

FILED
June 21, 2024
**INDIANA UTILITY
REGULATORY COMMISSION**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF CITIZENS)
WATER OF WESTFIELD, LLC FOR (1))
AUTHORITY TO INCREASE RATES AND)
CHARGES FOR WATER UTILITY)
SERVICE AND APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES; (2))
AUTHORITY TO IMPLEMENT AND)
APPROVAL OF A SYSTEM)
DEVELOPMENT CHARGE; AND (3))
APPROVAL OF CERTAIN REVISIONS TO)
ITS TERMS AND CONDITIONS)
APPLICABLE TO WATER UTILITY)
SERVICE.)**

CAUSE NO. 46020

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

June 21, 2024

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1 – Testimony of Carla F. Sullivan on behalf of the OUCC* has been served upon the following captioned proceeding by electronic service on June 21, 2024.

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TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 46020
CITIZENS WATER OF WESTFIELD, LLC

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Carla F. Sullivan, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as
6 a Utility Analyst in the Water/Wastewater Division. My qualifications are set forth
7 in Appendix "A."

8 **Q: What is the purpose of your testimony?**

9 A: Citizens Water of Westfield, LLC ("CWW" or "Petitioner") requested an overall
10 increase to its rates and charges of 26.57% for an increase in operating revenues of
11 \$3,780,221. CWW proposed this increase be based on a forward-looking test year
12 and a fair value rate base and be implemented in two phases. The purpose of my
13 testimony is to present the overall results of the OUCC's analysis of Petitioner's
14 proposed revenue increase. Based on Petitioner's proposal to utilize a fair value
15 rate base, the OUCC determined that if fair value ratemaking is properly applied,
16 the result is an overall revenue decrease of \$784,541, a 5.53% rate decrease.

17 I present the OUCC's accounting schedules and related workpapers, which
18 incorporate my adjustments and the recommendations of other OUCC witnesses. I
19 discuss the determination of fair value rate base, as based on Petitioner's

1 Replacement Cost New Less Depreciation (“RCNLD”) study and propose an
2 adjustment to Petitioner’s calculation of the accumulated depreciation of its fair
3 value rate base. I also present Petitioner’s capital structure. I explain the OUCC’s
4 recommended fair rate of return on Petitioner’s fair value rate base using the
5 weighted average cost of capital (“WACC”) adjusted to remove the doubling
6 effects of inflation. I also present the fair rate of return that would result from
7 applying CWW’s unadjusted WACC to its original cost rate base. I explain the
8 OUCC’s recommended depreciation expense. I accept Petitioner’s proposal to
9 exclude the amortization of contributions in aid of construction (“CIAC”) for
10 ratemaking purposes and discuss the OUCC’s recommended process to implement
11 the proposed phased-in rate increases. I recommend approval of the
12 recommendations by OUCC witnesses Compton, Dellinger, and Seals, including
13 Mr. Compton’s recommendations regarding rate case expense. Finally, I explain
14 and present the OUCC’s recommended \$1,650 system development charge
15 (“SDC”).

16 **Q: What review and analysis did you perform?**

17 A: I reviewed CWW’s petition and the testimony Petitioner filed. I also reviewed the
18 various schedules and workpapers Petitioner filed with its case-in-chief and
19 CWW’s Indiana Utility Regulatory Commission (“Commission”) Annual Reports
20 from 2014 through 2023. I prepared discovery questions and reviewed Petitioner’s
21 responses to gain a better understanding of the operations and relief sought in this
22 Cause. Finally, I reviewed the testimony and final orders of multiple cases
23 including (1) Cause No. 45039 (Citizens Energy Group’s Depreciation Study); (2)

1 Cause No. 44273 (Citizens Water of Westfield); and (3) Cause No. 45800
2 (Petitioner's merger with Citizens of South Madison).

3 **Q: What attachments, workpapers, and schedules are submitted with your**
4 **testimony?**

5 A: Appendix B lists each of my workpapers and attachments. I sponsor the following
6 accounting schedules on behalf of the OUCC:

7 Schedule 1 – Comparison of Overall Revenue Requirement (page 1)
8 Comparison of Phased-in Revenue Requirement (pages 2-3)
9 Gross Revenue Conversion Factor (page 4)
10 Comparison of Income Statement Adjustments (page 5)

11 Schedule 2 – Comparative Balance Sheet as of June 30, 2022 and 2023

12 Schedule 3 – Comparative Income Statement for the Twelve Months Ended
13 June 30, 2022 and 2023

14 Schedule 4 – *Pro Forma* Net Operating Income Statement – Phase 1 and Phase 2

15 Schedule 5 – OUCC Revenue Adjustments (Not Used)¹

16 Schedule 6 – OUCC Expense Adjustments

17 Schedule 7 – Fair Value Rate Base²

18 Schedule 8 – Capital Structure and Weighted Average Cost of Capital

19 **Q: If you do not discuss a specific topic or adjustment, does that mean you agree**
20 **with Petitioner?**

21 A: No. It is neither practical nor reasonable for me or the OUCC's other witnesses to
22 testify on every issue, item, or adjustment presented in Petitioner's testimony,
23 exhibits, work papers, or discovery responses. Petitioner's case-in-chief addresses
24 a broad and significant number of issues, while my testimony addresses a subset of
25 the issues. Its scope is strictly limited to the specific items I address.

¹ The OUCC accepted Petitioner's operating revenue adjustments and had no additional recommended adjustments to present; therefore, no Schedule 5 is presented.

² See also OUCC Attachment CFS-1 for the OUCC's determination of original cost rate base.

II. OVERALL REVENUE REQUIREMENT

A. Overview of Petitioner's Case

1 **Q: What revenue increase does Petitioner seek in this Cause?**

2 A: Petitioner seeks an overall 26.57% rate increase generating \$3,780,221 of
3 additional revenue per year. Petitioner's proposed revenue increase is based on a
4 forward-looking test year that is the 12-month period ending June 30, 2025. The
5 historic base period used by Petitioner is the same twelve-month period ending June
6 30, 2023.

7 **Q: How does Petitioner propose to implement its proposed revenue increase?**

8 A: Petitioner proposes the authorized rate increase be implemented in two phases with
9 a Phase 1 rate increase of 21.62% (additional revenue of \$3,076,070) and a Phase 2
10 rate increase of 3.99% (additional revenue of \$704,151). Phase 1 would be
11 implemented upon the issuance of a final order in this case. Phase 2 would be
12 implemented on July 1, 2025.

13 **Q: How were Petitioner's proposed rates and charges determined?**

14 A: CWW inherited its existing rate structure from the City of Westfield when
15 Petitioner acquired the water utility assets; therefore, CWW conducted a cost-of-
16 service study ("COSS") to determine the cost to serve each of its customer classes
17 and the effectiveness of its current rate design. Based on Petitioner's COSS, the
18 residential class has been subsidizing the non-residential class customers. Petitioner
19 proposes to eliminate this subsidy by gradually increasing the fixed meter charge
20 for meters 1" and larger in Phases 1 and 2. (See Petitioner's Exhibit No. 7, page 26
21 – 27.)

1 **Q: Did Petitioner present an original cost rate base as of June 30, 2025?**

2 A: Yes. Petitioner calculated an original cost rate base as of June 30, 2025, of
3 \$76,493,149. (See Petitioner's Attachment CAJ-4.)

B. Overview of OUCC's Case

4 **Q: What overall revenue increase does the OUCC recommend?**

5 A: Based on the OUCC's review and analysis, and using a fair value rate base, the
6 OUCC recommends an overall \$784,451 revenue decrease, or a 5.53% rate
7 decrease. Table CFS-1 compares Petitioner's proposed revenue requirement with
8 the OUCC's recommendation. (See also OUCC Schedule 1, page 1 of 5.)

Table CFS-1: Overall Revenue Increase Comparison

	<u>Per Petitioner</u>	<u>Per OUCC</u>			<u>OUCC More (Less)</u>
		<u>Original Cost</u>	<u>Fair Value</u>	<u>Total</u>	
Fair Value Rate Base	\$ 89,890,020	\$ 13,264,033	\$ 58,180,361	\$ 71,444,394	\$ (18,445,626)
Times: Weighted Average Cost of Capital	7.86%	7.01%	3.45%		
Net Operating Income Required for Return on Rate base	7,070,404	\$ 929,809	\$ 2,007,222	2,937,031	(4,133,373)
Less: Adjusted Net Operating income	3,304,048			3,718,583	414,535
Net Revenue Requirement	3,766,356			(781,552)	(4,547,908)
Gross Revenue Conversion Factor	100.3681%			100.3710%	0.0029%
Recommended Revenue Increase	<u>\$ 3,780,221</u>			<u>\$ (784,451)</u>	<u>\$ (4,564,672)</u>
Recommended Percentage Increase	<u>26.57%</u>			<u>-5.53%</u>	<u>-32.10%</u>

9 **Q: Does the OUCC present an original cost rate base as of June 30, 2025?**

10 A: Yes. The OUCC calculated an original cost rate base as of June 30, 2025, of
11 \$57,926,623 (See OUCC Attachment CFS-1).

12 **Q: What overall revenue increase would the OUCC recommend based on an
13 original cost rate base?**

14 A: The OUCC would recommend an overall \$343,342 revenue increase, or a 2.42%
15 rate decrease. (See OUCC Attachment CFS-1, Schedule 1.)

III. RATE BASE

A. Rate Base Presentation

1 **Q: How does Petitioner present the various components of its proposed rate base?**

2 A: Petitioner separates its proposed rate base into two distinct categories. Assets that
3 existed as of December 31, 2011, are categorized as Pre-2012 Assets and valued at
4 original cost. Assets acquired after December 31, 2011, are categorized as Post-
5 2011 Assets. The assets in the Post-2011 category that were acquired during the
6 period January 1, 2012, through June 30, 2023, are reflected at fair value based
7 upon Petitioner's RCNLD study. Assets that are projected to be added to the system
8 during the period July 1, 2023, through June 30, 2025, are reflected at original cost.

9 **Q: Why is the separation of Pre-2012 Assets and Post-2011 Assets necessary?**

10 A: The Settlement Agreement in Cause No. 44273 states all assets in existence as of
11 December 31, 2011, are valued at \$12,470,000 with an additional \$6,960,000 fair
12 value increment, resulting in a total asset value of \$19,430,000. Additionally, the
13 Settlement Agreement stipulates that if Petitioner seeks a fair rate of return in future
14 rate cases, the fair value of assets in existence as of December 31, 2011, cannot
15 exceed \$21,581,800; therefore, Petitioner properly separated the assets in existence
16 as of December 31, 2011, from assets added to the system after December 31, 2011.

17 **Q: Do you present the OUCC's recommended fair value rate base in the same**
18 **manner?**

19 A: No. While the OUCC agrees with Petitioner's differentiation between Pre-2012 and
20 Post-2011 Assets, the OUCC categorizes its recommended fair value rate base
21 between (1) Original Cost (Pre-2012 Assets and assets Petitioner projects will be

1 added to the system after June 30, 2023); and (2) Fair Value (Post-2011 Assets
2 acquired between January 1, 2012, and June 30, 2023).

B. Petitioner's Proposed Fair Value Rate Base

3 **Q: What fair value rate base does Petitioner propose in this Cause?**

4 A: Petitioner proposes a fair value rate base of \$82,057,254 for the base period,
5 \$88,355,069 for Phase 1, and \$89,890,020 for Phase 2.³ Table CFS-2 presents
6 Petitioner's proposed fair value rate base as of June 30, 2025 (Phase 2).

Table CFS-2: Petitioner's Phase 2 Proposed Fair Value Rate Base

	<u>Pre-2012</u> <u>Assets</u>	<u>Post-2011</u> <u>Assets</u>	<u>Total</u>
UPIS as of 06/30/2023, net	\$ 15,564,305	\$ 73,574,379	\$ 89,138,684
Add: Shared Services Assets, net		1,234,415	1,234,415
CWIP Placed in Service, net		15,341,519	15,341,519
Additional Depreciation	(1,711,446)	(5,861,499)	(7,572,945)
Pre-Settlement Original Cost	(8,997,014)		(8,997,014)
Unamortized Fair Value	<u>5,345,823</u>		<u>5,345,823</u>
Total Fair Value Rate Base at June 30, 2025	<u>\$ 10,201,668</u>	<u>\$ 84,288,814</u>	<u>\$ 94,490,482</u>
Adjustment: Remove Per-2012 CIAC	(4,600,463)		(4,600,463)
Rate Base as Stated in CLJ-4	<u><u>\$ 5,601,205</u></u>	<u><u>\$ 84,288,814</u></u>	<u><u>\$ 89,890,020</u></u>

C. OUCC's Recommended Fair Value Rate Base

7 **Q: Does the OUCC accept CWW's proposed fair value rate base?**

8 A: No. While the OUCC generally accepts Petitioner's methodology for determining
9 the fair value of its assets, the OUCC disagrees with Petitioner's determination of
10 accumulated depreciation on the assets included in its RCNLD study. The OUCC

³ See Petitioner's Attachment CLJ-4. Note: These are the rate base values Petitioner uses in its revenue requirement calculation. Petitioner's MSFR workpaper *170 IAC 1-5-9(3) Proposed Rate Base* reflects different fair value rate base amounts. It appears the amounts in this workpaper incorrectly include \$4,600,463 of CIAC amortization.

