master database. Company staff, including operators and managers, can update asset

1 conditions and other attributes from inspections, preventive maintenance, or other  
2 activities. Company staff can retire, replace, and add assets as needed, which allow all  
3 assets to be properly accounted for and updated, leading to a more accurate AMP.  
4 Documentation for assets, such as specification sheets, plans, and manuals, can be stored  
5 electronically and made readily accessible. Lucity allows for assignment of work orders  
6 and other reminders to ensure that preventive maintenance, inspections, and other activities  
7 are completed properly, on-time, and that a record is generated for any activities.

8 **VIII. COMPREHENSIVE I&I PLAN REQUEST FOR PROPOSALS**

9 **Q. PLEASE SUMMARIZE CUII'S RECENT RFP FOR DEVELOPMENT OF A**  
10 **COMPREHENSIVE I&I PLAN.**

11 A. The RFP was prepared to identify a consultant to develop a forward-looking plan for the  
12 Twin Lakes sewer system I&I reduction and rehabilitation efforts. The forward-looking  
13 plan will include review of previous I&I investigation and remediation work completed by  
14 CUII and its consultants and review of recommendations from other parties presented in  
15 CUII's most recent proceedings with IURC. The consultant will prepare a written report  
16 with recommendations to CUII including the following:

- 17 1) An updated, detailed summary of all defects identified, recommended  
18 rehabilitation, documented repairs, and identification of any defects that remain  
19 unresolved.
- 20 2) Additional, actionable recommendations for rehabilitation work necessary to  
21 address any unresolved defects and/or newly identified defects.

1           3) Recommendations for further investigation, rehabilitation, inspections, or other  
2           related work.

3           4) Estimates for how much I&I reduction the Consultant estimates is feasibly  
4           achievable.

5           5) Cost estimates for additional investigational, rehabilitation, and improvements  
6           recommended.

7   **Q.    HAS CUII SELECTED A CONTRACTOR BASED ON THE RFP?**

8   A.    No, CUII has issued the RFP but has not yet selected a contractor.

9   **IX.   CUSTOMER RATE CASE NOTICES**

10   **Q.    DID CUII PROVIDE NOTICE TO THE INDIANA UTILITY REGULATORY**  
11   **COMMISSION OF ITS INTENT TO FILE THIS RATE CASE AT LEAST 30 DAYS**  
12   **BEFORE THE FILING WAS MADE?**

13   A.    Yes. A copy of that notice is attached to my testimony as Attachment SML-5.

14   **Q.    HOW WILL CUII PROVIDE NOTICE OF THIS FILING TO ITS CUSTOMERS?**

15   A.    CUII will publish notice of this filing in newspapers in each county in which it serves and  
16   will provide a bill insert to all customers starting in December 2021. Copies of the  
17   newspaper proofs of publication and the bill insert will be late-filed attachments to my  
18   testimony (Attachments SML-6 and SML-7, respectively). In addition, CUII will include  
19   a notice with some basic information about this filing on its website.

1 **X. COMPANY WITNESSES**

2 **Q. PLEASE INTRODUCE THE OTHER WITNESSES AND THE ISSUES THEY**  
3 **WILL ADDRESS.**

4 A. The witness and their associated topics are as follows:

- 5 • Shawn Elicegui, EVP, Risk and Corporate Secretary for Corix Infrastructure Inc.,  
6 will explain how corporate administrative and general support services are provided  
7 to the Company so that it can fulfill its statutory obligation to provide water and  
8 sewer service to Indiana residents. His testimony also explains how the costs  
9 associated with providing the corporate support services are allocated among  
10 Corix's operating subsidiaries, including CUII.
- 11 • Loren Grosvenor, CUII's State Operations Manager, will describe CUII personnel  
12 and the related challenges, service and operational quality and capital  
13 improvements.
- 14 • Andrew Dickson, CUII's Senior Financial Analyst will present the accounting  
15 schedules that support the requested revenue increase and address how the  
16 Company developed CUII's forecasted revenue requirement that is necessary to  
17 recover a reasonable and prudent level of future test period operating costs and a  
18 return on and of invested rate base. Additionally, Mr. Dickson explains the  
19 procedures and major assumptions used in preparing projections. Mr. Dickson also  
20 supports the Company's rate design and tariff, as well as the Company's proposed  
21 low-income rate.



1           • Robert Guttormsen, CUII's Financial Planning and Analysis Manager, will discuss  
2           payroll and benefits costs, insurance costs, depreciation (including composite rates  
3           and its impact on short-lived assets), and accumulated deferred income taxes.  
4           Additionally, Mr. Guttormsen will discuss CUII's deferred COVID-19 costs and  
5           the Company's request to recover such costs in this proceeding.

6           • James Kilbane, Financial Planning & Analysis Manager, will support the  
7           Company's rate case expense for this proceeding.

8   **Q.    DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

9   **A.    Yes. It does.**

**VERIFICATION**

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Date: December 6, 2021



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Steven Lubertozzi  
President  
Community Utilities of Indiana, Inc.

**AGREEMENT**

This Agreement (“Agreement”) dated November 8, 2021 between Water Service Corporation, a Delaware corporation (the “**Service Company**”) and Community Utilities of Indiana, Inc. (the “**Operating Company**”):

WHEREAS, both the Service Company and the Operating Company are subsidiaries of or affiliated with Corix Regulated Utilities (US), Inc., f/k/a Utilities, Inc. an Illinois corporation (“**CRU US**”); and

WHEREAS, the Service Company, CRU US and affiliates of CRU US (the “**Parent Affiliates**”, and, together with CRU US, the “**Parent**”), maintain an organization which includes persons who are familiar with the development, business and property of the Operating Company and are experienced in the conduct, management, financing, construction, accounting and operation of water and sewer properties and are qualified to be of great aid and assistance to the Operating Company through the services to be performed under this Agreement; and

WHEREAS, the Service Company has or proposes to enter into agreements similar to this Agreement with certain affiliated water and/or sewer companies (collectively, the “**Operating Companies**”); and

WHEREAS, the Service Company agrees to provide the services indicated herein to the Operating Company either directly or by obtaining or procuring certain of the services from the Parent or third parties and passing those costs through to the Operating Company as described herein (collectively, the “**Services**”); and

WHEREAS, the Services to be rendered under this Agreement are to be rendered at cost and without profit;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

1. The Services. The Service Company will furnish to the Operating Company, upon the terms and conditions hereinafter set forth, the following Services:

## Contract No. CU11-2021-1

- A. EXECUTIVE: The principal executive officers of the Service Company or the Parent, such as the Board Chair, President and Vice Presidents, and Treasurer will assist and advise the Operating Company in respect to corporate, financial, operating, engineering, organization, regulatory, and other matters relating to the business of the Operating Company. They will keep themselves informed in regard to the operation, maintenance and financial condition of, and other matters relating to, the Operating Company through contacts with the officers, directors and other representatives of the Operating Company. Such officers of the Service Company or the Parent will visit the property of the Operating Company when necessary to the proper furnishing of the services provided for in this Agreement. They will also supervise the personnel of the Service Company and affiliates of the Parent to the end that Services under this Agreement shall be performed efficiently, economically and satisfactorily to the Operating Company.
- B. ENGINEERING: The Service Company will supply or cause to be supplied engineering services as required in all areas of design, construction, operation and management of the Operating Company.
- C. OPERATING: The Service Company will furnish or cause to be furnished competent personnel to perform and/or control all normal operating functions, including pumping, treatment, and distribution as well as maintenance of all equipment and facilities. These responsibilities will include testing and record keeping to ensure compliance with all applicable federal, state and local laws and regulations.
- D. ACCOUNTING: The Service Company will provide or cause to be provided total accounting service, including bookkeeping, payroll, tax determination, financial statement preparation, budgets, credit, Indiana Utility Regulatory Commission annual reports, etc. Periodic analyses will be made for purposes of planning and measurement of efficiency.

