

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF EAST CHICAGO,)
INDIANA FOR AUTHORITY TO ISSUE)
BONDS, NOTES, OR OTHER OBLIGATIONS)
FOR AUTHORITY TO INCREASE ITS RATES) CAUSE NO. 45827
AND CHARGES FOR WATER SERVICE, AND)
FOR APPROVAL OF NEW SCHEDULES OF)
WATER RATES AND CHARGES.)

PETITION

Petitioner, the City of East Chicago, Indiana (“Petitioner”), respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for authority to increase its rates and charges for water utility service, approval of a new schedule of rates and charges applicable thereto, and authority to issue notes, bonds, or other obligations. In support of its Petition, the Petitioner states:

1. Petitioner owns and operates a municipal water system. Municipal Ordinance 3004, passed by the City of East Chicago Common Council on August 7, 1972, authorizes the operation of a water department as a municipal utility pursuant to Ind. Code § 19-3-27-1 (now Ind. Code 8-1.5-4). The City of East Chicago Department of Waterworks collects rates and charges for the use of the services rendered by its water system pursuant to Ind. Code § 8-1.5-3-8.
2. Petitioner is subject to the jurisdiction of this Commission in the manner and to the extent provided in Ind. Code § 8-1.5-1-1 et seq., as amended, and other laws of the State of Indiana.
3. Petitioner, by its Department of Waterworks, operates, manages, and controls plants, property, pipelines, equipment, and facilities which are used and useful in the production, treatment, distribution, and sale of water and provision of water service to residential,

commercial, industrial, and other consumers. Petitioner's water utility properties are used and useful in its public service and operated and maintained so as to provide adequate, dependable, and efficient water sales and service to its customers.

4. Petitioner's existing water rates were established pursuant to Commission Orders dated April 26, 2017, in Cause No. 44826.

5. Petitioner has experienced increased cost and expense since its last rate increase approved by the Commission.

6. Petitioner must also make necessary additions, extensions, replacements, and improvements to its waterworks system to continue to provide reasonable and adequate service.

7. Petitioner proposes to obtain the necessary funds for these additions, extensions, replacements, and improvements, including a Lead Service Line Replacement ("LSLR") Program, from revenues and from the issuance of new waterworks revenue bonds through the Drinking Water State Revolving Fund ("SRF"). The proposed bonds will be in a principal amount not to exceed \$30 million, which is a reasonable method for financing the planned improvements. Petitioner anticipates the term of these bonds will not exceed thirty-five (35) years and that they may be issued in multiple series. The principal and interest of the new waterworks revenue bonds will be payable solely from future revenues of the Petitioner's waterworks.

8. Petitioner's revenues provided by its current rates are inadequate to meet the carrying cost and expense of operating either its present or planned future additional plant and facilities, as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements.

9. In particular, the existing rates and charges for water service rendered by Petitioner do not produce sufficient revenue to pay all the necessary expenses incident to the

operation of the utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; provide money for the payment of any taxes that may be assessed against the utility; compensate the City for taxes that would be due the City on the utility property were it privately owned; and provide a return on the utility plant. The issuance of the proposed revenue bonds for Petitioner's necessary additions, extensions, replacements, and improvements would increase the shortfall. The existing rates and charges are therefore insufficient and unlawful pursuant to Ind. Code § 8-1.5-3-8.

10. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner's waterworks and maintain the utility property in a sound physical and financial condition, and to meet all environmental and other water services requirements to enable Petitioner to continue rendering adequate and efficient utility service. Petitioner also intends to use increased funding to support the issuance of long-term debt financed through SRF and to pay off a planned Bond Anticipation Note ("BAN") in an aggregate principal amount not to exceed \$2,280,000.

11. Petitioner's Board of Directors of the Department of Waterworks ("Board") acts as the City's legislative body pursuant to Ind. Code §§ 8-1.5-3-4 and 8-1.5-3-8.

12. At its meeting on November 7, 2022, the Board approved the filing of this Petition with the Commission seeking authority for a rate increase consistent with the Baker Tilly rate study, which indicated an overall increase of 102.22 percent.

13. At a special meeting on December 8, 2022, the Board also approved, pursuant to Ind. Code § 8-1.5-4-15, the acquisition, construction, installation and equipping of certain improvements and extensions to the waterworks of the City, including additional storage facilities, water main replacement, expansion and replacement of filters at the membrane treatment plant, lead/copper line replacement, and related waterworks improvements. The Board further adopted a resolution authorizing the issuance of bonds to finance the construction of the improvements and extensions and addressing certain other matters.

14. The extensions, replacements, and improvements for which authority is sought to issue the bonds, notes, or other obligations are reasonably necessary for Petitioner to provide adequate and efficient utility service. The revenue bonds which Petitioner seeks authority to issue are a reasonable method of financing such extensions, replacements, and improvements. The new schedule of rates and charges will represent rates and charges which are lawful, nondiscriminatory, necessary, reasonable, and just. Therefore, the issuance of the proposed revenue bonds and the establishment of the new schedule of rates and charges should be approved by the Commission.

15. Petitioner plans to utilize a historical test year for purposes of determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirement under present and proposed rates based on the twelve (12) months ended March 31, 2020 (to avoid the impact of the COVID-19 pandemic) and believes the financial and accounting data, when properly adjusted pursuant to Petitioner's evidence, including, but not limited to, the substantial additional capital requirements Petitioner must meet and finance over the next few calendar years, fairly reflect the Petitioner's annual operations. Therefore, such historical test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates.

16. Petitioner considers Ind. Code §§ 8-1-2-42, 8-1-2-42.7, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

17. Petitioner is not seeking to implement a rate adjustment mechanism under Ind. Code Ch. 8-1-31. Therefore, Petitioner does not consider Ind. Code Ch. 8-1-31.6 to be applicable to this proceeding.

18. The attorneys authorized to represent Petitioner in this proceeding, who are authorized to accept service of papers in the proceeding on behalf of Petitioner, are:

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19. Petitioner will contemporaneously file a proposed procedural schedule negotiated with the Indiana Office of Utility Consumer Counselor (“OUCC”).

WHEREFORE, Petitioner respectfully requests that the Commission make such investigation and hold such hearings as are necessary or advisable and thereafter issue a final order in this Cause

- a) authorizing an increase in Petitioner’s rates and charges for water service as requested by Petitioner;
- b) approving the establishment of new schedules of water rates and charges applicable thereto, with such schedules properly to reflect and establish the proposed rate increase;
- c) approving the issuance of bonds, notes, or other obligations; and

- d) making such other and further orders as the Commission may deem appropriate and proper.

Respectfully submitted,

By: s/Jane Dall Wilson

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served this 12th day of
December, 2022, electronically or by hand delivery to:

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s/Jane Dall Wilson
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