1 also disagrees with Petitioner's inclusion in rate base of certain capital asset
 2 projects Petitioner added to rate base during the linking period and the forward-
 3 looking test year.

4 **Q: What fair value rate base does the OUCC recommend in this Cause?**

5 A: I recommend a fair value rate base of \$66,271,346 for the base period, \$71,299,563
 6 for Phase 1, and \$71,444,394 for Phase 2. Table CFS-3 presents the OUCC's fair
 7 value rate base as of June 30, 2025 (Phase 2).

Table CFS-3: OUCC's Recommended Fair Value Rate Base

	<u>Original Cost</u>	<u>Fair Value</u>	<u>Phase 2 Total</u>
Plant in service as of June 30, 2025	\$ 89,261,732	\$ 177,825,781	\$ 267,087,513
Retirements from UPIS	(1,804,715)		(1,804,715)
Accumulated Depreciation	(24,434,432)	(23,410,747)	(47,845,179)
Retirements from Accumulated Depr.	1,804,715		1,804,715
Net UPIS at June 30, 2023	<u>\$ 64,827,300</u>	<u>\$ 154,415,034</u>	<u>\$ 219,242,334</u>
Adjustments:			
Contributions In Aid of Construction	(41,441,854)	(96,234,673)	(137,676,527)
Customer Advances	(6,122,066)		(6,122,066)
Pre-Settlement Original Cost Adj.	(8,997,014)		(8,997,014)
Fair Value Adjustment	<u>4,997,667</u>		<u>4,997,667</u>
Fair Value Rate Base at June 30, 2025	<u>\$ 13,264,033</u>	<u>\$ 58,180,361</u>	<u>\$ 71,444,394</u>

8 **Q: Did you value Petitioner's assets in the same way that Petitioner proposed?**

9 A: I used original cost to value Pre-2012 Assets and projected net utility plant in
 10 service additions during Phases 1 and 2. To value Assets acquired between January
 11 1, 2012, and June 30, 2023 (Post-2011 Assets), I used Petitioner's RCNLD
 12 workpapers and applied different depreciation rates as discussed below.

D. Utility Plant in Service

1 **Q: What level of utility plant in service does Petitioner propose for the base**
2 **period, Phase 1 and Phase 2?**

3 A: Petitioner proposes fair value utility plant in service of \$221,648,802 for assets in
4 service as of June 30, 2023 (base period). Net additions to utility plant in service
5 are projected to be \$25,064,912 in Phase 1 and \$18,505,213 in Phase 2. As of
6 June 30, 2025, Petitioner proposes fair value utility plant in service of
7 \$265,218,927.

Table CFS-4: Petitioner’s Original Cost and Fair Value Comparison

	<u>Pre-2012</u>	<u>Post-2011</u>	<u>Future Additions</u>	<u>Total</u>
<i>Fair Value</i>				
UPIS as of June 30, 2023	\$ 43,823,021	\$ 177,825,781	\$ -	\$ 221,648,802
UPIS as of June 30, 2024	43,823,021	177,825,781	25,064,912	246,713,714
UPIS as of June 30, 2025	43,823,021	177,825,781	18,505,213	265,218,927
<i>Original Cost</i>				
UPIS as of June 30, 2023	\$ 43,823,021	\$ 131,107,167	\$ -	\$ 174,930,188
UPIS as of June 30, 2024	43,823,021	131,107,167	25,064,912	199,995,100
UPIS as of June 30, 2025	43,823,021	131,107,167	18,505,213	218,500,313

8 **Q: Does the OUCC accept Petitioner’s proposed fair value utility plant in service**
9 **of \$265,218,929?**

10 A: No. The OUCC agrees with Petitioner’s inclusion of all its proposed asset additions
11 except for (1) \$903,000 of costs related to the 146th Street main extension (Project
12 #48CY05691) and (2) \$1,732,500 of costs related to “private development”
13 projects for FY24 and FY25 (Project Nos. 48RI04653 and 48RI04654). In total,
14 Petitioner proposed \$43,570,127 in net asset additions (\$25,064,912 (Phase 1) +
15 \$18,505,213(Phase 2)). After excluding these projects, the OUCC accepts

1 \$23,419,414⁴ of net asset additions in Phase 1 and \$17,515,213 of⁵ net asset
2 additions in Phase 2. As of June 30, 2025, the OUCC recommends fair value utility
3 plant in service of \$262,583,429.

Table CFS-5: OUCC’s Original Cost and Fair Value Comparison

	<u>Original Cost</u>	<u>Fair Value</u>	<u>Future Additions</u>	<u>Total</u>
<i>Fair Value</i>				
UPIS as of June 30, 2023	\$ 43,823,021	\$ 177,825,781	\$ -	\$ 221,648,802
UPIS as of June 30, 2024	43,823,021	177,825,781	23,419,414	245,068,216
UPIS as of June 30, 2025	43,823,021	177,825,781	17,515,213	262,583,429
<i>Original Cost</i>				
UPIS as of June 30, 2023	\$ 43,823,021	\$ 131,107,167	\$ -	\$ 174,930,188
UPIS as of June 30, 2024	43,823,021	131,107,167	23,419,414	198,349,602
UPIS as of June 30, 2025	43,823,021	131,107,167	17,515,213	215,864,815

4 **Q: Which OUCC witness discusses why the OUCC opposes including 146th Street**
5 **main extension project in rate base?**

6 A: OUCC Witness Carl N. Seals explains in his testimony why this component of the
7 Cherry Tree clearwell expansion project should be excluded from rate base in this
8 case. (See Public’s Exhibit No. 4, pages 13 – 17.)

9 **Q: Why does the OUCC oppose Petitioner’s proposal to include “private**
10 **development” costs in rate base?**

11 A: Petitioner projected \$742,500 of costs related to “private development” in Phase 1
12 and \$990,000 in Phase 2. According to Petitioner, these costs include pre-plan
13 submittal support, developer plan review services, and developer construction

⁴ \$24,931,109 Additions - \$1,511,695 Retirements = \$23,419,414 Net Additions.

⁵ \$17,573,413 Additions - \$58,200 Retirements = \$17,515,213 Net Additions.

1 inspection services (Petitioner's Exhibit No. 4, pages 18 – 19). While the OUCC
2 agrees these costs are not unusual costs associated with the extension of water
3 service to developments, the OUCC disagrees that these costs should be included
4 in rate base increasing the rates to be paid by all customers. These costs are incurred
5 to provide service to new customers. Consistent with the ratemaking principle that
6 "growth should pay for growth," these costs should be borne by the applicants for
7 new service, not existing customers; therefore, the OUCC recommends these costs
8 be excluded from rate base.

9 **Q: How should Petitioner recover the costs incurred for private development**
10 **projects?**

11 A: These costs should be recovered from developers by imposing a fee or other
12 mechanism.

E. Accumulated Depreciation

1. Petitioner's Proposal

13 **Q: What level of fair value accumulated depreciation does Petitioner propose for**
14 **the base period, Phase 1, and Phase 2?**

15 A: Petitioner proposed a fair value accumulated depreciation of \$33,717,242 for the
16 base period, \$38,639,926 for Phase 1, and \$43,660,390 for Phase 2. Petitioner did
17 not present a fair value rate base schedule that reflects each component. To
18 determine the amount of accumulated depreciation, it was necessary for me to pull
19 many values from several workpapers. I show the values and the sources of those
20 values in OUCC wp – Petitioner's Rate Base.

1 **Q: How did Petitioner determine its proposed fair value accumulated**
2 **depreciation for assets placed in service before 2012 (Pre-2012 Assets)?**

3 A: Petitioner started with the \$20,490,985 original cost accumulated depreciation
4 balance related to Pre-2012 Assets as of June 30, 2023 (base period). Petitioner then
5 calculated additional accumulated depreciation for Phase 1 and Phase 2 using the
6 2016 depreciation rates the Commission approved in Cause No. 45039.

7 **Q: How did Petitioner determine its proposed fair value accumulated**
8 **depreciation for assets placed in service after 2011 (Post-2011 Assets)?**

9 A: Petitioner applied the 2.0% composite depreciation rate to each asset in the Post-
10 2011 Asset category for each year from January 1, 2012, through December 31,
11 2016. Petitioner then applied the applicable 2016 depreciation accrual rate to each
12 asset in the Post-2011 Asset category for each year from January 1, 2017, through
13 December 31, 2023 (base period). For Phase 1 and Phase 2, Petitioner also used the
14 2016 depreciation rates.

15 **Q: How did CWW determine its fair value proposed accumulated depreciation**
16 **for Petitioner's projected net asset additions in Phase 1 and Phase 2?**

17 A: For projected asset additions in Phases 1 and 2, Petitioner used the approved 2016
18 depreciation rates.

19 **Q: What methodology did Petitioner use to determine its proposed Phase 1 and**
20 **Phase 2 accumulated depreciation?**

21 A: Petitioner used the same methodology it used for the base period, including the use
22 of the approved 2016 depreciation accrual rates for both Phases 1 and 2.

2. OUCR Recommendation

1 **Q: Do you accept Petitioner's proposed fair value accumulated depreciation?**

2 A: No. I accept the methodology Petitioner used to determine its proposed fair value
3 accumulated depreciation in the base period and in Phases 1 and 2. However,
4 Petitioner did not use the appropriate depreciation accrual rates to determine its
5 proposed fair value accumulated depreciation.

6 **Q: Why are the depreciation accrual rates Petitioner used inappropriate?**

7 A: As discussed above, Petitioner used the depreciation accrual rates from its 2016
8 depreciation study that the Commission approved in Cause No. 45039 to determine
9 accumulated depreciation in the base period, as well as in Phases 1 and 2. By
10 agreement in Cause No. 45039, CWW was not to apply the depreciation accrual
11 rates approved in Cause No. 45039 until after its next rate order (i.e., this case).
12 Consistently, Petitioner has not yet adopted the depreciation accrual rates approved
13 in Cause No. 45039 for book purposes. To record accumulated depreciation for
14 book purposes, Petitioner has been using the 2.0% depreciation accrual rate the
15 Commission approved in Cause No. 44273. To calculate Petitioner's current
16 authorized rates, 2.0% is a reasonable approximation of the depreciation accrual
17 rates used to determine its current rates.

18 Conversely, it is not appropriate to implement a depreciation accrual rate
19 before that rate has been used to determine the utility's revenue requirement. When
20 depreciation accrual rates are increasing, it would be inequitable to the utility to
21 require it to record more depreciation expense than the utility is recovering for
22 ratemaking purposes. Likewise, when depreciation accrual rates are decreasing, it

1 would be inequitable to ratepayers to allow a utility to record less depreciation
2 expense than it is recovering from ratepayers through rates. In this case, the 2016
3 depreciation accrual rates are less than the 2.0% Petitioner was authorized to use in
4 Cause No. 44273.

5 **Q: How did the Order in Cause No. 45039 address the use of the 2016 depreciation**
6 **accrual rates?**

7 A: Ordering paragraph No. 4 declares, "For Westfield utilities (Westfield Gas, LLC;
8 Citizens Wastewater of Westfield, LLC; and *Citizens Water of Westfield, LLC*), the
9 new depreciation accrual rates approved in this Order shall not take effect prior to
10 the *approval* of new basic rates and charges in each such utility's next respective
11 general rate case filed pursuant to Ind. Code 8-1-2-42." (*emphasis added.*) As the
12 Commission has not yet approved new base rates and charges for CWW, it is
13 inappropriate for Petitioner to retroactively apply these rates in determining its fair
14 value accumulated depreciation for the base period.

15 **Q: What depreciation accrual rate should be used to calculate fair value**
16 **accumulated depreciation as of June 30, 2023 (base period)?**

17 A: Petitioner's current approved 2.0% depreciation accrual rate should be applied
18 through the base period.

19 **Q: What depreciation accrual rates should be used to calculate additional**
20 **accumulated depreciation for Phase 1?**

21 A: To calculate additional accumulated depreciation on fair value base year assets and
22 assets added to the system between July 1, 2023, and June 30, 2024 (Phase 1), I
23 accept Petitioner's use of the 2016 depreciation accrual rates approved in Cause

1 No. 45039. It is appropriate to use these rates during Phase 1 as the Commission
2 will have approved new base rates and charges.⁶

3 **Q: What depreciation accrual rates should be used to calculate additional**
4 **accumulated depreciation for Phase 2?**

5 A: To calculate additional accumulated depreciation on fair value assets added to the
6 system between July 1, 2024, and June 30, 2025 (Phase 2), I recommend the use of
7 the depreciation accrual rates to be authorized in Cause No. 45988, which Cause is
8 currently pending. Meanwhile, I used the depreciation rates Petitioner proposed in
9 that case as a placeholder. These rates should be updated in the Phase 2
10 implementation process, provided an order is issued in Cause No. 45988 before
11 Phase 2 is implemented.