## Contract No. CU11-2021-1

- E. LEGAL: The Service Company will employ or secure counsel as necessary to advise and assist it in the performance of the Services and to aid the Operating Company in all matters where such assistance may be desired.
- F. BILLING AND CUSTOMER RELATIONS: The Service Company will handle or arrange for all billing and collections. The Service Company shall provide or cause to be provide all customers communications and relationship management, including serving as the link between the customer and the Operating Company in all areas such as new accounts, deposits, meter reading, inquiries, and complaints.
- G. CONSTRUCTION: The Service Company will perform directly or supervise all construction, including customer connections, meter installations, main extensions, plant expansions, or capital additions of any nature as required by the Operating Company.
- H. ALL OTHER SERVICES AS PROVIDED FOR IN APPENDIX A: In addition to items (A) through (G), the Service Company will employ or provide personnel to perform or cause to be performed all services necessary for the delivery of water and/or sewer services to the Operating Company's customers by providing or causing to be provide the Services set forth in Appendix A.
2. Allocation and Charges for the Services. Unless directly charged or assigned as described below, the assets, liabilities, associated non-cash items, and incurred costs associated with providing service to the corporate headquarters, regional areas, or to all Operating Companies as a whole will be allocated.

In consideration for the Services to be rendered by the Service Company as hereinabove provided, the Service Company shall allocate to the Operating Company: (i) the cost of said Services and (ii) amortization and depreciation for the assets of the Service Company, the Parent or an affiliate of the Parent where such assets are useful in the delivery of utility service to the Operating Company's customers. Allocated costs shall not include a markup for profit.

## Contract No. CU11-2021-1

All costs of the Services incurred in connection with the Services rendered by the Service Company for the Operating Companies which can, without excessive effort or expense, be identified and related to Services rendered to a particular Operating Company, shall be charged or assigned directly to such company. By way of example and not limitation, directly charged or assigned include salary and other expenses incurred for specific projects such as rate cases, construction projects, legal proceedings, etc. Similarly, all costs of the Services which can, without excessive effort or expense, be identified and related to Services rendered to a particular group of the Operating Companies shall be charged or assigned directly to such group of the Operating Companies.

All costs of the Services which, because of their nature, cannot, without excessive effort or expense, be identified and related to Services rendered to a particular Operating Company, shall be allocated among all the Operating Companies, in the manner hereinafter set forth.

First, the allocable costs shall be distributed on a monthly basis, unless the Parent should elect to make a supplementary analysis for a special purpose.

Second, the costs of the Services will be prorated on the basis of the proportion of active Equivalent Residential Customers (“ERCs”) served by the Operating Company to the total number of active ERCs served CRU US and the Operating Companies (including the Operating Company), determined as of the end of each month. For purposes of this Agreement, the number of ERCs attributable to each water and sewer connection maintained by the CRU US and the Operating Companies (including the Operating Company) will be determined by applying the formula set forth in Appendix B.

Third, the Service Company shall allocate to the Operating Company its share of the Service Company’s or CRU US’s investment in rate base consistent with Appendix B.

The Service Company will also at any time, upon request of the Operating Company, furnish to it any and all information required by the Operating Company or by any governmental authorities having jurisdiction over the Operating Company with respect to the Services rendered by the Service Company hereunder (including information regarding Services provided by the Parent and passed through to the Operating Company), the cost thereof and the allocation of such cost among the Operating Companies. In

## Contract No. CU11-2021-1


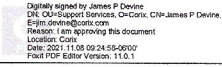
the case of Services in connection with construction, the Service Company will, to the extent practicable, furnish to the Operating Company such information as shall be necessary to permit the allocation of charges for such Services to particular work orders.

The parties hereby agree that this Agreement supersedes any and all prior agreements between Service Company and Operating Company (or its predecessor entities) with respect to the subject matter hereof. Pursuant to Indiana Code § 8-1-2-49(2), this Agreement shall not be effective until it is filed with the Commission. This Agreement shall be in full force and effect as of November 15, 2021, and shall continue in full force and effect up to and including November 14, 2026, unless earlier terminated by either of the parties hereto upon ninety (90) days notice in writing.

IN WITNESS WHEREOF, the Service Company and the Operating Company have caused this Agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

[Signature Page Follows]


Water Service Corporation

BY    
Jim Devine  
Vice President

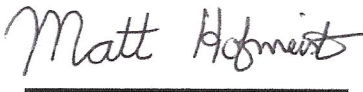
Attest

  
\_\_\_\_\_

Community Utilities of Indiana, Inc.

BY   
Steve Lubertozi  
President

Attest

  
\_\_\_\_\_



**AFFILIATE AGREEMENT  
APPENDIX A**

The Service Company shall provide or arrange for the provisioning of the following administrative and general services: centralized cash management, continuing improvement, corporate communication, information technology, accounts payable, accounts receivable, finance, financial planning and analysis, insurance, tax, health, safety and environmental compliance, procurement, customer experience, internal audit, external audit, risk management, regulatory services, human resources and any other service that is necessary for the Operating Company to provide utility services such as water and sewer service to the Operating Company's customers. For the purpose of clarity and not limitation, the allocations included amounts recorded by the Service Company, the Parent or an affiliate of the Parent in the following accounts:

ACCOUNT NUMBER	OPERATING AND MAINTENANCE
511001	PURCHASED WATER
511001	PURCHASED WATER-WATER S
511001	PURCHASED WATER-SEWER S
411008	PURCHASED WATER - BILLI
511002	PURCHASED SEWER TREATME
411009	PURCHASED SEWER - BILLI
511003	PURCHASED GAS TREATMEN
411010	PURCHASED GAS - BILLIN
511004	PURCHASED GAS TRANSMISSION
517001	ELEC PWR - WTR SYSTEM S
517001	ELEC PWR - WTR SYSTEM W
517001	ELEC PWR - WTR SYSTEM T
517001	ELEC PWR - WTR SYSTEM A
517001	ELEC PWR - SWR SYSTEM C
517001	ELEC PWR - SWR SYSTEM P
517001	ELEC PWR - SWR SYSTEM T
517001	ELEC PWR - SWR SYSTEM A
517001	ELEC PWR - SWR SYSTEM R
517001	ELEC PWR - SWR SYSTEM R
517001	ELEC PWR - OTHER
514001	CHLORINE
514002	ODOR CONTROL CHEMICALS
514900	OTHER TREATMENT CHEMICA
516001	METER READING
627200	AGENCY EXPENSE
627100	UNCOLLECTIBLE ACCOUNTS
627300	UNCOLL ACCOUNTS ACCRUAL
628100	BILL STOCK
628100	BILLING COMPUTER SUPPLI
628200	BILLING ENVELOPES
628300	BILLING POSTAGE
628400	CUSTOMER SERVICE PRINTI
541100	NON-REGULATED COGS B

## Contract No. CU11-2021-1

531001	401K
532001	HEALTH ADMIN AND STOP L
532002	DENTAL
532005	EMPLOYEE INS DEDUCTIONS
532900	HEALTH COSTS & OTHER
532006	HEALTH INS CLAIMS
532900	OTHER EMP BENEFITS
531002	401K MATCH
532012	TERM LIFE INS
532013	TERM LIFE INS-OPT
532014	DEPEND LIFE INS-OPT
532900	SUPPLEMENTAL LIFE INS
532016	TUITION
560300	INSURANCE-VEHICLE
560100	INSURANCE-GEN LIAB
532009	INSURANCE-WORKERS COMP
560500	INSURANCE-OTHER
550200	COMPUTER MAINTENANCE
550300	COMPUTER SUPPLIES
550800	COMPUTER AMORT & PROG C
550400	INTERNET SUPPLIER
550500	WEBSITE DEVELOPMENT
621100	ADVERTISING/MARKETING
622100	BANK SERVICE CHARGE
623100	CONTRIBUTIONS
622300	LETTER OF CREDIT FEE
624100	LICENSE FEES
629100	MEMBERSHIPS
625100	PENALTIES/FINES
626100	TRAINING EXPENSE
629900	OTHER MISC EXPENSE
587500	ANSWERING SERVICE
581300	CLEANING SUPPLIES
583100	COPY MACHINE
587100	HOLIDAY EVENTS/PICNICS
581200	KITCHEN SUPPLIES
581100	OFFICE SUPPLY STORES
583100	PRINTING/BLEUPRINTS
583200	PUBL SUBSCRIPTIONS/TAPE
583400	SHIPPING CHARGES
587900	OTHER OFFICE EXPENSES
584100	OFFICE ELECTRIC
584200	OFFICE GAS
584300	OFFICE WATER