12 **Q: What accumulated depreciation do you recommend for the base period,**
13 **Phase 1, and Phase 2?**

14 A: I recommend \$39,529,815 for base year accumulated depreciation on fair value
15 assets. For Phase 1, I recommend an additional \$3,518,991 of accumulated
16 depreciation for fair value base year assets, a \$1,628,573 decrease for retired assets,
17 and an additional \$413,512 for assets added to the system after June 30, 2023, but
18 prior to June 30, 2024. For Phase 2, I recommend an additional \$3,896,847 of
19 accumulated depreciation for fair value base year assets, a \$176,142 decrease for
20 retired assets, and an additional \$327,953 for assets added to the system after June
21 30, 2024, but prior to June 30, 2025.

⁶ It is unclear whether Petitioner intends to begin recording book depreciation expense using the 2016 depreciation accrual rates on July 1, 2024, the beginning of its forward-looking test year or when an order is issued in this Cause.

**IV. CAPITAL STRUCTURE AND
WEIGHTED AVERAGE COST OF CAPITAL**

A. Petitioner's Proposal

1 **Q: What capital structure does Petitioner present for its historical base period as**
2 **of June 30, 2023?**

3 A: Petitioner proposes a base period capital structure that consists of (1) 58.3%
4 common equity and (2) 41.7% long-term debt and yields a weighted average cost
5 of capital of 8.02%, based on a 10.9% cost of equity and a 4.0% cost of debt.⁷

6 **Q: What Phase 1 capital structure does Petitioner propose as of June 30, 2024?**

7 A: Petitioner proposes a Phase 1 capital structure that consists of (1) 52.5% common
8 equity and (2) 47.5% long-term debt and yields a weighted average cost of capital
9 of 7.79%, based on a 10.9% cost of equity and a 4.36% cost of debt. Petitioner
10 projected it will make an \$8.0 million equity injection during the linking period.

11 **Q: What Phase 2 capital structure does Petitioner propose as of June 30, 2025?**

12 A: Petitioner proposes a Phase 2 capital structure that consists of (1) 53.6% common
13 equity and (2) 46.4% long-term debt and yields a weighted average cost of capital
14 of 7.86%, based on a 10.9% cost of equity and a 4.36% cost of debt. No additional
15 equity injections are forecasted during the forward-looking test year.

⁷ Petitioner also included customer deposits in its capital structure, but the amount has no material effect on the weighted average cost of capital.

B. OUCC's Recommendation

1 **Q: Does the OUCC accept Petitioner's proposed Phase 1 and Phase 2 capital**
2 **structures?**

3 A: Yes. However, the OUCC recommends a different weighted average cost of capital
4 than Petitioner proposed. As discussed in the testimony of OUCC Witness Shawn
5 Dellinger, the OUCC recommends a 9.3% cost of equity compared to Petitioner's
6 proposed 10.9%. Also, as discussed by Mr. Dellinger, the OUCC recommends an
7 adjustment to remove inflation from its recommended WACC to be applied to
8 Petitioner's proposed fair value rate base, which is based on an RCNLD study.

9 **Q: What Phase 1 weighted average cost of capital does the OUCC recommend?**

10 A: For application to Petitioner's proposed fair value rate base in Phase 1, the OUCC
11 recommends a weighted average cost of capital adjusted for inflation of 3.39%
12 (OUCC Schedule 8) from a weighted average cost of capital of 6.95% before
13 removing inflation. As discussed by Mr. Dellinger, the OUCC's recommended
14 inflation adjustment is 3.56% based on a weighted average rate base during the
15 period 2011 through 2023.

16 **Q: What Phase 2 weighted average cost of capital does the OUCC recommend?**

17 A: For application to Petitioner's proposed fair value rate base in Phase 2, the OUCC
18 recommends a weighted average cost of capital adjusted for inflation of 3.45%
19 (OUCC Schedule 8) from a weighted average cost of capital of 7.01% before
20 removing inflation. The OUCC recommends a Phase 2 weighted average cost of
21 capital of 7.01% before removing inflation and 3.45% after inflation is removed
22 (OUCC Scheule 8). Again, the OUCC's recommended inflation adjustment is
23 3.56% based on a weighted average rate base during the period 2011 through 2023.

V. OPERATING REVENUE ADJUSTMENTS

1 **Q: What operating revenue adjustments does Petitioner propose in Phase 1?**

2 A: Petitioner proposed a \$454,768 increase to base period present rate operating
3 revenues of \$13,772,528, resulting in *pro forma* Phase 1 present rate operating
4 revenue of \$14,227,295. Petitioner proposed nine operating revenue adjustments,
5 including adjustments to normalize customer growth, recognize the merger with
6 Citizens of South Madison, address discrepancies in its billings, and eliminate any
7 revenues that are the result of the gross-up for utility receipts taxes.

8 **Q: What level of operating revenue adjustments does Petitioner propose in**
9 **Phase 2?**

10 A: Petitioner proposed an additional \$332,734 increase to Phase 1 proposed operating
11 revenues of \$17,303,975, resulting in *pro forma* Phase 2 present rate operating
12 revenues of \$17,636,709.

13 **Q: Does the OUCC accept any of Petitioner's operating revenue adjustments?**

14 A: Yes. The OUCC accepts all of Petitioner's proposed operating revenue adjustments
15 in Phases 1 and 2.

16 **Q: What pro forma operating revenues does the OUCC recommend in Phases 1**
17 **and 2?**

18 A: The OUCC recommends *pro forma* Phase 1 present rate operating revenue of
19 \$14,227,295 and *pro forma* Phase 2 present rate operating revenues of \$13,028,650.

VI. OPERATING EXPENSE ADJUSTMENTS

1 **Q: What level of operating expense adjustments does Petitioner propose in**
2 **Phase 1?**

3 A: Petitioner proposes a \$1,345,008 increase to base period present rate operating
4 expenses of \$9,063,939, resulting in *pro forma* Phase 1 present rate operating
5 expenses of \$10,408,947.

6 **Q: What level of operating expense adjustments does Petitioner propose in**
7 **Phase 2?**

8 A: Petitioner proposes an \$847,034 increase to Phase 1 present rate operating expenses
9 of \$10,420,230, resulting in *pro forma* Phase 2 present rate operating expenses of
10 \$11,267,264.

11 **Q: Does the OUCC accept any of Petitioner's operating expense adjustments?**

12 A: Yes. The OUCC accepts all of Petitioner's Phase 1 proposed operating expense
13 adjustments except for (1) purchased water expense (\$-330,387), (2) rate case
14 expense (\$490,768), and (3) depreciation expense (\$-373,521). The OUCC accepts
15 all of Petitioner's Phase 2 proposed operating expense adjustments except for (1)
16 purchased water expense (\$49,412) and (2) depreciation expense (\$255,441). *See*
17 OUCC Schedule 1, page 5 of 5 for a complete comparison of the operating expense
18 adjustments Petitioner and the OUCC proposed.

19 **Q: Does the OUCC recommend any adjustments not proposed by Petitioner?**

20 A: Yes. The OUCC recommends an adjustment to remove out-of-period
21 miscellaneous expense (customer accounts), including removal of the related
22 inflation adjustment. OUCC Witness Jason T. Compton presents the OUCC's
23 recommended adjustments to purchased water expense, rate case expense, and

1 miscellaneous expenses. I present the OUCC's recommended adjustment to
2 depreciation expense and amortization of CIAC.

3 **Q: What level of operating expense adjustments does the OUCC recommend in**
4 **Phase 1?**

5 A: The OUCC recommends a \$856,525 increase to base period present rate operating
6 expenses of \$9,063,939, resulting in *pro forma* Phase 1 present rate operating
7 expenses of \$9,920,464.

8 **Q: What level of operating expense adjustments does the OUCC recommend in**
9 **Phase 2?**

10 A: The OUCC recommends a \$920,983 increase to Phase 1 present rate operating
11 expenses of \$9,914,804, resulting in *pro forma* Phase 2 present rate operating
12 expenses of \$10,835,787.

13 **Q: Mr. Compton discusses the OUCC's adjustment to rate case expense. In your**
14 **experience, is Petitioner's proposed level of rate case expense unprecedented?**

15 A: Yes. Based on the size and complexity of CWW's operations, Petitioner's requested
16 rate case expense is excessive. In particular, the cost incurred for Petitioner's return
17 on equity consultant is especially excessive. The costs for which Petitioner requests
18 recovery must be reasonable and prudent. It is inappropriate for Petitioner to incur
19 extraordinary costs in excess of \$1.4 million to prepare a rate case for a 24,000-
20 customer water utility. Further, it is unwarranted and unreasonable for Petitioner to
21 expect its customers to foot the bill for such excessive costs.

A. Depreciation Expense

1 **Q: How did Petitioner calculate its proposed depreciation expense?**

2 A: Petitioner used the original cost of its depreciable assets and the depreciation rates
3 approved in Cause No. 45039 to calculate its proposed depreciation expense in both
4 Phases 1 and 2. Petitioner also included depreciation expense on its portion of
5 Shared Services assets based on the authorized depreciation rates for Shared
6 Services in Cause No. 45039.

1. **Phase 1 Depreciation Expense**

7 **Q: What level of Phase 1 depreciation expense does Petitioner propose?**

8 A: Petitioner proposes a \$373,521 decrease to its base period depreciation expense of
9 \$3,402,925, resulting in *pro forma* Phase 1 depreciation expense of \$3,029,404.⁸

10 **Q: Do you accept Petitioner's proposed depreciation expense for Phase 1?**

11 A: No. While I accept the depreciation rates Petitioner used in Phase 1, I apply those
12 rates to a different original cost asset value due to the OUCC removing from rate
13 base (1) the 146th Street extension and (2) the "private developer" costs I described
14 above. (*See also* OUCC Schedule 6, Adjustment No. 5.)

15 **Q: What level of depreciation expense do you recommend for Phase 1?**

16 A: I recommend *pro forma* Phase 1 depreciation expense of \$3,021,050, a \$381,875
17 decrease from the base period's depreciation expense of \$3,402,925. (*See* OUCC
18 Schedule 6, Adjustment No. 5)

⁸ *See* OUCC Attachment CFS-2 (Petitioner's Response to OUCC's Data Request No. 21-13).

2. **Phase 2 Depreciation Expense**

1 **Q: What level of Phase 2 depreciation expense does Petitioner propose?**

2 A: Petitioner proposes a \$255,441 increase to its Phase 1 depreciation expense of
3 \$3,029,404, resulting in *pro forma* Phase 2 depreciation expense of \$3,284,845.⁹

4 **Q: Do you accept Petitioner's proposed Phase 2 depreciation expense?**

5 A: No. I recommend the depreciation rates the Commission authorizes in Cause No.
6 45988 be used to calculate Phase 2 depreciation expense. As discussed above,
7 Cause No. 45988 is currently pending before the Commission, but an order is
8 expected before Phase 2 rates will be implemented. I, therefore, recommend using
9 the rates Petitioner proposed in Cause No. 45988 and then updating those rates to
10 the authorized rates in the Phase 2 implementation process. In addition, I apply the
11 depreciation rates to a different original cost asset value due to the OUCC removing
12 from rate base (1) the 146th Street extension and (2) the "private developer" costs I
13 described above.

14 **Q: What level of depreciation expense do you recommend for Phase 2?**

15 A: I recommend *pro forma* depreciation expense of \$3,386,728 in Phase 2, a \$365,678
16 increase from Phase 1 depreciation expense of \$3,021,050. (*See* OUCC Schedule
17 6, Adjustment No. 5.)

⁹ *See* OUCC Attachment CFS-3 (Petitioner's Response to OUCC's Data Request No. 21-14).

B. Amortization of CIAC

1 **Q: What amortization expense for CIAC does Petitioner propose?**

2 A: Petitioner proposes to exclude CIAC amortization from its revenue requirement in
3 this case and proposed an adjustment to eliminate all of the \$1,387,538 of base
4 period amortization expense.

5 **Q: Do you accept Petitioner's proposal to eliminate amortization of CIAC from**
6 **net income?**

7 A: The OUCC has consistently recommended utilities record amortization of CIAC.
8 However, the Commission has not generally required a utility to amortize CIAC if
9 the utility chooses not to do so unless it is particularly appropriate for it to do so,
10 such as the potential creation of negative rate base. CWW already amortizes CIAC
11 for book purposes and merely proposes to exclude CIAC amortization for rate-
12 making purposes; therefore, I accept Petitioner's proposal to not include
13 amortization of CIAC in rates as long as Petitioner also excludes all accumulated
14 amortization of CIAC from rate base.

VII. IMPLEMENTATION OF PHASED RATE INCREASES

A. Petitioner's Proposal

15 **Q: What process does CWW propose to implement its Phase 1 rate increase?**

16 A: Upon the issuance of an Order in this Cause, Petitioner proposes Phase 1 rates take
17 effect on an interim basis upon Petitioner's submission of a compliance filing. This
18 compliance filing will certify CWW's net plant in service as of June 30, 2024, along
19 with Petitioner's actual capital structure as of that date. Petitioner proposes the other
20 parties to this proceeding then have 30 days to review the compliance filing and file

1 any objections with the Commission. If objections are stated, a hearing could be
2 held as needed and rates could be trued up, with carrying charges at the weighted
3 average cost of capital, retroactive to the date Phase 1 rates were implemented. (*See*
4 Petitioner's Exhibit No. 8, page 8, lines 7 – 17.)

5 **Q: What process does Petitioner propose to implement its proposed Phase 2 rate**
6 **increase?**

7 A: Petitioner proposes the same process as with Phase 1, except Phase 2 rates would
8 be effective upon the filing of a Phase 2 compliance filing certifying CWW's actual
9 plant in service and capital structure as of the end of the test year, June 30, 2025.
10 Phase 2 rates would also be implemented on an interim basis, subject to refund.
11 Petitioner proposes the other parties to this proceeding have 60 days to review this
12 submission and file any objections with the Commission. A hearing could be held
13 to address any objections and rates could be trued up with carrying charges. (*See*
14 Petitioner's Exhibit No. 8, page 9, lines 1 – 11.)

B. OUCC's Recommendation

15 **Q: Do you accept Petitioner's proposal regarding the implementation of Phase 1**
16 **and Phase 2 rates?**

17 A: Yes.

18 **Q: Do you have any additional recommendations regarding the implementation**
19 **process and Petitioner's compliance filing?**

20 A: Yes. Rates would go into effect upon approval of the tariff and submission of the
21 compliance filing in each phase, subject to the other parties' right to submit
22 objections. Regarding CWW's compliance filing, all supporting schedules should
23 be submitted in Excel format with formulas intact. Because this is a fair value rate

1 case, Petitioner should provide both actual and fair value rate base information with
2 its compliance filing. Such a compliance filing should include the following:

- 3 (1) Certification of Petitioner's total actual utility plant-in-service.
- 4 (2) Certification of Petitioner's total fair value utility plant in service.
- 5 (3) Certification of actual capital structure for each phase.
- 6 (4) Fair value rate base by component (e.g., UPIS, Accumulated Depreciation,
7 CIAC) comparing fair value to Petitioner's forecast for each phase, as
8 adjusted by the Commission's Order in this case. Any variances greater
9 than 10% should be explained for Phase 2.
- 10 (5) Fair value utility plant in service balances by FERC Account, comparing
11 fair value to Petitioner's forecasted fair value for each phase, as adjusted
12 by the Commission's Order in this case. Any variances greater than 10%
13 should be explained for Phase 2.
- 14 (6) Fair value accumulated depreciation balances by FERC Account,
15 comparing fair value to Petitioner's forecasted fair value for each phase,
16 as adjusted by the Commission's Order in this case.
- 17 (7) Actual capital structure by component, including an updated calculation of
18 weighted average cost of capital and comparing actuals to Petitioner's
19 forecast, as adjusted by the Commission's Order in this case.
- 20 (8) Calculation of Phase 1 rates based on the June 30, 2024, actuals and fair
21 values as certified.
- 22 (9) Calculation of Phase 2 rates based on the June 30, 2025, actuals and fair
23 values as certified.

24 **Q: Should the authorized increase to total rate base be limited to the forecasted**
25 **amount?**

26 A: Yes. In each phase, total rate base should not exceed the value of rate base as of the
27 end of the forward-looking test year approved by the Commission in the final
28 Order. To the extent the fair value of rate base exceeds authorized rate base as of
29 June 30, 2025, the difference should be removed from fair value rate base for
30 purposes of determining the rates to be implemented in each phase. The original

1 cost of any amounts invested in excess of the cap are eligible for inclusion in
2 subsequent rate or capital tracker proceedings.

3 **Q: Are any adjustments to *pro forma* net operating income necessary when**
4 **implementing rates in forward-looking test year cases?**

5 A: Generally, no, but there is one situation where adjustments to *pro forma* net
6 operating income are warranted. When a utility does not actually invest what it
7 forecasted it would invest in rate base, adjustments to depreciation expense and
8 property tax expense may be warranted. These adjustments are necessary to prevent
9 a utility from recovering property taxes and depreciation expense related to
10 projected investments the utility did not ultimately make within the test year.

C. Other Implementation Considerations

11 **Q: When is Petitioner proposing the depreciation rates authorized in Cause No.**
12 **45988 be implemented?**

13 A: Petitioner does not propose to implement the depreciation rates authorized in Cause
14 No. 45988. Petitioner proposes to implement the depreciation rates authorized in
15 Cause No. 45039, which are based on a 2016 Depreciation Study.

16 **Q: Do you accept this proposal?**

17 A: No. I recommend Petitioner's depreciation rates approved in Cause No. 45988 be
18 implemented with Phase 2 rates. This would require adjustments to Petitioner's
19 authorized Phase 2 *pro forma* net operating income.

VIII. SYSTEM DEVELOPMENT CHARGE

20 **Q: What is a system development charge?**

21 A: A system development charge is a one-time charge for system capacity paid by new
22 customers or applicants for water service.

1 **Q: What authoritative sources are available to better understand system**
2 **development charges?**

3 A: For water utilities, the American Water Works Association (“AWWA”) publishes
4 the M1 Principles of Water Rates, Fees, and Charges¹⁰ (“M1 Manual”). For
5 wastewater utilities, the Water Environment Federation (“WEF”) publishes the
6 Financing and Charges for Wastewater Systems, Manual of Practice 27. Petitioner
7 used both sources to calculate and explain its proposed system development charge.

8 **Q: What is the purpose of a system development charge?**

9 A: The primary purpose of a system development charge is to protect existing
10 customers from paying higher rates merely to permit other customers to be
11 connected to the system. Developers applying for service and new customers
12 connecting to the system,¹¹ and causing the need for a utility to invest in additional
13 capacity, should pay their share of the cost of that additional capacity. Petitioner’s
14 territory is currently experiencing rapid growth, and the system is oversized to
15 accommodate this future growth; therefore, the proposed system development
16 charge will recover capital-related costs from future customers to achieve equity
17 between the different generations of ratepayers.

¹⁰ The OUCC uses the Seventh Edition of the M1 Manual. Chapter VII.2 “System Development Charges,” pages 321 through 347, specifically addresses system development charges.

¹¹ This charge may also be paid by an existing customer requiring increased system capacity.

1 **Q: What are the accepted methodologies for calculating a system development**
2 **charge?**

3 A: There are several accepted methodologies for calculating a system development
4 charge including the (1) buy-in method, (2) the incremental cost method, and (3)
5 the combined cost approach.

6 **Q: Please explain the buy-in method.**

7 A: There are two buy-in methods – the “capacity” buy-in method and the “equity”
8 buy-in method. The buy-in method is based on the value of the existing system's
9 capacity and is used when the existing system has sufficient capacity to serve new
10 developments now and into the future. The capacity buy-in method is calculated by
11 dividing system value by *total* system capacity. The equity buy-in method is
12 calculated by dividing system value by *existing used* capacity. The capacity buy-in
13 approach will yield a smaller unit cost and system development charge, all other
14 things being equal, than the equity buy-in approach.¹² It is also important to note
15 that while this method is labeled a "buy-in method," payments do not transfer or
16 impart ownership of assets to the customer.¹³

17 **Q: Please explain the incremental cost method.**

18 A: The incremental cost method is based on the value or cost to expand the existing
19 system's capacity and is used when the existing system has limited or no available
20 capacity to serve new development.¹⁴

¹² WEF Manual, page 188.

¹³ M1 Manual, page 331.

¹⁴ M1 Manual, page 334.

1 **Q: Please explain the combined cost approach.**

2 A: The combined cost approach is a combination of both the buy-in method and the
3 incremental cost method and is typically used when some capacity is available in
4 parts of the existing system, but new or incremental capacity will need to add
5 capacity in the future to serve growth.¹⁵

6 **Q: How is a system development charge calculated?**

7 A: The fundamental system development charge formula is:

8
$$\frac{\textit{System Value}}{\textit{System Capacity}} \times \textit{New Customer Capacity Demand}$$

9 The system development charge formula first determines the unit value of the water
10 system's capacity and then multiplies that unit value by the amount of capacity the
11 new user will demand.¹⁶

D. Calculation of System Development Charge

12 **Q: How did Petitioner calculate its proposed system development charge?**

13 A: Petitioner used the capacity buy-in method to calculate its proposed system
14 development charge. The calculation is based on the \$143,984,375 net original cost
15 value of Petitioner's water utility system as of June 30, 2023, and a total system
16 capacity of 19.7 million gallons per day ("MGD"). The resulting \$2,300 system
17 development charge represents the cost of capacity for a customer with a 5/8" meter
18 connection. (See Petitioner's Exhibit 8, page 24.)

¹⁵ M1 Manual, page 337.

¹⁶ M1 Manual, page 330.

1 **Q: Do you accept Petitioner's proposed system development charge?**

2 A: No. While I accept the use of the capacity buy-in method, I do not agree with the
3 system value or the system capacity Petitioner used.

A. System Value

4 **Q: How did Petitioner determine the system value component of the calculation?**

5 A: To determine the system value, Petitioner used the original cost less accumulated
6 depreciation method ("Original Cost"). The Original Cost method simply subtracts
7 accumulated depreciation (\$30,945,813) from the original cost of utility plant in
8 service (\$174,930,188) to determine the system's value (\$143,984,375).

9 **Q: Do you accept Petitioner's proposed system value of \$143,984,375?**

10 A: No. Not all of Petitioner's assets are eligible for inclusion in the system value.
11 Petitioner's system value should be reduced by the value of CIAC it has received
12 from customers and applicants for service.

13 **Q: Why should the system value be reduced by the value of CIAC?**

14 A: System development charges provide a means to allocate the cost of capacity to
15 new customers connecting to the utility system. The cost of contributed assets was
16 not incurred by the utility. If a growth-related project is funded with contributions
17 from the developer or other sources of funding, like grants, the corresponding
18 amounts are generally excluded from the calculation.¹⁷

¹⁷ WEF Manual, page 190

1 **Q: What system value do you recommend be used in calculating Petitioner's**
2 **system development charge?**

3 A: I recommend a system value of \$72,820,233 be used to calculate Petitioner's
4 system development charge. This amount reflects the original cost (\$174,930,188)
5 less accumulated depreciation (\$30,945,813) of Petitioner's utility plant in service
6 as of June 30, 2023. This amount (\$143,984,375)¹⁸ is then reduced by CIAC
7 (\$71,164,142) as of June 30, 2023, to determine a system value of \$72,820,233.

B. System Capacity

8 **Q: How did CWW calculate its system capacity?**

9 A: Petitioner totaled the capacity of its treatment plants (13.7 MGD) and added an
10 additional 6.0 MGD for the interconnections to Citizens Water, resulting in a total
11 capacity of 19.7 MGD

12 **Q: Do you accept Petitioner's proposed system capacity of 19.7 MGD?**

13 A: No. I disagree with the inclusion of 6.0 MGD capacity for interconnections with
14 Citizens Water.

15 **Q: Why do you disagree with Petitioner including 6.0 MGD capacity for the**
16 **Citizens Water interconnects?**

17 A: The 6.0 MGD capacity of the interconnections with Citizens Water is not based on
18 the actual capacity of those interconnections. In response to the OUCC's discovery,
19 Petitioner stated, "The 6.0 MGD represents the projected peak demand in excess of
20 current treatment capacity."¹⁹ The actual capacity of those interconnections is 18.1

¹⁸ \$174,930,188 - \$30,945,813 = \$143,984,375

¹⁹ See OUCC Attachment CFS-4 (Petitioner's Response to OUCC's Data Request No. 21-12).

1 MGD.²⁰ Currently, Petitioner's net water purchases from Citizens Water are
 2 minimal on an annual basis and are primarily used to move water from Petitioner's
 3 treatment plants in the southern part of its territory to customers located in the
 4 northern part. While I do not disagree that the cost of these interconnections should
 5 be included in calculating the system development charge, I do not agree the
 6 capacity of these interconnections should be included in the calculation as they
 7 currently do not provide any material additional capacity.