## Contract No. CUII-2021-1

586100	OFFICE TELECOM
585100	OFFICE GARBAGE REMOVAL
585200	OFFICE LANDSCAPE / MOW
585400	OFFICE ALARM SYS PHONE
585900	OFFICE MAINTENANCE
585500	OFFICE CLEANING SERVICE
584900	OFFICE MACHINE/HEAT&COO
584900	OTHER OFFICE UTILITIES
586100	TELEMETERING PHONE EXPE
540200	ACCOUNTING STUDIES
540200	AUDIT FEES
541300	EMPLOY FINDER FEES
540700	ENGINEERING FEES
540400	LEGAL FEES
541100	MANAGEMENT FEES
540500	PAYROLL SERVICES
540600	TAX RETURN REVIEW
540800	TEMP EMPLOY - CLERICAL
549000	OTHER OUTSIDE SERVICES
611100	RATE CASE AMORT EXPENSE
612100	MISC REG MATTERS COMM E
612200	WATER RESOURCE CONSERV
612300	MISC RATE CASE EXPENSES
571100	RENT
521010	SALARIES-SYSTEM PROJECT
521010	SALARIES-ACCOUNTING
521010	SALARIES-ADMIN
521010	SALARIES-OFFICERS/STKHL
521010	SALARIES-HR
521010	SALARIES-IT
521010	SALARIES-LEADERSHIP OPS
521010	SALARIES-HSE
521010	SALARIES-CUSTOMER SERVI
521010	SALARIES-BILLING
521010	SALARIES-CORP SERVICE A
521010	SALARIES-OPERATIONS FIE
521010	SALARIES-OPERATIONS OFF
521010	SALARIES-CHGD TO PLT-WS
522001	CAPITALIZED TIME ADJUST
522001	CAPITALIZED TIME ADJ-CO
591000	TRAVEL LODGING
592000	TRAVEL AIRFARE
593000	TRAVEL TRANSPORTATION
594000	TRAVEL MEALS

## Contract No. CU11-2021-1

594000	TRAVEL ENTERTAINMENT
599900	TRAVEL OTHER
602000	FUEL
603000	AUTO REPAIR/TIRES
601000	AUTO LICENSES
609000	OTHER TRANS EXPENSES
515002	TEST-WATER
515003	TEST-EQUIP/CHEMICAL
515004	TEST-SAFE DRINKING WATE
515002	TEST-SEWER
513900	WATER-MAINT SUPPLIES
512002	WATER-MAINT REPAIRS
512003	WATER-MAIN BREAKS
512008	WATER-ELEC EQUIPT REPAI
512009	WATER-PERMITS
512900	WATER-OTHER MAINT EXP
513900	SEWER-MAINT SUPPLIES
512002	SEWER-MAINT REPAIRS
512003	SEWER-MAIN BREAKS
512008	SEWER-ELEC EQUIPT REPAI
512009	SEWER-PERMITS
512900	SEWER-OTHER MAINT EXP
512012	DEFERRED MAINT EXPENSE
512014	COMMUNICATION EXPENSE
512015	EQUIPMENT RENTALS
512022	OPER CONTRACTED WORKERS
515001	OUTSIDE LAB FEES-LAB,LA
512900	REPAIRS & MAINT-MAINT,L
512016	UNIFORMS
512017	WEATHER/HURRICANE/FUEL
512010	SEWER RODDING
512011	SLUDGE HAULING

<b>DEPRECIATION AND AMORTIZATION</b>
--------------------------------------

710201	DEPREC-ORGANIZATION
710202	DEPREC-FRANCHISES
710204	DEPREC-STRUCT & IMPRV S
710205	DEPREC-STRUCT & IMPRV W
710206	DEPREC-STRUCT & IMPRV D
710203	DEPREC-STRUCT & IMPRV G
710221	DEPREC-COLLECTING RESER
710222	DEPREC-LAKE, RIVER, OTH
710223	DEPREC-WELLS & SPRINGS
710224	DEPREC-INFILTRATION GAL
710225	DEPREC-SUPPLY MAINS

## Contract No. CU11-2021-1

710226	DEPREC-POWER GEN EQP
710227	DEPREC-ELEC PUMP EQP SR
710228	DEPREC-ELEC PUMP EQP WT
710229	DEPREC-ELEC PUMP EQP TR
710230	DEPREC-WATER TREATMENT
710231	DEPREC-DIST RESV & STAN
710232	DEPREC-TRANS & DISTR MA
710233	DEPREC-SERVICE LINES
710234	DEPREC-METERS
710235	DEPREC-METER INSTALLS
710236	DEPREC-HYDRANTS
710237	DEPREC-BACKFLOW PREVENT
710267	DEPREC-OTH PLT&MISC EQP
710268	DEPREC-OTH PLT&MISC EQP
710269	DEPREC-OTH PLT&MISC EQP
710270	DEPREC-OTH PLT&MISC EQP
710220	DEPREC-OFFICE STRUCTURE
710303	DEPREC-OFFICE FURN/EQPT
710305	DEPREC-STORES EQUIPMENT
710308	DEPREC-TOOL SHOP & MISC
710306	DEPREC-LABORATORY EQUIP
710309	DEPREC-POWER OPERATED E
710310	DEPREC-COMMUNICATION EQ
710311	DEPREC-MISC EQUIPMENT
710271	DEPREC-OTHER TANG PLT W
710201	DEPREC-ORGANIZATION
710202	DEPREC-FRANCHISES INTAN
710202	DEPREC-FRANCHISES RCLM
710207	DEPREC-STRUCT/IMPRV COL
710208	DEPREC-STRUCT/IMPRV PUM
710209	DEPREC-STRUCT/IMPRV TRE
710210	DEPREC-STRUCT/IMPRV RCL
710211	DEPREC-STRUCT/IMPRV RCL
710203	DEPREC-STRUCT/IMPRV GEN
710238	DEPREC-POWER GEN EQUIP
710239	DEPREC-POWER GEN EQUIP
710240	DEPREC-POWER GEN EQUIP
710240	DEPREC-POWER GEN EQUIP
710240	DEPREC-POWER GEN EQUIP
710241	DEPREC-SEWER FORCE MAIN
710242	DEPREC-SEWER GRAVITY MA
710243	DEPREC-MANHOLES
710244	DEPREC-SPECIAL COLL STR
710245	DEPREC-SERVICES TO CUST

## Contract No. CU11-2021-1

710246	DEPREC-FLOW MEASURE DEV
710247	DEPREC-FLOW MEASURE INS
710248	DEPREC-RECEIVING WELLS
710249	DEPREC-PUMP EQP PUMP PL
710250	DEPREC-PUMP EQP RCLM WT
710251	DEPREC-PUMP EQP RCLM WT
710252	DEPREC-TREAT/DISP EQUIP
710253	DEPREC-TREAT/DISP EQ TR
710254	DEPREC-TREAT/DISP EQ RC
710255	DEPREC-PLANT SEWERS TRT
710256	DEPREC-PLANT SEWERS RCL
710257	DEPREC-OUTFALL LINES
710271	DEPREC-OTHER PLT TANGIB
710272	DEPREC-OTHER PLT COLLEC
710273	DEPREC-OTHER PLT PUMP
710274	DEPREC-OTHER PLT TREATM
710275	DEPREC-OTHER PLT RCLM W
710276	DEPREC-OTHER PLT RCLM W
710220	DEPREC-OFFICE STRUCTURE
710303	DEPREC-OFFICE FURN/EQPT
710305	DEPREC-STORES EQUIPMENT
710308	DEPREC-TOOL SHOP & MISC
710306	DEPREC-LABORATORY EQPT
710309	DEPREC-POWER OPERATED E
710310	DEPREC-COMMUNICATION EQ
710311	DEPREC-MISC EQUIP SEWER
710271	DEPREC-OTHER TANG PLT S
710261	DEPREC-REUSE SERVICES
710262	DEPREC-REUSE MTR/INSTAL
710263	DEPREC-REUSE DIST RESER
710264	DEPREC-REUSE TRANSM / D
710401	DEPREC-AUTO TRANS
710501	DEPREC-COMPUTER
710201	DEPREC-ORGANIZATION
710202	DEPREC-FRANCHISES INTAN
710212	DEPREC-STRUCT/IMPRV PRO
710213	DEPREC-STRUCT/IMPRV NAT
710214	DEPREC-STRUCT/IMPRV TRA
710215	DEPREC-STRUCT/IMPRV DIS
710203	DEPREC-STRUCT/IMPRV GEN
710225	DEPREC-MAINS
710233	DEPREC-SERVICE LINES
710234	DEPREC-METERS
710235	DEPREC-METER INSTALLATI

## Contract No. CU11-2021-1

710258	DEPREC-RESERVOIRS
710259	DEPREC-HOUSE REGULATORS
710260	DEPREC-HOUSE REGULATORY
710310	DEPREC-COMMUNICATION EQ
710304	DEPREC-OFFICE EQUIPMENT
710309	DEPREC-POWER OPERATED E
710311	DEPREC-MISC EQUIP GAS
710292	DEPRECIATION EXP-NONREGU
710277	DEPRECIATION EXP-OTHER
710901	AMORT OF UTIL PAA-WATER
710901	AMORT OF UTIL PAA-SEWER
710901	AMORT OF UTIL PAA-GAS
720001	AMORT-ORGANIZATION
720002	AMORT-FRANCHISES
720003	AMORT-STRCT&IMPRV SRC S
720004	AMORT-STRCT&IMPRV WTP
720005	AMORT-STRCT&IMPRV DIST
720011	AMORT-STRCT&IMPRV GEN P
720030	AMORT-COLLECTING RESERV
720031	AMORT-LAKE, RIVER, OTHE
720017	AMORT-WELLS & SPRINGS
720018	AMORT-SUPPLY MAINS
720013	AMORT-POWER GEN EQP
720019	AMORT-ELEC PUMP EQP SRC
720020	AMORT-ELEC PUMP EQP WTP
720021	AMORT-ELEC PUMP EQP TRA
720022	AMORT-WATER TREATMENT E
720023	AMORT-DIST RESV & STAND
720024	AMORT-TRANS & DISTR MAI
720025	AMORT-SERVICE LINES
720026	AMORT-METERS
720027	AMORT-METER INSTALLS
720028	AMORT-HYDRANTS
720029	AMORT-BACKFLOW PREVENT
720034	AMORT-OTH PLT&MISC EQP
720034	AMORT-OTH PLT&MISC EQP
720034	AMORT-OTH PLT&MISC EQP
720034	AMORT-OTH PLT&MISC EQP
720032	AMORT-OFFICE STRUCTURE
720033	AMORT-OFFICE FURN/EQPT
720058	AMORT-STORES EQUIPMENT
720034	AMORT-TOOL SHOP & MISC
720052	AMORT-LABORATORY EQUIPM
720059	AMORT-POWER OPERATED EQ

## Contract No. CU11-2021-1

720060	AMORT-COMMUNICATION EQP
720034	AMORT-MISC EQUIPMENT
720035	AMORT-OTHER TANGIBLE PL
720036	AMORT-WATER-TAP
720037	AMORT-WTR MGMT FEE
720038	AMORT-WTR LINE EXT FEE
720039	AMORT-WTR RES CAP FEE
720040	AMORT-WTR PLT MOD FEE
720041	AMORT-WTR PLT MTR FEE
720001	AMORT-ORGANIZATION
720002	AMORT-FRANCHISES INTANG
720002	AMORT-FRANCHISES RCLM W
720006	AMORT-STRUCT/IMPRV COLL
720007	AMORT-STRUCT/IMPRV PUMP
720008	AMORT-STRUCT/IMPRV TREA
720009	AMORT-STRUCT/IMPRV RCLM
720010	AMORT-STRUCT/IMPRV RCLM
720011	AMORT-STRUCT/IMPRV GEN
720012	AMORT-POWER GEN EQUIP C
720016	AMORT-POWER GEN EQUIP P
720013	AMORT-POWER GEN EQUIP T
720014	AMORT-POWER GEN EQUIP R
720015	AMORT-POWER GEN EQUIP R
720042	AMORT-SEWER FORCE MAIN/
720043	AMORT-SEWER GRAVITY MAI
720044	AMORT-MANHOLES
720045	AMORT-SPECIAL COLL STRU
720046	AMORT-SERVICES TO CUSTO
720047	AMORT-FLOW MEASURE DEVI
720048	AMORT-FLOW MEASURE INST
720017	AMORT-RECEIVING WELLS
720049	AMORT-PUMP EQP PUMP PLT
720050	AMORT-PUMP EQP RCLM WTP
720051	AMORT-PUMP EQP RCLM DIS
720053	AMORT-TREAT/DISP EQUIP
720054	AMORT-TREAT/DISP EQUIP
720055	AMORT-TREAT/DISP EQUIP
720056	AMORT-PLANT SEWERS TRTM
720056	AMORT-PLANT SEWERS RCLM
720057	AMORT-OUTFALL LINES
720035	AMORT-OTHER PLT TANGIBL
720035	AMORT-OTHER PLT COLLECT
720035	AMORT-OTHER PLT PUMP
720035	AMORT-OTHER PLT TREATME



## Contract No. CU11-2021-1

720035	AMORT-OTHER PLT RCLM WT
720035	AMORT-OTHER PLT RCLM WT
720032	AMORT-OFFICE STRUCTURE
720033	AMORT-OFFICE FURN/EQPT
720058	AMORT-STORES EQUIPMENT
720034	AMORT-TOOL SHOP & MISC
720052	AMORT-LABORATORY EQPT
720059	AMORT-POWER OPERATED EQ
720060	AMORT-COMMUNICATION EQP
720034	AMORT-MISC EQUIP SEWER
720035	AMORT-OTHER TANGIBLE PL
720036	AMORT-SEWER-TAP
720037	AMORT-SWR MGMT FEE
720038	AMORT-SWR LINE EXT FEE
720039	AMORT-SWR RES CAP FEE
720040	AMORT-SWR PLT MOD FEE
720041	AMORT-SWR PLT MTR FEE
720001	AMORT-ORGANIZATION
720002	AMORT-FRANCHISES INTANG
720036	AMORT-GAS-TAP
720005	AMORT-STRUCT/IMPRV TRAN
720011	AMORT-STRUCT/IMPRV GEN
720018	AMORT-MAINS
720025	AMORT-SERVICE LINES
720026	AMORT-METERS
720027	AMORT-METER INSTALLATIO
720030	AMORT-RESERVOIRS
720061	AMORT-REUSE SERVICES
720027	AMORT-REUSE MTR/INSTALL
720062	AMORT-REUSE DIST RESERV
720063	AMORT-REUSE TRANSMISSION
710901	AMORT OF EXCESS BK VALUE

**TAXES OTHER THAN INCOME TAXES**

641100	FICA EXPENSE
642100	FEDERAL UNEMPLOYMENT TA
642200	STATE UNEMPLOYMENT TAX
643100	FRANCHISE TAX
643200	GROSS RECEIPTS TAX
643300	PERSONAL PROPERTY/ICT T
643700	PROPERTY/OTHER GENERAL
643400	REAL ESTATE TAX
643500	SALES/USE TAX EXPENSE
643600	SPECIAL ASSESSMENTS
643600	UTILITY/COMMISSION TAX

## Contract No. CUII-2021-1

INTEREST EXPENSE	
------------------	--

811001	L/T INT EXP \$50MM
811001	L/T INT EXP 20M 4.55%
811001	L/T INT EXP 20M 4.62
811001	L/T INT EXP \$41MM 8.42%
811001	L/T INT EXP TEACHERS IN
811001	L/T INT EXP \$180 M 7/06
811001	L/T INT EXP CUTX
811001	L/T INT EXP BK OF AMERI
811001	L/T INT EXP C&S NATL BK
811001	L/T INT EXP N C NATIONAL
811001	L/T INT EXP CENTURY 21
811001	L/T INT EXP IDS LIFE IN
811001	L/T INT EXP PRUDENTIAL
811001	L/T INT EXP FIRST UNION
811001	L/T INT EXP LINCOLN LIF
811001	L/T INT EXP 15M LINCOLN
811001	L/T INT EXP MORTGAGES
811001	L/T INT EXP DEBT DISC
811001	L/T INT EXP OTHER
811002	S/T INT EXP BANK ONE
811002	S/T INT EXP CUSTOMERS D
811002	S/T INT EXP CHARGES
811002	S/T INT EXP OTHER
811002	INT INC/EXP ON I/C NOTE
811002	S/T INT EXP C & S NATL
811002	S/T INT EXP NATIONS BAN
811002	S/T INT EXP FIRST UNION
811002	S/T INT EXP UTIL SUP AM
811002	S/T INT EXP MISC
814001	AMORT OF DEB & ACQ EXP