8 **Q: What system capacity do you recommend be used in calculating Petitioner's**
 9 **system development charge?**

10 A: I recommend only the capacity of the treatment plants be included, or 13.7 MGD.

Table CFS-6: Comparison of System Development Charge

	<u>Per Petitioner</u>	<u>Per OUCC</u>
Westfield Water Treatment Plant Capacity (MGD)	13.70	13.70
Interconnections/Purchased Water (MGD)	6.00	-
Total System Capacity (MGD)	19.70	13.70
Total System Capacity (Gallons)	19,700,000	13,700,000
Divided by: 310 gpd	310	310
Number of EDUs that can be served	63,548	44,194
Utility Plant In Service	\$ 174,930,188	\$ 174,930,188
Less: Contributions in aid of Construction	-	(71,164,142)
Less: Accumulated Depreciation	(30,945,813)	(30,945,813)
System Value	<u>\$ 143,984,375</u>	<u>\$ 72,820,233</u>
System Development Charge per equivalent meter	\$ 2,265.74	\$ 1,647.76
System Development Charge (Rounded)	<u>\$ 2,300</u>	<u>\$ 1,650</u>

²⁰ See OUCC Attachment CFS-5 (Petitioner's Response to OUCC's Data Request No. 16-23).

1 **Q: Should a utility review its system development charge calculation on a periodic**
2 **basis?**

3 A: Yes. The AWWA MI Manual states:²¹

4 As development occurs and the economic mix of the community
5 that the utility serves changes, growth and development
6 assumptions may also change. Similarly, the facilities needed to
7 serve customers will change over time, and the costs associated
8 with these facilities will be different from the past. As this occurs,
9 the utility may update its master plan, comprehensive plan, or
10 facility plan, which typically provides the basis for many key
11 assumptions used within the development of the SDCs. Because
12 of these changes, utilities need to, on a periodic basis, reassess
13 their SDC assumptions and compare the historical development,
14 capital spending, and capacity utilization levels achieved with that
15 originally planned or projected.

16 The AWWA MI Manual further recommends utilities review their system
17 development charge calculations when major capital improvements are planned,
18 when a significant change occurs, or at least once every five years.

19 **Q: Do you recommend Petitioner conduct a periodic review of the SDC charges**
20 **consistent with the AWWA MI Manual?**

21 A: Yes, I recommend Petitioner conduct a periodic review of the system development
22 charge assumptions and calculations at least once every five years and provide the
23 results of this analysis to the Commission and OUCC as a compliance filing under
24 this Cause number.

IX. RECOMMENDATIONS

25 **Q: Please summarize your recommendations.**

26 A: I recommend the Commission approve an overall 5.53% rate decrease implemented
27 in two phases.

²¹ MI, page 279.

1 I recommend the Commission authorize Petitioner's fair value rate base as
2 \$71,299,563 for Phase 1 and \$71,444,394 for Phase 2.

3 I recommend the Commission approve the exclusion of accumulated
4 amortized CIAC from rate base for ratemaking proposes only. Petitioner should
5 continue recording amortization of CIAC for book proposes.

6 I recommend the Commission authorize Petitioner to use the 2016
7 depreciation accrual rates (as authorized in Cause No. 45039) to calculate
8 Petitioner's Phase 1 depreciation expense and the 2022 depreciation accrual rates
9 (pending approval in Cause No. 45988) to calculate Petitioner's Phase 2
10 depreciation expense. Phase 2 depreciation expense should be adjusted from
11 Petitioner's proposed depreciation accrual rates in Cause No. 45988 to the
12 depreciation accrual rates the Commission approves.

13 I recommend the Commission authorize Petitioner to charge a \$1,650
14 system development fee to customers making a new connection to Petitioner's
15 system. I further recommend the Commission require Petitioner to conduct a
16 periodic review of its system development charge assumptions and calculations at
17 least once every five years and provide the results of this analysis to the
18 Commission and OUCC as a compliance filing under this Cause number.

19 In addition, I recommend approval of the recommendations by OUCC
20 witnesses Compton, Dellinger, and Seals, including Mr. Compton's
21 recommendations regarding rate case expense.

1 **Q:** Does this conclude your testimony?

2 **A:** Yes.

APPENDIX A – QUALIFICATIONS

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Lipscomb University in June 1989 and received a Bachelor of
3 Science degree in business management. I earned a master's degree in business
4 administration from Phoenix University in 2011 and a master's degree in
5 accounting and financial management from the Keller Graduate School in 2014.
6 Beginning in 2014, I worked as a balance sheet and payroll accountant for the State
7 of Wisconsin's Department of Health Services. In April 2019, I joined the staff of
8 the Indiana Office of Utility Consumer Counselor as a Utility Analyst II.

9 **Q: Have you previously testified before the Indiana Utility Regulatory**
10 **Commission?**


11 A: Yes.

APPENDIX B – Attachments and Workpapers

Attachment CFS-1	OUCC's Recommended Original Cost Rate Base
Attachment CFS-2	Petitioner's Response to OUCC's Data Request DR 21-13
Attachment CFS-3	Petitioner's Response to OUCC's Data Request DR 21-14
Attachment CFS-4	Petitioner's Response to OUCC's Data Request DR 21-12
Attachment CFS-5	Petitioner's Response to OUCC's Data Request DR 16-23
Workpaper CFS-1	OUCC Schedules
Workpaper CFS-2	Petitioner's Fair Value Rate Base
Workpaper CFS-3	Base Assets
Workpaper CFS-4	Additions
Workpaper CFS-5	Retirements
Workpaper CFS-6	Depreciation Rates
Workpaper CFS-7	Acquisition Adjustment
Workpaper CFS-8	Book Vs. Settlement
Workpaper CFS-9	RCNLD Assets
Workpaper CFS-10	Balance Sheet
Workpaper CFS-11	Income Statement
Workpaper CFS-12	System Development Charge

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.



By: Carla F. Sullivan

Cause No. 46020

Office of Utility Consumer Counselor (OUCC)

Date: June 19, 2024

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

**Comparison of Petitioner's and OUCC's
Overall Recommended Revenue Requirements**

Line	Per Petitioner	Per OUCC			Sch Ref	OUCC More (Less)	
		Rate Base At Original Cost	Rate Base At Fair Value	Total			
1	Fair Value Rate Base	\$ 89,890,020	\$ 13,264,033	\$ 58,180,361	\$ 71,444,394	7	\$ (18,445,626)
2	Times: Weighted Cost of Capital	7.86%	7.01%	3.45%		8	
3	Net Operating Income Required for Return on Rate base	7,070,404	\$ 929,809	\$ 2,007,222	2,937,031		(4,133,373)
4	Less: Adjusted Net Operating income	3,304,048			3,718,583	4	414,535
5	Net Revenue Requirement	3,766,356			(781,552)		(4,547,908)
6	Gross Revenue Conversion Factor	100.3681%			100.3710%	1	0.0029%
7	Recommended Revenue Increase	\$ 3,780,221			\$ (784,451)		\$ (4,564,672)
8	Recommended Percentage Increase	26.57%			-5.53%		-32.10%

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

**Comparison of Petitioner's and OUCC's
Phased-in Recommended Revenue Requirements**

Line	Phase 1						
	Per Petitioner	Per OUCC			Sch Ref	OUCC More (Less)	
		Rate Base At Original Cost	Rate Base At Fair Value	Total			
1	Non-cost Based Rate Base	\$88,355,069	\$ 10,186,284	\$ 61,113,279	\$71,299,563	7	\$(17,055,506)
2	Times: Weighted Average Cost of Capital	7.79%	6.95%	3.39%		8	
3	Net Operating Income Required for Return on Rate base	6,883,137	708,150	2,072,962	2,781,112		(4,102,025)
4	Less: Adjusted Net Operating income	3,818,348			4,306,832	4	488,484
5	Net Revenue Requirement	3,064,789			(1,525,720)		(4,590,509)
6	Gross Revenue Conversion Factor	100.3681%			100.3710%	1	0.0029%
7	Recommended Revenue Increase	<u>\$ 3,076,070</u>			<u>\$ (1,531,380)</u>		<u>\$ (4,607,450)</u>
8	Recommended Percentage Increase	<u>21.62%</u>			<u>-10.79%</u>		<u>-32.41%</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Comparison of Petitioner's and OUCC's
Phased-in Recommended Revenue Requirements

Phase 2						
Line	Per Petitioner	Per OUCC			Sch Ref	OUCC More (Less)
		Rate Base At Original Cost	Rate Base At Fair Value	Total		
1	Non-cost Based Rate Base	\$89,890,020	\$ 13,264,033	\$ 58,180,361	\$71,444,394	7 \$(18,445,626)
2	Times: Weighted Average Cost of Capital	7.86%	7.01%	3.45%		8
3	Net Operating Income Required for Return on Rate base	7,070,404	929,809	2,007,222	2,937,031	(4,133,373)
4	Less: Adjusted Net Operating income	6,368,838			2,192,863	4 (4,175,975)
5	Net Revenue Requirement	701,566			744,168	42,602
6	Gross Revenue Conversion Factor	100.3681%			100.3710%	1 0.0029%
7	Recommended Revenue Increase	\$ 704,151			\$ 746,929	\$ 42,778
8	Recommended Percentage Increase	3.99%			5.75%	1.76%

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Gross Revenue Conversion Factor

Phase 1					
Line	Per Petitioner	Per OUCC	OUCC More (Less)	OUCC Proposed Rate Adjustments	
1	Gross revenue Change	100.0000%	100.0000%	0.0000%	
2	Less: Bad Debt Rate	0.2200%	0.2200%	0.0000%	(3,368)
3	Sub-total	99.7800%	99.7800%	0.0000%	
4	Less: IURC Fee (0.0015 of Line 3)	0.146760%	0.149670%	0.0029%	(2,292)
5	Change in Operating Income	99.63324%	99.63033%	-0.0029%	
6	Gross Revenue Conversion Factor	<u>100.3681%</u>	<u>100.3710%</u>		

Phase 2					
Line	Per Petitioner	Per OUCC	OUCC More (Less)	OUCC Proposed Rate Adjustments	
7	Gross revenue Change	100.0000%	100.0000%	0.0000%	
8	Less: Bad Debt Rate	0.2200%	0.2200%	0.0000%	1,643
9	Sub-total	99.7800%	99.7800%	0.0000%	
10	Less: IURC Fee (0.0015 of Line 9)	0.146760%	0.149670%	0.0029%	1,118
11	Change in Operating Income	99.63324%	99.63033%	-0.0029%	
12	Gross Revenue Conversion Factor	<u>100.3681%</u>	<u>100.3710%</u>		

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Phase 1			Phase 2		
	Per Petitioner	Per OUC	OUC More (Less)	Per Petitioner	Per OUC	OUC More (Less)
Operating Revenues						
Water Revenues	\$ 454,768	454,768	\$ -	332,734	332,734	-
Total Operating Revenues	454,768	454,768	-	332,734	332,734	-
Operating Expenses						
Salaries and Wages	103,082	103,082	-	71,792	71,792	-
Employee Benefits	(99,671)	(99,671)	-	39,743	39,743	-
Purchased Water	(330,387)	(434,077)	(103,690)	49,412	14,294	(35,118)
Purchased Power	(132,712)	(132,712)	-	77,646	77,646	-
Chemicals	14,441	14,441	-	10,973	10,973	-
Accounting	-	-	-	26,474	26,474	-
Other	25,579	25,579	-	-	-	-
General Liability	19,200	19,200	-	28,592	28,592	-
Rate Case Expense	490,768	161,140	(329,628)	-	-	-
Bad Debt Expense	3,935	3,935	-	732	732	-
Miscellaneous Expense						
Customer Accounts	-	(45,669)	(45,669)	-	-	-
Inflation Adjustment to Misc. Costs	13,669	13,669	-	14,011	14,011	-
OUC Inflation Adjustment		(1,142)	(1,142)		(1,170)	(1,170)
Reclassification	(18,180)	(18,180)	-	-	-	-
Non-recurring Expenses	356	356	-	-	-	-
Non-allowed Expenses	(9,155)	(9,155)	-	-	-	-
Total O&M Expense	80,925	(399,204)	(480,129)	319,375	283,087	(36,288)
Depreciation and Amortization						
Depreciation Expense	(373,521)	(381,875)	(8,354)	255,441	365,678	110,237
Amortization of CIAC	1,387,538	1,387,538	-	-	-	-
Amort of Acq Adjustment	(78,322)	(78,322)	-	-	-	-
Taxes Other Than Income:						
Payroll Tax	7,355	7,355	-	5,178	5,178	-
Property Tax	308,588	308,588	-	266,563	266,563	-
IURC Fee	2,545	2,545	-	477	477	-
Other Taxes	(8,280)	(8,280)	-	-	-	-
Reclassification	18,180	18,180	-	-	-	-
Total Operating Expenses	1,345,008	856,525	(488,483)	847,034	920,983	73,949
Net Operating Income	\$ (890,240)	\$ (401,757)	\$ 488,483	\$ (514,300)	\$ (588,249)	\$ (73,949)