Balance Sheet Accounts

141101	Land and Rights General
141102	Land and Rights Pump
141103	Land and Rights Water
141104	Land and Rights Trans
141105	Land and Rights Intangible
141106	Land and Rights Collections
141107	Land and Rights Treatment
141108	Land and Rights Reclaim
141201	Organization
141202	Franchises
141203	Struct and Improv General Plant

## Contract No. CUII-2021-1

141204	Struct and Improv Service Supplies
141205	Struct and Improv Water Treat Plt
141206	Struct and Improv Trans Dist Plt
141207	Struct and Improv Collect Plant
141208	Struct and Improv Pump Plant
141209	Struct and Improv Treatment Plant
141210	Struct and Improv Reclaim WTP
141211	Struct and Improv Reclaim Wtr Dist
141215	Struct and Improv Distribution
141220	Struct and Improv Office
141221	Collecting Reservoirs
141222	Lake, River, Other Intakes
141223	Wells and Springs
141224	Infiltration Gallery
141225	Supply Mains
141226	Power Generation Equipment
141227	Electric Pump Equip Src Pump
141228	Electric Pump Equip WTP
141229	Electric Pump Equip Trans Dist
141230	Water Treatment Equipment
141231	Dist Resv and Standpipes
141232	Trans and Distr Mains
141233	Service Lines
141234	Meters
141235	Meter Installations
141236	Hydrants
141237	Backflow Prevention Devices
141238	Power Gen Equip Coll Plt
141239	Power Gen Equip Pump Plt
141240	Power Gen Equip Treat Plt
141241	Sewer Force Main
141242	Sewer Gravity Main
141243	Manholes
141244	Special Collection Structures
141245	Service to Customers
141246	Flow Measure Devices
141247	Flow Measure Install
141248	Receiving Wells
141249	Pumping Equip Pump Plt
141250	Pumping Equip Reclaim WTP
141251	Pumping Equip Rcl Wtr Dist
141252	Treat/Disp Equip Lagoon
141253	Treat/Disp Equip Trt Plt
141254	Treat/Disp Equip Rclm Wtr

## Contract No. CU11-2021-1

141255	Plant Sewers Treatment Plt
141256	Plant Sewers Reclaim Wtr
141257	Outfall Lines
141259	House Regulators
141261	Reuse Services
141262	Reuse Mtr/Installations
141263	Reuse Dist Reservoirs
141264	Reuse Transmission and Dist
141266	Maintenance Structure and Improv
141267	Other and Misc Equip Intangible Plt
141268	Other and Misc Equip Source Supply
141269	Other and Misc Equip WTP
141270	Other and Misc Equip Trans Dist
141271	Other Tangible Plant
141272	Other Plant Collection
141273	Other Plant Pump
141274	Other Plant Treatment
141275	Other Plant Reclaim Water Trt
141276	Other Plant Reclaim Water Dist
141277	Other Plant
141278	Plant Alloc
141292	Non-Utility Property
141293	Plant Held for Future Use
141303	Office Furniture
141304	Office Equipment
141305	Stores Equipment
141306	Lab Equipment
141307	Rental Equipment
141308	Tool Shop Equipment
141309	Power Operated Equipment
141310	Communications Equipment
141311	Misc Equipment
141401	Vehicles
141501	Computer Hardware
141502	Desktop/Laptop Computers
141503	Mainframe Computers
141504	Mini Comp Wtr
141601	Computer Software
141602	Comp Systems
141603	Micro Systems
142201	Acc Dep - Organization
142202	Acc Dep - Franchises
142203	Acc Dep - Struct and Improv General Plant
142204	Acc Dep - Struct and Improv Service Supplies

## Contract No. CU11-2021-1

142205	Acc Dep - Struct and Improv Water Treat Plt
142206	Acc Dep - Struct and Improv Trans Dist Plt
142207	Acc Dep - Struct and Improv Collect Plant
142208	Acc Dep - Struct and Improv Pump Plant
142209	Acc Dep - Struct and Improv Treatment Plant
142210	Acc Dep - Struct and Improv Reclaim WTP
142211	Acc Dep - Struct and Improv Reclaim Wtr Dist
142220	Acc Dep - Struct and Improv Office
142221	Acc Dep - Collecting Reservoirs
142223	Acc Dep - Wells and Springs
142224	Acc Dep - Infiltration Gallery
142225	Acc Dep - Supply Mains
142226	Acc Dep - Power Generation Equipment
142227	Acc Dep - Electric Pump Equip Src Pump
142228	Acc Dep - Electric Pump Equip WTP
142229	Acc Dep - Electric Pump Equip Trans Dist
142230	Acc Dep - Water Treatment Equipment
142231	Acc Dep - Dist Resv and Standpipes
142232	Acc Dep - Trans and Distr Mains
142233	Acc Dep - Service Lines
142234	Acc Dep - Meters
142235	Acc Dep - Meter Installations
142236	Acc Dep - Hydrants
142237	Acc Dep - Backflow Prevention Devices
142238	Acc Dep - Power Gen Equip Coll Plt
142239	Acc Dep - Power Gen Equip Pump Plt
142240	Acc Dep - Power Gen Equip Treat Plt
142241	Acc Dep - Sewer Force Main
142242	Acc Dep - Sewer Gravity Main
142243	Acc Dep - Manholes
142244	Acc Dep - Special Collection Structures
142245	Acc Dep - Service to Customers
142246	Acc Dep - Flow Measure Devices
142247	Acc Dep - Flow Measure Install
142248	Acc Dep - Receiving Wells
142249	Acc Dep - Pumping Equip Pump Plt
142250	Acc Dep - Pumping Equip Reclaim WTP
142251	Acc Dep - Pumping Equip Rcl Wtr Dist
142252	Acc Dep - Treat/Disp Equip Lagoon
142253	Acc Dep - Treat/Disp Equip Trt Plt
142254	Acc Dep - Treat/Disp Equip Rclm Wtr
142255	Acc Dep - Plant Sewers Treatment Plt
142256	Acc Dep - Plant Sewers Reclaim Wtr
142257	Acc Dep - Outfall Lines

## Contract No. CU11-2021-1

142259	Acc Dep - House Regulators
142261	Acc Dep - Reuse Services
142262	Acc Dep - Reuse Mtr/Installations
142263	Acc Dep - Reuse Dist Reservoirs
142264	Acc Dep - Reuse Transmission and Dist
142266	Acc Dep - Maintenance Structure and Improv
142267	Acc Dep - Other and Misc Equip Intangible Plt
142268	Acc Dep - Other and Misc Equip Source Supply
142269	Acc Dep - Other and Misc Equip WTP
142270	Acc Dep - Other and Misc Equip Trans Dist
142271	Acc Dep - Other Tangible Plant
142272	Acc Dep - Other Plant Collection
142273	Acc Dep - Other Plant Pump
142274	Acc Dep - Other Plant Treatment
142275	Acc Dep - Other Plant Reclaim Water Trt
142276	Acc Dep - Other Plant Reclaim Water Dist
142277	Acc Dep - Other Plant
142278	Acc Dep - Plant Alloc
142292	Acc Dep - Non-Utility Property
142293	Acc Dep - Plant Held for Future Use
142303	Acc Dep - Office Furniture
142304	Acc Dep - Office Equipment
142305	Acc Dep - Stores Equipment
142306	Acc Dep - Lab Equipment
142308	Acc Dep - Tool Shop Equipment
142309	Acc Dep - Power Operated Equipment
142310	Acc Dep - Communications Equipment
142311	Acc Dep - Misc Equipment
142401	Acc Dep - Vehicles
142501	Acc Dep - Computer Hardware
142502	Acc Dep - Desktop/Laptop Computers
142503	Acc Dep - Mainframe Computers
142504	Acc Dep - Mini Comp Wtr
142601	Acc Dep - Computer Software
142602	Acc Dep - Comp Systems
142603	Acc Dep - Micro Systems
170008	Regulatory Assets Being Amortized
170009	Rate Case Being Amortized
170010	Misc Regulatory COMM EX
170011	Rate Case Accum Amort
170012	Water Conservation REBA
181001	Def Chgs - Landscaping
181002	Def Chgs - Tank Maint and Repair
181003	Def Chgs - Relocation