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>As of, Jun 30, 2022</u>	<u>As of, Jun 30, 2023</u>
Utility Plant:		
Utility Plant in Service, original cost	\$ 145,447,764	\$ 174,930,188
Less: Accumulated Depreciation	<u>(27,981,292)</u>	<u>(30,945,813)</u>
Net Utility Plant in Service	<u>117,466,472</u>	<u>143,984,375</u>
Acquisition Adjustment		
Utility Plant Acquisition Adjustment, Net	4,637,706	4,637,706
Less: Accumulated Amortization	<u>(653,258)</u>	<u>(731,579)</u>
Total Acquisition Adjustment	<u>3,984,448</u>	<u>3,906,126</u>
Construction Work in Progress		
Construction Work in Progress	8,901,091	2,354,342
Completed Construction not Classified	<u>119,667</u>	<u>124,308</u>
Total Net Construction Work in Progress	<u>9,020,758</u>	<u>2,478,650</u>
Current Assets:		
Cash and Cash Equivalents	7,284,507	3,218,478
Bond Restricted Funds	262,788	367,709
Accounts Receivable, Net	2,171,964	1,547,969
Accrued Utility Revenues	273,473	311,023
Prepayments and Deposits	<u>158,427</u>	<u>167,152</u>
Total Current Assets	<u>10,151,159</u>	<u>5,612,331</u>
Deferred Debits		
Unamortized Debt Discount & Expense	<u>763</u>	
Total Assets	<u><u>140,623,600</u></u>	<u><u>155,981,482</u></u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

COMPARATIVE BALANCE SHEET

<u>CAPITALIZATION and LIABILITIES</u>	As of, Jun 30, 2022	As of, Jun 30, 2023
Equity		
Retained Earnings	\$ 26,952,726	\$ 30,677,562
Additional Paid-In Capital	25,868,063	25,868,063
Undistributed Retain Earnings	1,784,882	1,756,659
Distributions	(7,990,647)	(7,990,647)
Net Equity	<u>46,615,024</u>	<u>50,311,637</u>
Long-term Debt		
Water Series 2019A	20,000,000	20,000,000
Water Series 2022A	16,000,000	16,000,000
Water Series 2024A	-	-
Net Long-term Debt	<u>36,000,000</u>	<u>36,000,000</u>
Unamortized Debt Premiums, Discounts, Issuance Cost		
Issuance Expense Series 2022A	(157,224)	(279,192)
Issuance Expense Series 2019A	(146,256)	(140,684)
Unamortized Discount Series 2020A	(912,253)	(897,016)
Unamortized Premium Series 2019A	76,672	74,962
Total Unamortized Debt	<u>(1,139,061)</u>	<u>(1,241,930)</u>
Contributions in Aid of Construction		
Contributions in Aid of Construction	58,290,091	71,164,142
Accumulated Amortization of CIAC	(8,232,636)	(9,620,173)
Net Contributions in Aid of Construction	<u>50,057,455</u>	<u>61,543,969</u>
Current Liabilities		
Short-term Debt - PNC Line of Credit	-	-
Accounts Payable & Accrued Expenses	2,300,016	1,755,016
Customer Deposits	31,241	
Accrued Taxes	1,355,173	1,470,977
Accrued Interest		
Other Current Liabilities		19,747
Total Current Liabilities	<u>3,686,430</u>	<u>3,245,740</u>
Deferred Credits		
Unamortized Premium on Debt	(1,139,061)	(1,241,930)
Advances for Construction	5,403,753	6,122,066
Total Deferred Credits	<u>4,264,692</u>	<u>4,880,136</u>
Total Capitalization and Liabilities	<u>\$ 140,623,600</u>	<u>\$ 155,981,482</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

COMPARATIVE INCOME STATEMENT
Twelve Months Ended,

	<u>Jun 30, 2022</u>	<u>Jun 30, 2023</u>
Operating Revenues		
Water Sales		
Residential	7,627,946	8,817,572
Commercial	1,385,250	1,440,553
Industrial	4,503	2,854
Public Authority	195	-
Multi-Family	701,996	686,234
Irrigation	409,791	516,834
Sale for Resale	227	4,532
Interdepartmental Sales	672,858	672,411
Fire Protection		
Public	1,030,472	1,090,696
Private	428,859	456,598
Late Payment Fees	38,497	43,487
Miscellaneous Service Revenues	1,213	1,725
Other Water Revenues	37,516	39,032
Total Operating Revenues	<u>12,339,322</u>	<u>13,772,528</u>
Operating Expenses		
Salaries and Wages	1,677,954	1,706,457
Employee Benefits	598,897	521,049
Purchased Water	195,850	458,638
Purchased Power	640,975	919,578
Chemicals	144,347	254,155
Materials and Supplies	171,231	125,101
Contractual Services		
Accounting	10,304	11,135
Legal	26,079	28,658
Line Locates	315,923	244,781
Other	329,947	377,010
Rental of Building/Real Property	4,868	9,462
Rental of Equipment	3,512	4,440
Transportation Expense	124,113	132,147
Insurance		
Vehicle	6,416	6,283
General Liability	86,269	97,555
Workers' Compensation	8,324	24,961
Other	49,778	58,714
Advertising Expense	4,420	3,494
Bad Debt Expense	22,975	27,365
Miscellaneous Expense	383,955	520,933
Total O&M Expense	<u>\$ 4,806,137</u>	<u>\$ 5,531,916</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

COMPARATIVE INCOME STATEMENT
Twelve Months Ended,

	<u>Jun 30, 2022</u>	<u>Jun 30, 2023</u>
Depreciation and Amortization		
Depreciation Expense	\$ 2,892,567	\$ 3,402,925
Amortization of CIAC	(1,120,032)	(1,387,538)
Amort of Acq Adjustment	78,322	78,322
Total Depreciation and Amortization	<u>1,850,857</u>	<u>2,093,709</u>
Taxes Other Than Income:		
Payroll Tax	119,466	122,814
Property Tax	1,259,785	1,307,014
Utility Receipts Tax	158,014	8,280
Other Taxes	7	206
Total Taxes Other Than Income	<u>1,537,271</u>	<u>1,438,314</u>
Total Operating Expenses	<u>8,194,266</u>	<u>9,063,939</u>
Net Operating Income	4,145,056	4,708,589
Other Income (Expense)		
Gain (Loss) on Disposition of Property	-	-
Bond Interest Fund	10	6,521
Interest & Dividend Income	130	25,599
Allowance for Funds Used During Construction	20,158	154,552
Misc. Non-Operating Income	215,420	271,274
Vendor Coupon Income	1,750	1,985
Total Other Income (Expense)	<u>237,468</u>	<u>459,931</u>
Interest Expense		
Series 2019A Bond Interest	800,000	800,002
Series 2022A Interest	61,600	642,397
Customer Deposit Interest Expense	203	528
Line of Credit Interest Expe	40,155	-
Bond Issuance Expense	6,560	15,455
Amortization of Discount on Series 2022A Bonds	1,507	15,237
Amortization Bond Premium on Series 2019A	(1,645)	(1,710)
Total Interest Income (Expense)	<u>908,379</u>	<u>1,471,909</u>
Net Income	<u>\$ 3,474,145</u>	<u>\$ 3,696,611</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Pro-forma Net Operating Income Statement
Phase 1

	Base Year Ended 6/30/2023	Adjustments	Sch Ref	Pro-forma Present Rates	Proposed Rate Adjustments	Sch Ref	Phase 1 Pro-Forma Proposed Rates
Operating Revenues							
Water Revenues	\$ 13,688,284	\$ 454,768	PET	\$ 14,143,052	\$ (1,526,686)		\$ 12,616,366
Late Fees	43,487			43,487	(4,694)		38,793
Revenue Not Subject to Increase	40,757			40,757			40,757
Total Operating Revenues	<u>13,772,528</u>	<u>454,768</u>		<u>14,227,296</u>	<u>(1,531,380)</u>	1	<u>12,695,916</u>
Operating Expenses							
Salaries and Wages	1,706,457	103,082	PET	1,809,539			1,809,539
Employee Benefits	521,049	(99,671)	PET	421,378			421,378
Purchased Water	458,638	(434,077)	6-1	24,561			24,561
Purchased Power	919,578	(132,712)	PET	786,866			786,866
Chemicals	254,155	14,441	PET	268,596			268,596
Materials and Supplies	125,101			125,101			125,101
Contractual Services							
Accounting	11,135			11,135			11,135
Legal	28,658			28,658			28,658
Line Locates	244,781			244,781			244,781
Other	377,010	25,579	PET	402,589			402,589
Rental of Building/Real Property	9,462			9,462			9,462
Rental of Equipment	4,440			4,440			4,440
Transportation Expense	132,147			132,147			132,147
Insurance							
Vehicle	6,283			6,283			6,283
General Liability	97,555	19,200	PET	116,755			116,755
Workers' Compensation	24,961			24,961			24,961
Other	58,714			58,714			58,714
Advertising Expense	3,494			3,494			3,494
Rate Case Expense		161,140	6-2	161,140			161,140
Bad Debt Expense	27,365	3,935	PET	31,300	(3,368)	1	27,932
Miscellaneous Expense	520,933			520,933			520,933
Customer Accounts		(45,669)	6-3	(45,669)			(45,669)
Inflation Adjustment to Misc. Costs		13,669	PET	13,669			13,669
OUCC Inflation Adjustment		(1,142)	6-4	(1,142)			(1,142)
Reclassification		(18,180)	PET	(18,180)			(18,180)
Non-recurring Expenses		356	PET	356			356
Non-allowed Expenses		(9,155)	PET	(9,155)			(9,155)
Total O&M Expense	<u>5,531,916</u>	<u>(399,204)</u>		<u>5,132,712</u>	<u>(3,368)</u>		<u>5,129,344</u>
Depreciation and Amortization							
Depreciation Expense	3,402,925	(381,875)	6-5	3,021,050			3,021,050
Amortization of CIAC	(1,387,538)	1,387,538	PET	-			-
Amort of Acq Adjustment	78,322	(78,322)	PET	-			-
Taxes Other Than Income:							
Payroll Tax	122,814	(55)	PET	130,169			130,169
		7,410	PET				
Property Tax	1,307,014	308,588	PET	1,615,602			1,615,602
IURC Fee	8,280	2,545	PET	10,825	(2,292)	1	8,533
Other Taxes	206	(8,280)	PET	(8,074)			(8,074)
Reclassification	-	18,180	PET	18,180			18,180
Total Operating Expenses	<u>9,063,939</u>	<u>856,525</u>		<u>9,920,464</u>	<u>(5,660)</u>		<u>9,914,804</u>
Net Operating Income	<u>\$ 4,708,589</u>	<u>\$ (401,757)</u>		<u>\$ 4,306,832</u>	<u>\$ (1,525,720)</u>		<u>\$ 2,781,112</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Pro-forma Net Operating Income Statement
Phase 2

	Phase 1			Phase 2		
	<i>Pro Forma</i>			<i>Pro-forma</i>	Proposed	
	Proposed	Adjustments	Sch	Present	Rate	Sch
	Rates		Ref	Rates	Adjustments	Ref
						Phase 2
						Pro Forma
						Proposed
						Rates
Operating Revenues						
Water Revenues	\$ 12,616,366	\$ 332,734		\$ 12,949,100	\$ 744,698	\$ 13,693,798
Late Fees	38,793.00			38,793	2,231	41,024
Revenue Not Subject to Increase	40,757.00			40,757		40,757
Total Operating Revenues	12,695,916	332,734		13,028,650	746,929	13,775,579
Operating Expenses						
Salaries and Wages	1,809,539	71,792	PET	1,881,331		1,881,331
Employee Benefits	421,378	39,743	PET	461,121		461,121
Purchased Water	24,561	14,294	6-1	38,855		38,855
Purchased Power	786,866	77,646	PET	864,512		864,512
Chemicals	268,596	10,973	PET	279,569		279,569
Materials and Supplies	125,101			125,101		125,101
Contractual Services						
Accounting	11,135	26,474	PET	37,609		37,609
Legal	28,658			28,658		28,658
Line Locates	244,781			244,781		244,781
Other	402,589			402,589		402,589
Rental of Building/Real Property	9,462			9,462		9,462
Rental of Equipment	4,440			4,440		4,440
Transportation Expense	132,147			132,147		132,147
Insurance						
Vehicle	6,283			6,283		6,283
General Liability	116,755	28,592	PET	145,347		145,347
Workers' Compensation	24,961			24,961		24,961
Other	58,714			58,714		58,714
Advertising Expense	3,494			3,494		3,494
Rate Case Expense	161,140			161,140		161,140
Bad Debt Expense	27,932	732	PET	28,664	1,643	30,307
Miscellaneous Expense	520,933			520,933		520,933
Customer Accounts	(45,669)			(45,669)		(45,669)
Inflation Adjustment to Misc. Costs	13,669	14,011	PET	27,680		27,680
OUCC Inflation Adjustment	(1,142)	(1,170)	6-4	(2,312)		(2,312)
Reclassification	(18,180)			(18,180)		(18,180)
Non-recurring Expenses	356			356		356
Non-allowed Expenses	(9,155)			(9,155)		(9,155)
Total O&M Expense	5,129,344	283,087		5,412,431	1,643	5,414,074
Depreciation and Amortization						
Depreciation Expense	3,021,050	365,678	6-5	3,386,728		3,386,728
Amortization of CIAC	-	-		-		-
Amort of Acq Adjustment	-			-		-
Taxes Other Than Income:						
Payroll Tax	130,169	5,178	PET	135,347		135,347
Property Tax	1,615,602	266,563	PET	1,882,165		1,882,165
IURC Fee	8,533	477	PET	9,010	1,118	10,128
Other Taxes	(8,074)			(8,074)		(8,074)
Reclassification	18,180			18,180		18,180
Total Operating Expenses	9,914,804	920,983		10,835,787	2,761	10,838,548
Net Operating Income	\$ 2,781,112	\$ (588,249)		\$ 2,192,863	\$ 744,168	\$ 2,937,031

**Citizens Water of Westfield, LLC
CAUSE NUMBER 46020**

OUC Revenue Adjustments

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**The OUC accepts Petitioner's operating revenue adjustments and
did not recommend any adjustments of its own.**

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUC Expense Adjustments

(1)

Purchased Water

To adjust purchased water expense to more accurately reflect net purchased water going forward.