## Contract No. CUII-2021-1

181004	Def Chgs - Attorney Fees
181005	Def Chgs - Hurricane/Storm
181006	Def Chgs - Other Water and Sewer
181007	Def Chgs - Multi Yr Testing
181008	Def Chgs - Sludge Hauling
181009	Def Chgs - Power Wash
181010	Def Chgs - TV Sewer Mains
181013	Def Chgs - Customer Relations
181015	Def Chgs - Other
181016	Def Chgs - Debt Issuance Costs
182001	Acc Amort - Def Chgs - Landscaping
182002	Acc Amort - Def Chgs - Tank Maint and Repair
182003	Acc Amort - Def Chgs - Relocation
182004	Acc Amort - Def Chgs - Attorney Fees
182005	Acc Amort - Def Chgs - Hurricane/Storm
182006	Acc Amort - Def Chgs - Other Water and Sewer
182007	Acc Amort - Def Chgs - Multi Yr Testing
182008	Acc Amort - Def Chgs - Sludge Hauling
182009	Acc Amort - Def Chgs - Power Wash
182010	Acc Amort - Def Chgs - TV Sewer Mains
182013	Acc Amort - Def Chgs - Customer Relations
182015	Acc Amort - Def Chgs - Other
182016	Acc Amort - Def Chgs - Debt Issuance Costs
194006	Other Non-Current Assets
223101	Accrued Taxes General
223102	Accrued Gross Receipts/CAT Tax
223103	Accrued Real Estate Property Tax
223105	Accrued Franchise Tax A
223106	Accrued Utility and Commission
223201	Accrued Franchise Tax B
223202	Accrued Adem / Adph
223203	Accrued Safe Drinking Water
223205	Accrued Sales Tax
223206	Accrued Use Tax
223207	Accrued County Tax A
223208	Accrued County Tax B
223209	Accrued City Tax A
223210	Accrued City Tax B
223211	Accrued Restoration Fund
223212	Accrued DEQ Permit
223502	Accrued State Income Tax
255001	Deferred Federal Tax Liabilities
255002	Deferred State Tax Liabilities
260001	Unamortized Investment Tax Credits

Contract No. CUII-2021-1

260003	NonQual - Deferred Compensation
260016	Due to Parent Deferred Credit
260017	Deferred Credits Other
260018	Reserve-Pend Reg Matter
260020	Reserve Liability - Cultus Country WasteWater CF



**AFFILIATE AGREEMENT  
APPENDIX B**

The formula used to calculate all allocations is as follows:

Expenses:

Active ERC count for operating company/Active ERC count for all Parent operating companies

Assets/Liabilities:

Active ERC Count for operating company/Active ERC count for all Parent operating companies

The purpose of these guidelines is to ensure that all employees are fully aware of the overall concept of capitalized time and to assist employees on the proper recording of capitalized time. Please contact Steve Lubertozzi, Jim Andrejko or Christine Kim with any questions or for assistance with items not specifically covered in this guide.

**Capitalized time** refers to internal labor costs directly related to a capital expenditure or a capital project. The “cost” of your salary and benefits associated with the time you worked on a capital item is allocated to that item and becomes part of its overall cost basis.

For example, if an operator earns \$40,000 in salary and benefits and records 50 hours of capitalized time related to a capital item, the amount of capitalized time would be \$961 calculated as follows:

Annual salaries and benefits	\$ 40,000
Total hours worked in one year	÷ 2,080
<hr/>	
Hourly cap time rate	19.58
Capitalized time recorded	× 50
<hr/>	
Capitalized time	\$ 961

Using the above example, by capturing 50 hours of capitalized time the operator reduced our salary and benefits expense by \$961 and increased our asset base by \$961. These hours are typically project specific, charged to a specific capital project or asset and tracked for each employee.

**Capital expenditures** refer to costs incurred to acquire physical assets which have a useful life that extends beyond one year. All costs incurred to bring an asset to the condition and location necessary for its intended use are capitalized. Also, costs incurred to upgrade an existing asset which extends its original estimated useful life are capitalized. Costs include contracted labor, internal direct labor (in the form of capitalized time), materials and indirect costs.

**Operating expenses** refer to ongoing costs incurred in the day-to-day operations of the business. Typical operating expenses are for items such as chemicals, office supplies, permits and maintenance. In addition, costs incurred to keep a capital asset in its normal operating condition that do not extend the useful life of the asset or increase the assets future service potential or functionality are expensed as incurred.

**Regulatory assets** primarily consist of costs related to the rate filing process, including capitalized time, for which we have received or expect to receive prospective rate recovery. These costs are deferred and amortized over the period of rate recovery.

**Deferred expenses** primarily consist of repair and maintenance costs incurred in jurisdictions where these expenditures may be deferred and amortized over the period of rate recovery.

### Following are Frequently Asked Questions and Answers Regarding Capitalized Time

Q: Can travel time be capitalized if you are working on a capital item (e.g.: to attend a new construction meeting)?

A: *Yes, but only if it is directly related to the project. Professional judgment must be used when recording travel time that may be considered excessive by a regulator.*

Q: Do I capitalize the time spent in transit to a meeting with someone to discuss a development in addition to the time in the meeting?

A: *If it is to discuss general development plans with no specific build out in mind (not yet considered to be a capital project), then no. However, if we are working with a developer who is preparing or currently working on a development or contiguous extension (considered to be a capital project) and you are working in connection with that development then, yes it should be capitalized.*

Q: If I replace a control panel or motor starter only, does that qualify as cap time?

A: *Yes.*

Q: Is changing out an existing meter or meter pit considered cap time?

A: *Yes.*

Q: Is the time spent designing automated answering trees and voicemail architecture for a new phone system considered cap time?

A: *No.*

Q: How many feet of replacement pipe are required before time can be capitalized?

A: *The cost of replacing pipe, regardless of length, is generally capitalized (including*

*the cost of surface repair such as paving and landscaping) and therefore, time related to this effort can be capitalized. When pipe is replaced, it typically requires two clamps, one at each end of the new pipe. A repair, on the other hand, would require only a single clamp. The costs of repairs are expensed as incurred and cap time would not be recorded.*

Q: If you spend several hours doing paperwork (POs) for a cap (such as a major main break or where you replaced a section of main), is this time also capped?

A: *General paperwork would not qualify as cap time, unless you are engaged in construction related activities (i.e., engineering, supervision, or construction) then yes.*

Q: Spending an hour procuring a pump for a well (whether a replacement for one that burned out, or new) - is that time capped?

A: *Yes.*

Q: Time spent purchasing tools that are considered capital assets (which could be a specialty pump) - is that time capped?

A: *Yes.*

Q: Cross Connection personnel: If they spend time in the field inspecting facilities or to confirm proper equipment has been installed in order to protect our facilities from possible contamination or backflow, etc., is this time capped?

A: *Inspection of previously installed assets should not be capitalized.*

Q: Should time be capitalized when installing or replacing water meters at a service point?

A: *Yes.*

Q: Should time be capitalized when replacing a chemical feed mixer motor (from time purchasing, removing and replacing with a new one)?

A: *Yes.*

Q: Should time be capitalized when installing an elder valve?

A: *Yes.*

Q: Should time be capitalized when taking video of a sewer main to locate a tap in order to install an elder valve?

A: *Yes.*

Q: At a new house under construction it is necessary to video the line in order to locate the sewer tap. Can we cap this time spent, and the contractor's expense?

A: *Yes.*

Q: Taking video of a sewer line (as a follow-up from a previous sewer blockage):

A: *If no problems are found no time is capitalized. If we do find a problem and have it fixed then yes.*

Q: An operator exchanges a meter. Is the time to input the meter exchange data into CC&B capped?

A: *Yes, regardless of who inputs the data.*

Q: Should time related to rate cases be capitalized?

A: *Yes.*

Q: Can I capitalize time related to divestments and acquisitions?

A: *No.*

Q: Can I capitalize time spent associated while a vendor is on-site performing work related to a capital project?

A: *It depends. If you are supervising or inspecting the work, then yes. If the vendor is working independent, then no.*

Q: Should time be capitalized if I paint a tank?

A: *Only if it is related to a capital project.*

Q: Can I capitalize time related to developer agreements?

A: *Yes because it would be related to a construction project.*

Q: What if I work on a capital project but a project code hasn't been set up in JDE?