Note: Explained in testimony of OUC Witness Jason T. Compton

Forecasted Purchased Water as of June 30, 2024	24,561
Less: Base Year	<u>(458,638)</u>
Phase 1 Adjustment Increase (Decrease)	<u><u>\$ (434,077)</u></u>

Forecasted Purchased Water as of June 30, 2025	38,855
Less: Forecasted Purchased Water as of June 30, 2024	<u>(24,561)</u>
Phase 2 Adjustment Increase (Decrease)	<u><u>\$ 14,294</u></u>

(2)

Rate Case Expense

To adjust rate case expense for excluded costs and five-year amortization period.

Note: Explained in testimony of OUC Witness Jason T. Compton

Cost of Equity Consultant	\$ 120,000
Cost of Service Consultant	360,200
Legal Notice	500
Outside Counsel	325,000
10% Contingency	<u>-</u>
Total Rate Case Expense	\$ 805,700
Divide by Amortization Period	<u>5</u>
Phase 1 Adjustment Increase (Decrease)	<u><u>\$ 161,140</u></u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUCG Expense Adjustments

(3)

Out of Period Expense Reduction

Base period adjustment to remove excess miscellaneous operating expenses. (Account 675710 - Misc - Customer Accts)

Note: Explained in testimony of OUCG Witness Jason T. Compton

Total invoices to be removed from Account 675710 - Misc - Customer Accts \$ 45,669

Phase 1 Adjustment Increase (Decrease) \$ (45,669)

(4)

Inflation Expense Reduction

Link period and test year adjustment to remove depreciation associated with out-of-period expense adjustment (Account 675710 - Misc - Customer Accts)

Note: Explained in testimony of OUCG witness Jason T. Compton

Phase 1 Adjustment Increase (Decrease) \$ (1,142)

Phase 2 Adjustment Increase (Decrease) \$ (1,170)

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUC Expense Adjustments

(5)

Depreciation Expense

To adjust annual depreciation for utility plant in service as of June 30, 2023, assets retired in Phases 1 and 2, and assets added to the system during Phases 1 and 2.

Please see wp - Bases Assets, wp - Additions, and wp- Retirements for calculations.

Annual Depreciation on Assets in Service as of June 30, 2023		
Westfield Water	\$2,823,088	
Shared Services	158,061	
Less: Phase 1 Retirements		
Westfield Water	(256,733)	
Shared Services	(116,878)	
Plus: Annual Depreciation on Phase 1 Additions		
Westfield Water	391,046	
Shared Services	<u>22,466</u>	
Phase 1 Depreciation Expense		3,021,050
Less: Base Year Annual Depreciation Expense		<u>(3,402,925)</u>
Phase 1 Adjustment Increase (Decrease)		<u>\$ (381,875)</u>

Depreciation on Assets in Service as of June 30, 2023		
Westfield Water	3,001,209	
Shared Services	176,613	
Less: Phase 2 Retirements		
Westfield Water	(1,105)	
Shared Services	(117,942)	
Plus: Depreciation on Phase 2 Additions		
Westfield Water	312,265	
Shared Services	<u>15,688</u>	
Phase 2 Depreciation Expense		3,386,728
Less: Linking Year Annual Depreciation Expense		<u>(3,021,050)</u>
Phase 2 Adjustment Increase (Decrease)		<u>\$ 365,678</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUC Fair Value Rate Base

	Ref	Per OUC				
		As of, June 30, 2023	Adjustments	Phase 1 June 30, 2024	Adjustments	Phase 2 June 30, 2025
<i>Utility Plant in Service</i>						
Utility Plant in Service at June 30, 2023	wp - Base Assets	\$ 224,177,440		\$ 224,177,440		\$ 224,177,440
Additions to Utility Plant in Service			25,166,442	25,166,442	17,743,631	42,910,073
Retirements			(1,628,573)	(1,628,573)	(176,142)	(1,804,715)
Total Utility Plant In Service at June 30, 2025		\$ 224,177,440	\$ 23,537,869	\$ 247,715,309	\$ 17,567,489	\$ 265,282,798
<i>Accumulated Depreciation</i>						
Accumulated Depreciation at June 30, 2023	wp - Base Assets	39,529,815		39,529,815		39,529,815
Additional Depreciation	wp - Additions		4,090,564	4,090,564	4,224,800	8,315,364
Retirements	wp - Retirements		(1,628,573)	(1,628,573)	(176,142)	(1,804,715)
<i>Total Accumulated Depreciation at June 30, 2025</i>		\$ 39,529,815	\$ 2,461,991	\$ 41,991,806	\$ 4,048,658	\$ 46,040,464
<u>Net Utility Plant in Service</u>		184,647,625	21,075,878	205,723,503	13,518,831	219,242,334
<i>Less:</i>						
Contributions In Aid of Construction at June 30, 2023	wp - CIAC	(108,602,866)	(15,873,661)	(124,476,527)	(13,200,000)	(137,676,527)
Pre-2012 Net Plant Settlement Vs. Books, excluding Fair Value Increment	wp - Book Vs. Settlement	(8,997,014)		(8,997,014)		(8,997,014)
Customer advances for construction	wp - Balance Sheet	(6,122,066)	-	(6,122,066)	-	(6,122,066)
<i>Add:</i>						
Fair Value Acquisition Adjustment	wp - Acq Adj	5,345,667	(174,000)	5,171,667	(174,000)	4,997,667
Total Fair Value Rate Base at June 30, 2023		\$ 66,271,346	\$ 5,028,217	\$ 71,299,563	\$ 144,831	\$ 71,444,394

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUCC Fair Value Rate Base Split - Original Cost and Fair Value

	Base Period As of June 30, 2023		Adjustments		Phase 1 As of June 30, 2024		Adjustments		Phase 2 As of June 30, 2025	
	Original Cost	Fair Value	Original Cost	Fair Value	Original Cost	Fair Value	Original Cost	Fair Value	Original Cost	Fair Value
Utility Plant in Service	46,351,659	177,825,781			46,351,659	177,825,781			46,351,659	177,825,781
Total Additions			25,166,442		25,166,442		17,743,631		42,910,073	
Retirements			(1,628,573)		(1,628,573)		(176,142)		(1,804,715)	
Total Utility Plant in Service	46,351,659	177,825,781	23,537,869	-	69,889,528	177,825,781	17,567,489	-	87,457,017	177,825,781
Accumulated Depreciation	21,865,400	17,664,415			21,865,400	17,664,415			21,865,400	17,664,415
Add'l Depreciation - 6/30/2023 Assets			863,638	2,813,414	863,638	2,813,414	963,929	2,932,918	1,827,567	5,746,332
Add'l Depreciation - Asset Additions			413,512		413,512	-	327,953		741,465	
Asset Retirements			(1,628,573)		(1,628,573)	-	(176,142)		(1,804,715)	
Total Accumulated Depreciation	21,865,400	17,664,415	(351,423)	2,813,414	21,513,977	20,477,829	1,115,740	2,932,918	22,629,717	23,410,747
Net Utility Plant in Service	24,486,259	160,161,366	23,889,292	(2,813,414)	48,375,551	157,347,952	16,451,749	(2,932,918)	64,827,300	154,415,034
Less:										
Contributions In Aid of Construction	(12,368,193)	(96,234,673)	(15,873,661)		(28,241,854)	(96,234,673)	(13,200,000)		(41,441,854)	(96,234,673)
Customer advances for construction	(6,122,066)				(6,122,066)				(6,122,066)	
Pre-2012 Net Plant Settlement Vs. Books, excluding Fair Value Increment	(8,997,014)				(8,997,014)				(8,997,014)	
Add:										
Fair Value Acquisition Adjustment	5,345,667		(174,000)		5,171,667		(174,000)		4,997,667	
Total Fair Value Rate Base	\$ 2,344,653	\$63,926,693	\$ 7,841,631	\$ (2,813,414)	\$ 10,186,284	\$ 61,113,279	\$ 3,077,749	\$(2,932,918)	\$ 13,264,033	\$58,180,361

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUC Fair Value Rate Base - UPIS Detail

	<u>Assets At Original Cost</u>	<u>Assets At Fair Value</u>	<u>Total</u>
<u>Utility Plant in Service at June 30, 2023</u>			
Westfield Water	\$ 43,823,021	\$ 177,825,781	\$ 221,648,802
Shared Service	2,528,638	-	2,528,638
Total Utility Plant in Service at June 30, 2023	<u>46,351,659</u>	<u>177,825,781</u>	<u>224,177,440</u>
 <i>Additions July 1, 2023 to June 30, 2024</i>			
Westfield Water	24,931,109		24,931,109
Shared Service	235,333		235,333
 <i>Retirements July 1, 2023 to June 30, 2024</i>			
Westfield Water	(1,511,695) ¹		(1,511,694)
Shared Service	(116,878) ¹		(116,877)
Net Additions July 1, 2023 to June 30, 2024	<u>23,537,869</u>	<u>-</u>	<u>23,537,871</u>
 <i>Additions July 1, 2024 to June 30, 2025</i>			
Westfield Water	17,573,413		17,573,413
Shared Service	170,218		170,218
 <i>Retirements July 1, 2024 to June 30, 2025</i>			
Westfield Water	(58,200) ¹		(58,199)
Shared Service	(117,942) ¹		(117,941)
Net Additions July 1, 2024 to June 30, 2025	<u>17,567,489</u>	<u>-</u>	<u>17,567,491</u>
Total Utility Plant in Service at June 30, 2025	<u>\$ 87,457,017</u>	<u>\$ 177,825,781</u>	<u>\$ 265,282,802</u>

¹ The retirements appear to be related to Pre-2012 Assets, therefore they were removed as original cost.

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUC Fair Value Rate Base - Accumulated Depreciation Detail

	<u>Assets At Original Cost</u>	<u>Assets At Fair Value</u>	<u>Total</u>
<u>Accumulated Depreciation at June 30, 2023</u>			
Westfield Water	\$ 20,490,985	\$ 17,664,415	\$ 38,155,400
Shared Service	1,374,415		1,374,415
Total Utility Plant in Service at June 30, 2023	<u>21,865,400</u>	<u>17,664,415</u>	<u>39,529,815</u>
Annual Depreciation on June 30, 2023 UPIS			
Westfield Water	705,577	\$ 2,813,414	3,518,991
Shared Service	158,061		158,061
<i>Additions July 1, 2023 to June 30, 2024</i>			
Westfield Water	391,046		391,046
Shared Service	22,466		22,466
<i>Retirements July 1, 2023 to June 30, 2024</i>			
Westfield Water	(1,511,695) ¹		(1,511,695)
Shared Service	(116,878) ¹		(116,878)
Net Additions July 1, 2023 to June 30, 2024	<u>(351,423)</u>	<u>2,813,414</u>	<u>2,461,991</u>
Annual Depreciation on June 30, 2023 UPIS			
Westfield Water	787,316	\$ 2,932,918	3,720,234
Shared Service	176,613		176,613
<i>Additions July 1, 2024 to June 30, 2025</i>			
Westfield Water	312,265		312,265
Shared Service	15,688		15,688
<i>Retirements July 1, 2024 to June 30, 2025</i>			
Westfield Water	(58,200) ¹		(58,200)
Shared Service	(117,942) ¹		(117,942)
Net Additions July 1, 2024 to June 30, 2025	<u>1,115,740</u>	<u>2,932,918</u>	<u>4,048,658</u>
Total Accumulated Depreciation at June 30, 2025	<u><u>\$ 22,629,717</u></u>	<u><u>\$ 23,410,747</u></u>	<u><u>\$ 46,040,464</u></u>

¹ The retirements appear to be related to Pre-2012 Assets, therefore the were removed as original cost.