A: *Record this capitalized time in JDE using Pay Type 5 – Capital Suspense. Include the project name or other relevant information in the "Member Description" field.*

Q: What types of items are not capitalized?

*A: Services performed that are incidental to your work, such as general overhead costs that would have been incurred without the capital. Work not directly related to the development or construction of the project, and time related to non-capital repairs and maintenance.*

**Examples of items that qualify for capitalization include the following, which is not an exhaustive list:**

Installing or replacing:

1. Water supply / wells - Actual drilling of new well, testing new wells, install new or replace drop pipe, well casing, clearing land for new well, acidizing or shocking well, fracking well and capping an abandoned well.
2. Water electrical equipment - Well pumps; booster pumps; motors; well meters (turbo); piping within pumping station, recording, switching, measuring equipment, telemetry and generators.
3. Water storage - Water towers, storage tanks, pneumatic tanks, pressure control valves, quick tap on tanks, chemical tanks, check valves, anti- siphon valves and backflow preventer major maintenance on tanks.
4. Water mains/construction - Blow offs, valve boxes; section of main replaced, major main breaks.
5. Water hydrants - Hydrants, manholes, valves for hydrants and tees at main for hydrants.
6. Water buildings - Water treatment building: fences, building, well houses, locks, storage buildings, pole barns, driveways and reroofing or siding building.
7. Water treatment - Chlorinator, mixers, chemical pumps, air compressors, filter system, chemical scales and softeners.
8. Meters - original installations and replacements.
9. Sewer treatment plant/construction - Weir boxes, pumps, contact basin, piping within station, blowers, flow meter/box, clarifier, chlorinator, travel bridge, rewind/rebuild motor, surge tank impellor replacement is a rebuild to a

- pump/motor, generator, electrical work building, fences, locks, storage buildings, driveways and reroofing or siding building.
10. Sewer mains/construction - Section of main replaced and major main breaks.
  11. Sewer manholes/construction - Sealing of manhole covers and raising of manholes.
  12. Sewer lift stations/construction - Pumping station, wet well and lift stations.
  13. Sewer Refuse - Transmission, distribution, pump stations, storage.
  14. Reuse - treatment, storage and transmission.
  15. Road or landscape restoration as it relates to an above activity.
  16. Master agreements.
  17. Costs associated with the administration of water rights.

**STIPULATION AND PARTIAL SETTLEMENT AGREEMENT AS TO RETURN ON EQUITY IN ANTICIPATION OF A REQUEST BY COMMUNITY UTILITIES OF INDIANA, INC. TO ESTABLISH NEW RATES AND CHARGES FOR WATER AND WASTEWATER UTILITY SERVICES**

This stipulation and partial settlement agreement as to return on equity (“ROE Settlement Agreement”) is entered into by the Petitioner in this Cause, Community Utilities of Indiana, Inc. (“CUII”); and the Indiana Office of Utility Consumer Counselor (“OUCC”). CUII and the OUCC are collectively referred to herein as the “Parties.” In the interest of efficiency, the Parties have discussed an appropriate return on equity (“ROE”) and have reached an agreement on an appropriate ROE to be used to establish CUII’s water and wastewater rates in this proceeding. Accordingly, the Parties stipulate and agree to the terms and conditions set forth below.

1. ROE. CUII's weighted cost of capital to be used to establish CUII water and wastewater utility rates in this proceeding shall be calculated assuming a return of 9.50% on shareholders' equity. To promote efficiency of this process and to avoid the expenditure of resources and rate case expense made unnecessary by this partial settlement, the Parties' settlement of this term was reached prior to CUII filing its case-in-chief and thus was (or will be) incorporated into the Parties' evidence. As will be noted in testimony, this ROE is within the range of reasonable return on equity levels recently approved by this Commission and other commissions in utility rate cases. This ROE Settlement Agreement does not address CUII’s capital structure, cost of debt, or overall weighted average cost of capital.

2. Rate Case Expense Related to CUII’s Expert ROE Consultant. The Parties agree that CUII should recover rate case expense associated with its ROE consultant engaged for this rate case for services rendered before the settlement was reached in principle, up to a cap of \$10,000. To the extent this amount will not have been fully recovered by the time CUII’s next rate order is issued, the anticipated unrecovered balance shall be added to the rate case expense of that rate case. This ROE Settlement Agreement does not address the remainder of CUII’s rate case expense, nor does it address the period of time over which CUII’s rate case expense should be amortized or create any other terms or treatment of the remainder of CUII’s anticipated rate case expense.

3. Sufficiency of the Evidence. The Parties anticipate their direct testimony and exhibits, along with this ROE Settlement Agreement, will constitute substantial evidence sufficient to support this ROE Settlement Agreement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this ROE Settlement Agreement.

4. Stipulation Effect, Scope and Approval. The Parties acknowledge and agree that (a) this ROE Settlement Agreement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to either party; (b) each term of this ROE Settlement Agreement is the result of negotiation in the settlement process and the agreement to any particular term shall not constitute an admission or waiver by any party in any other proceeding; (c) the ROE Settlement Agreement shall not be used as a precedent in any other proceeding or for any other purposes except to the extent provided for herein or to the extent necessary to implement or enforce its terms; (d) the communications and discussions of materials produced and exchanged during negotiation of the ROE Settlement Agreement relate to



the offers of settlement and are privileged, confidential, and inadmissible; and (e) the Parties will either support; or not oppose on rehearing, reconsideration, and/or appeal, an IURC order accepting and approving this ROE Settlement Agreement in accordance with its terms.

5. Parties Authorized to Execute Settlement Agreement. The undersigned represent and agree that each is fully authorized to execute this ROE Settlement Agreement on behalf of their designated companies and/or clients, who will be bound thereby.

COMMUNITY UTILITIES OF INDIANA, INC.

Date: November 30, 2021

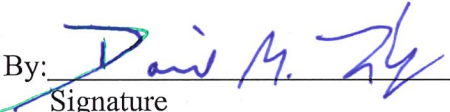
By:   
Signature

Steven Lubertozzi  
Printed Name

President  
Title

INDIANA OFFICE OF UTILITY CONSUMER  
COUNSELOR

Date: December 1, 2021

By:   
Signature

Daniel M. LeVay  
Printed Name

Deputy Consumer Counselor  
Title  
Indiana OUCC

RRA REGULATORY FOCUS

## Water utility cases trickle in; ROE authorizations remain below energy returns

Monday, November 1, 2021 12:57 PM ET

By Heike Doerr  
*Market Intelligence*

In the first nine months of 2021, seven water utility rate cases were completed; however, cost-of-capital parameters and authorized rate base were disclosed in only three of them. The average ROE in the proceedings completed in Connecticut, Iowa and New Jersey was 9.40%. Looking at the last 12 months ended Sept. 30, the average ROE authorized in water utility rate cases monitored by Regulatory Research Associates was 9.44%.

### The Take

- \* Authorized returns across the utility sector are at the lowest levels ever witnessed, and results over the past year reflect the interest rate cuts by the U.S. Federal Reserve and the recession induced by the COVID-19 pandemic.
- \* The average ROE in water utility rate cases completed nationwide year-to-date was just 9.4% below returns authorized for electric or natural gas utilities.
- \* For electric distribution-only utilities, the average ROE authorized in the first nine months of 2021 was 9.51%, compared to 9.10% in 2020. The average ROE authorized gas utilities was 9.54% in cases decided in the first nine months of 2021, versus 9.46% in full year 2020.

In 2020, only seven water utility rate cases were completed with an average authorized return on equity of 9.04%. Excluding a punitive equity return authorization of 7.46% in a South Carolina proceeding, the 2020 water utility average ROE would be 9.36%. During 2019, 13 water utility rate cases were completed, with traditional cost-of-capital parameters disclosed in just six cases; the average ROE approved in these cases was 9.63%.