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUCC Fair Value Rate Base - Contributions in Aid of Construction

	<u>Assets At Original Cost</u>	<u>Assets At Fair Value</u>	<u>Total</u>
<u>Contributions In Aid of Construction at June 30, 2023</u>			
Westfield Water	\$ 12,368,193	\$ 96,234,673	\$108,602,866
Total Utility Plant in Service at June 30, 2023	<u>12,368,193</u>	<u>96,234,673</u>	<u>108,602,866</u>
<i>Additions July 1, 2023 to June 30, 2024</i>			
Westfield Water	15,873,661		15,873,661
Net Additions July 1, 2023 to June 30, 2024	<u>15,873,661</u>	<u>-</u>	<u>15,873,661</u>
<i>Additions July 1, 2024 to June 30, 2025</i>			
Westfield Water	13,200,000		13,200,000
Net Additions July 1, 2024 to June 30, 2025	<u>13,200,000</u>	<u>-</u>	<u>13,200,000</u>
Total CIAC at June 30, 2025	<u>\$ 41,441,854</u>	<u>\$ 96,234,673</u>	<u>\$137,676,527</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Capital Structure - Base Year
As of June 30, 2023

Line	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
1 Common Equity	\$ 50,311,637	58.28%	9.30%	5.42%
2 Long Term Debt	36,000,000	41.70%	4.00%	1.67%
3 Customer Deposits	19,747	0.02%	4.50%	0.00%
4 Total Capital Structure	<u>\$ 86,331,384</u>	<u>100.00%</u>		<u>7.09%</u>

Pro forma Capital Structure - Phase 1
As of June 30, 2024

	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
5 Common Equity	\$ 61,846,295	52.47%	9.30%	4.8800%
6 Long Term Debt	56,000,000	47.51%	4.36%	2.0710%
7 Customer Deposits	19,747	0.02%	4.50%	0.0010%
8 Original Cost WACC	<u>\$ 117,866,042</u>	<u>100.00%</u>		6.95%
9 Less: Non-cost Inflation Adjustment				<u>3.56%</u>
10 Non-cost WACC				<u>3.39%</u>

Pro forma Capital Structure - Phase 2
As of June 30, 2025

	<u>Amount</u>	<u>Percent of Total</u>	<u>Cost</u>	<u>Weighted Cost</u>
11 Common Equity	\$ 64,771,317	53.62%	9.30%	4.99%
12 Long Term Debt	56,000,000	46.36%	4.36%	2.02%
13 Customer Deposits	19,747	0.02%	4.50%	0.00%
14 Original Value WACC	<u>\$ 120,791,064</u>	<u>100.00%</u>		7.01%
15 Less: Non-cost Inflation Adjustment				<u>3.56%</u>
16 Non-cost WACC				<u>3.45%</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Comparison of Petitioner's and OUCC's
Overall Recommended Revenue Requirements

Line	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (Less)</u>
1 Original Cost Rate Base	\$ 89,890,020	\$ 57,926,623	7	\$ (31,963,397)
2 Times: Weighted Cost of Capital	<u>7.86%</u>	<u>7.01%</u>	8	
3 Net Operating Income Required for Return on Rate base	7,070,404	4,060,656		(3,009,748)
4 Less: Adjusted Net Operating income	<u>3,304,048</u>	<u>3,718,583</u>	4	<u>414,535</u>
5 Net Revenue Requirement	<u>3,766,356</u>	<u>342,073</u>		<u>(3,424,283)</u>
6 Gross Revenue Conversion Factor	<u>100.3681%</u>	<u>100.3710%</u>	1	<u>0.0029%</u>
7 Recommended Revenue Increase	<u>\$ 3,780,221</u>	<u>\$ 343,342</u>		<u>\$ (3,436,879)</u>
8 Recommended Percentage Increase	<u>26.57%</u>	<u>2.42%</u>		<u>-24.15%</u>

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

Comparison of Petitioner's and OUCG's
Phased-in Recommended Revenue Requirements

Phase 1					
Line	Per Petitioner	Per OUCG	Sch Ref	OUCG More (Less)	
1	Non-cost Based Rate Base	\$ 88,355,069	\$ 57,926,623	7	\$ (30,428,446)
2	Times: Weighted Average Cost of Capital	7.79%	6.95%	8	
3	Net Operating Income Required for Return on Rate base	6,883,137	4,027,059		(2,856,078)
4	Less: Adjusted Net Operating income	3,818,348	4,306,832	4	488,484
5	Net Revenue Requirement	3,064,789	(279,773)		(3,344,562)
6	Gross Revenue Conversion Factor	100.3681%	100.3710%	1	0.0029%
7	Recommended Revenue Increase	\$ 3,076,070	\$ (280,811)		\$ (3,356,881)
8	Recommended Percentage Increase	26.57%	-1.98%		-28.55%
Phase 2					
	Per Petitioner	Total	Sch Ref	OUCG More (Less)	
9	Non-cost Based Rate Base	\$ 89,890,020	\$ 58,790,479	7	\$ (31,099,541)
10	Times: Weighted Average Cost of Capital	7.86%	7.01%	8	
11	Net Operating Income Required for Return on Rate base	7,070,404	4,121,213		(2,949,191)
12	Less: Adjusted Net Operating income	6,368,838	3,438,809	4	(2,930,029)
13	Net Revenue Requirement	701,566	682,404		(19,162)
14	Gross Revenue Conversion Factor	100.3681%	100.3710%	1	0.0029%
15	Recommended Revenue Increase	\$ 704,151	\$ 684,935		\$ (19,216)
16	Recommended Percentage Increase	3.99%	4.81%		0.82%

Citizens Water of Westfield, LLC
CAUSE NUMBER 46020

OUCG Original Cost Rate Base

	Per OUCG			
	As of, June 30, 2023	Adjustments	Phase 1 June 30, 2024	Phase 2 June 30, 2025
<i>Utility Plant in Service</i>				
Utility Plant in Service at June 30, 2023	\$ 177,458,826		\$ 177,458,826	\$ 177,458,826
Additions to Utility Plant in Service		25,166,442	25,166,442	17,743,631
146th Street Interconnect			-	-
WFW Private Development Program			-	-
Retirements		(1,628,573)	(1,628,573)	(176,142)
Total Utility Plant In Service	\$ 177,458,826	\$ 23,537,869	\$ 200,996,695	\$ 17,567,489
<i>Accumulated Depreciation</i>				
Accumulated Depreciation at June 30, 2023	32,320,228		32,320,228	32,320,228
Additional Depreciation		3,394,661	3,394,661	3,505,775
Retirements		(1,628,573)	(1,628,573)	(176,142)
Total Accumulated Depreciation	\$ 32,320,228	\$ 1,766,088	\$ 34,086,316	\$ 3,329,633
Net Utility Plant in Service	145,138,597	21,771,781	166,910,378	14,237,856
<i>Less:</i>				
Contributions In Aid of Construction	(83,162,682)	(15,873,661)	(99,036,343)	(13,200,000)
Pre-2012 Net Plant Settlement Vs. Books, excluding				
Fair Value Increment	(8,997,014)		(8,997,014)	(8,997,014)
Customer advances for construction	(6,122,066)		(6,122,066)	(6,122,066)
<i>Add:</i>			-	-
Fair Value Acquisition Adjustment	5,345,667	(174,000)	5,171,667	(174,000)
Total Original Cost Rate Base	\$ 52,202,503	\$ 5,724,120	\$ 57,926,623	\$ 863,856

Cause No. 46020
Responses of Citizens Water of Westfield
Office of Utility Consumer Counselor's
Twenty-First Set of Data Requests

DATA REQUEST NO. 13:

Is the following an accurate representation of Petitioner's linking period adjustment for annual depreciation and amortization expense as calculated in Petitioner's document labeled *170 IAC 1-5-11 (A)(2) Johnson wp 4703*, tab labeled *470 Depr*? If it is not an accurate representation, please state the correct number for each inaccurate number and identify how the correct number is calculated.

	<u>Base Period</u>	<u>Adjustment</u>	<u>Link Period</u>
Depr Expense - Westfield Water (Base Period)	\$ 3,243,227	\$ (411,275)	\$ 2,831,952
Depr Expense - Westfield Water Net Additions	-	26,925	26,925
Depr Expense - Shared Services (Base Period)	159,698	558	160,256
Depr Expense - Shared Services Net Additions	-	10,271	10,271
Amortization of CIAC	(1,387,538)	1,387,538	-
Amort of Acq Adjustment	<u>78,322</u>	<u>-</u>	<u>78,322</u>
	\$ 2,093,709	\$ 1,014,017	\$ 3,107,726

RESPONSE:

No. Below is the corrected presentation for the link period adjustments. Petitioner is not seeking recovery of the acquisition adjustment amortization, as noted per workpaper 471 filed under 170 IAC 1-5-8 (2).

	<u>Base Period</u>	<u>Adjustment</u>	<u>Link Period</u>
Depr Expense - Westfield Water (Base Period)	\$3,243,227	\$ (411,275)	\$2,831,952
Depr Expense - Westfield Water Net Additions	-	26,925	26,925
Depr Expense - Shared Services (Base Period)	159,698	558	160,256
Depr Expense - Shared Services Net Additions	-	10,271	10,271
Amortization of CIAC	(1,387,538)	1,387,538	-
Amort of Acq Adjustment	<u>78,322</u>	<u>(78,322)</u>	<u>-</u>
	\$2,093,709	\$ 935,695	\$3,029,404

WITNESS:

Camela A. Johnson

Cause No. 46020
Responses of Citizens Water of Westfield
Office of Utility Consumer Counselor's
Twenty-First Set of Data Requests

DATA REQUEST NO. 14:

Is the following an accurate representation of Petitioner's test year adjustments for annual depreciation and amortization expense as calculated in Petitioner's document labeled 170 IAC 1-5-11 (A)(2) Johnson wp 4703, tab labeled 470 Depr? If it is not an accurate representation, please state the correct number for each inaccurate number and identify how the correct number is calculated.

	<u>Linking Period</u>	<u>Adjustment</u>	<u>Test Year</u>
Depr Expense - Westfield Water (Linking Period)	\$ 2,831,952	\$ 151,692	\$ 2,983,644
Depr Expense - Westfield Water Net Additions	26,925	97,780	124,705
Depr Expense - Shared Services (Linking Period)	160,256	11,436	171,692
Depr Expense - Shared Services Net Additions	10,271	(5,467)	4,804
Amortization of CIAC	-	-	-
Amort of Acq Adjustment	78,322	-	78,322
	<hr/>	<hr/>	<hr/>
	\$ 3,107,726	\$ 255,441	\$ 3,363,167

RESPONSE:

No. Below is the corrected presentation for the test year adjustments. See response to Data Request No. 13 above, for comments related to the amortization of acquisition adjustment. Additionally, link period adjustments for net additions have been included with the associated link period line items so that the test year adjustments for the net additions lines solely relate to the test year.

	<u>Link Period</u>	<u>Adjustment</u>	<u>Test Year</u>
Depr Expense - Westfield Water (Link Period)	\$ 2,858,877	\$ 124,767	\$ 2,983,644
Depr Expense - Westfield Water Net Additions		124,705	124,705
Depr Expense - Shared Services (Link Period)	170,527	1,165	171,692
Depr Expense - Shared Services Net Additions		4,804	4,804
Amortization of CIAC	-	-	-
Amort of Acq Adjustment	-	-	-
	<hr/>	<hr/>	<hr/>
	\$ 3,029,404	\$ 255,441	\$ 3,284,845

WITNESS:

Camela A. Johnson

Cause No. 46020
Responses of Citizens Water of Westfield
Office of Utility Consumer Counselor's
Twenty-First Set of Data Requests

DATA REQUEST NO. 12:

Please state the basis for the 6.0 MGD of interconnection/purchased water capacity included in total system capacity for purposes of calculating Petitioner's proposed system development charge.

OBJECTION:

Petitioner objects to the foregoing Data Request on grounds set forth in General Objection No. 7 to the extent that it is vague and ambiguous as the word "basis" is undefined. Subject to and without waiving the foregoing specific and general objections, Petitioner submits the response set forth below.

RESPONSE:

The 6.0 MGD represents the projected peak demand in excess of current treatment capacity.

WITNESS:

Debi Bardhan-Akala

Cause No. 46020
Responses of Citizens Water of Westfield
Office of Utility Consumer Counselor's
Sixteenth Set of Data Requests

DATA REQUEST NO. 23:

Please state the capacities of all interconnections providing flow to Petitioner.

OBJECTION:

Petitioner objects to the foregoing Data Request on grounds set forth in General Objection No. 7 to the extent that it is vague and ambiguous. Subject to and without waiving the foregoing specific and general objections, Petitioner responds as follows.

RESPONSE:

Gray Road ~ 2.5 mgd
County Line ~ 1.5 mgd
River Road (12-inch) ~ 2.5 mgd
Moontown Booster ~3.1mgd
191st Booster ~6.0 mgd
WRN ~2.5 mgd (raw water)

WITNESS:

Edward J. Bukovac