## Water utility rate case decisions – LTM to Sept. 30, 2021

Date	Company	State	ROR (%)	ROE (%)	Common equity as percentage of capital	Rate base (\$M)	Test year end
10/28/20	New Jersey American Water Co.	NJ	7.03	9.60	54.56	3,573	6/20
10/26/20	Aqua North Carolina	NC	6.81	9.40	50.00	237	9/19
11/06/20	Virginia American Water Co.	VA	NA	NA	NA	183	4/19
12/03/20	California Water Co.	CA	NA	NA	NA	NA	12/20
02/25/21	Pennsylvania American Water Co.	PA	NA	NA	NA	NA	12/22
04/07/21	Missouri American Water Co.	MO	NA	NA	NA	NA	12/20
04/30/21	SUEZ Water Idaho	ID	NA	NA	NA	NA	6/20
05/19/21	SUEZ Water New Jersey	NJ	7.13	9.60	54.00	1,256	3/21
06/22/21	Aqua Virginia	VA	NA	NA	NA	NA	3/20
06/28/21	Iowa American Water	IA	7.70	9.60	52.28	145	6/22
07/28/21	Connecticut Water Co.	CT	6.47	9.00	52.73	541	12/19
<b>LTM</b>	<b>Average rate award</b>		<b>7.03</b>	<b>9.44</b>	<b>52.71</b>		

As of Oct. 28, 2021.

NA = not applicable or not available; LTM = last 12 months

ROR = return on rate base

Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

### Recent decisions

**Connecticut** — In a July decision, the Connecticut Public Utilities Regulatory Authority, or PURA, authorized a \$5.2 million, or 5.06%, rate increase for Connecticut Water Inc., a subsidiary of SJW Group. The rate increase was based on a 9.0% return on equity (52.73% of capital) and 6.465% return on rate base of \$540.8 million for a test year ended Dec. 31, 2019. The 9.0% ROE authorized includes a 0.15% premium related to flotation costs. PURA denied the company's request — pursuant to Conn. Gen. Stat. §16-262s — for a 50-basis-points adder to its ROE for acquiring and taking over the operation of 60 small water systems.

On Jan. 15, the company requested a \$20.2 million, or 19.9%, rate increase, which included rolling \$6.0 million of its existing Water Infrastructure and Conservation Adjustment into base rates. The rate request was premised upon a 10.4% return on equity (52.68% of capital) and a 7.11% return on rate base of \$566.6 million for a test year ended Dec. 31, 2019.

**Iowa** — In a June 28 decision in a small litigated proceeding, the Iowa Utilities Board authorized Iowa American Water Co., or IAWC, a \$2.3 million rate increase based on a 9.6% return on equity (52.28% of capital) and a 7.7% return on average rate base of \$145 million for a June 30, 2022, test year. IAWC initially filed for a \$2.8 million rate increase in August 2020 based on a 10.5% return on equity (52.28% of capital) and an 8.17% return on average rate base of \$145 million for a June 30, 2022, test year.

IAWC is a subsidiary of American Water Works Co. Inc.

**New Jersey** — In a May 19 order, the New Jersey Board of Public Utilities adopted a settlement for SUEZ Water New Jersey Inc. The agreement approved by the BPU authorized the company a \$16.4 million, or 5.51%, rate increase based on a 9.6% return on equity (54% of capital) and a 7.13% return on year-end rate base valued at \$1.256 billion for a test year ended March 31, 2021. The authorized ROE is consistent with the returns authorized by the BPU in recent electric and gas utility rate proceedings.

On Nov. 23, 2020, SUEZ filed for a \$35.5 million, or 12.0%, rate increase based on a 10.2% return on equity (54% of capital) and a 7.46% return on year-end rate base valued at \$1.257 billion for a test year ended March 31, 2021.

SUEZ New Jersey is a subsidiary of SUEZ Water NA.

### ROEs associated with infrastructure surcharges

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**Pennsylvania** — On Oct. 7, in the context of a quarterly utility earnings review, the Pennsylvania Public Utility Commission established the proxy returns on equity to be used by electric, gas and water utilities for the purposes of calculating the revenue requirements for the prospective quarterly adjustments under the utilities' distribution system improvement charges. The PUC maintained ROEs of 9.45% for electric utilities and 10.2% for gas utilities and lowered the ROE for water utilities by 5 basis points, to 9.80%.

**Virginia** — Although an approved settlement for Aqua Virginia Inc. did not authorize a specific return on equity for the proceeding, the June 22 order stated that a return on equity of 9.3% would be used for subsequent earnings tests and any filing regarding the company's infrastructure surcharge mechanism.

### **Comparison to electric, natural gas utilities**

For electric distribution-only utilities, the average ROE authorized in the first nine months of 2021 was 9.51%, compared to 9.10% in 2020. There were only four distribution-only rate cases completed during the current period, compared to 15 in 2020.

The average ROE authorized gas utilities was 9.54% in cases decided in the first nine months of 2021, versus 9.46% in full year 2020. Twenty-six gas cases included an ROE determination in the first nine months of 2021, versus 34 gas cases in full-year 2020.

Authorized returns across the utility sector are at the lowest levels ever witnessed, and results over the past year reflect the interest rate cuts by the U.S. Federal Reserve and the recession induced by the COVID-19 pandemic. Given the focus on customers' ability to pay and the need to maintain universal service as the pandemic drags on, regulators may be more apt to further lower authorized ROEs to mitigate the level of bill increases that result from recovery of pandemic-related costs. These considerations could be further complicated if the Biden administration were to roll back the 2017 corporate tax reform initiatives.

## Average ROEs authorized 2010-2020

Year	Period	Water utilities		Electric utilities **		Gas utilities	
		ROE (%)	No. of observations *	ROE (%)	No. of observations *	ROE (%)	No. of observations *
2010	Full year	10.18	25	9.98	17	10.15	39
2011	Full year	10.04	8	9.85	12	9.92	16
2012	Full year	9.90	21	9.75	12	9.94	35
2013	Full year	9.73	11	9.37	9	9.68	21
2014	Full year	9.59	13	9.49	13	9.78	26
2015	Full year	9.76	11	9.17	6	9.60	16
2016	Full year	9.71	9	9.31	12	9.54	26
2017	Full year	9.56	9	9.43	14	9.72	24
2018	Full year	9.43	17	9.38	16	9.59	40
	1st quarter	9.57	3	9.42	3	9.55	4
	2nd quarter	9.70	2	NA	0	9.73	3
	3rd quarter	9.80	1	9.60	2	9.80	3
	4th quarter	NA	0	9.17	3	9.73	22
2019	Full year	9.63	6	9.37	8	9.71	32
	1st quarter	8.48	2	9.07	5	9.35	9
	2nd quarter	9.50	1	9.40	2	9.55	3
	3rd quarter	9.20	1	9.60	1	9.52	8
	4th quarter	9.50	2	8.97	7	9.47	14
2020	Full year	9.04	6	9.10	15	9.46	34
	1st quarter	NA	0	NA	0	9.71	10
	2nd quarter	9.60	2	9.42	2	9.48	6
	3rd quarter	9.00	1	9.60	2	9.40	10
2021	Full year	9.40	3	9.51	4	9.54	26

As of Oct. 28, 2021.

\* Number of observations identifies the number of ROE data points available, not the number of rate cases completed.

\*\* Electric ROE includes distribution-only rate proceedings.

Source: Regulatory Research Associates, a group within S&P Global Market Intelligence

For additional details on electric and natural gas utility rate decisions, refer to Average authorized gas ROE slightly up; electric largely unchanged.

*Regulatory Research Associates is a group within S&P Global Market Intelligence.*

*RRA evaluates water utility regulation in 25 state jurisdictions and monitors rate proceedings involving rate change requests of \$1.0 million or greater.*

*For a complete, searchable listing of RRA's in-depth research and analysis, please go to the S&P Capital IQ Pro Energy Research Library.*

*This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.*

October 29, 2021

Dana Kosco  
Secretary of the Commission  
Indiana Utility Regulatory Commission  
101 West Washington Street  
Suite 1500 East  
Indianapolis, IN 46204

Re: Notice of Intent to File a Water/Wastewater Rate Case

Dear Secretary Kosco:

Pursuant to Indiana Utility Regulatory Commission General Administrative Order 2013-5, Community Utilities of Indiana, Inc. provides notice of its intent to file a water/wastewater rate case on or after November 30, 2021.

Sincerely,



Steven Lubertozi

Copies to:

William Fine, Indiana Office of Utility Consumer Counselor, via electronic delivery  
Dan LeVay, via electronic delivery  
Nikki Shoultz, via electronic delivery

**Attachment SML-6**

Proofs of Publication of Notice (to be late-filed)

**Attachment SML-7**

Bill Insert Provided to Customers (to be late-filed)



**Attachment SML-8**

Verified Petition (filed separately)