ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA AMERICAN WATER COMPANY, INC. FOR (1) APPROVAL OF SERVICE ENHANCEMENT IMPROVEMENT COSTS ASSOCIATED WITH SERVICE ENHANCEMENT IMPROVEMENTS UNDER IND. CODE § 8-1-31.7-7 (2) AND APPROVE RECOVERY THEREOF.	**)**	**CAUSE NO. 45609 SEI 1 S1** **APPROVED: MAR 08 2023**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Veleta, Commissioner
Jennifer L. Schuster, Senior Administrative Law Judge

On November 18, 2022, Indiana American Water Company, Inc. ("Indiana American" or "Petitioner") filed its Verified Petition in Cause No. 45609 SEI 1 ("Main Docket") with the Indiana Utility Regulatory Commission ("Commission"), along with its case-in-chief and supporting workpapers. Among other relief sought in the Main Docket, Petitioner requested the Commission open a subdocket, Cause No. 45609 SEI 1 S1, to address service enhancement improvement ("SEI") costs associated with SEIs under Ind. Code § 8-1-31.7-7(2) and recovery thereof. On December 13, 2022, the Commission issued a docket entry in the Main Docket granting Petitioner's request and establishing this subdocket.

On January 17, 2023, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its case-in-chief. Petitioner filed its rebuttal testimony and attachments on January 24, 2023.

On January 30, 2023, the Commission issued a docket entry request to which Petitioner responded on January 31, 2023 (Pet. Ex. 3). Included with the docket entry response, as requested, were updated attachments and an updated workpaper.

The Commission held an evidentiary hearing in this Cause at 10 a.m. on February 2, 2023 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Indiana American and the OUCC appeared and participated in the hearing, and the evidence of both parties was admitted into the record without objection.

Based upon the applicable law and the evidence of record, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Indiana American is a "public utility" within the meaning of Ind. Code § 8-1-2-1 and an "eligible utility" under Ind. Code § 8-1-31.7-3 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by law.

Under Ind. Code ch. 8-1-31.7, the Commission has authority to approve SEIs and associated cost recovery. Therefore, the Commission has jurisdiction over Indiana American and the subject matter of this proceeding.

2. Petitioner's Characteristics. Indiana American is a public utility operating under Indiana law with its principal office and place of business at 153 North Emerson Ave., Greenwood, Indiana. Indiana American provides water utility service to customers in numerous municipalities and counties in Indiana for residential, commercial, industrial, public authority, sale for resale, and public and private fire protection purposes. Indiana American also provides wastewater utility service in Delaware, Hamilton, Vigo, Wabash, and Clark counties.

3. Background and Requested Relief. On March 16, 2022, the Commission issued its final order in Cause No. 45609 ("45609 Order") pursuant to Ind. Code ch. 8-1-31.7 (the "SEI Statute") approving Indiana American's service enhancement improvement plan ("SEI Plan") and related accounting and ratemaking treatment. Ind. Code § 8-1-31.7-12(g) permits Petitioner to combine for recovery both approved SEI plan costs and those costs associated with SEIs for which approval of a plan is not required under Ind. Code ch. 8-1-31.7. Under Ind. Code § 8-1-31.7-12(h), if a petition seeks recovery of SEI costs associated with eligible additions made in association with SEIs described in Ind. Code §§ 8-1-31.7-7(1) and -7(2), the Commission is required to create a subdocket to consider the SEI costs associated with replacement SEIs under Ind. Code § 8-1-31.7-7(2).

Under Ind. Code § 8-1-31.7-7(2), "service enhancement improvements" that do not require approval are defined as expenditures for "[r]eplacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public."

In this subdocket, Indiana American requests approval of Ind. Code § 8-1-31.7-7(2) SEI costs and recovery thereof, as well as a finding that the replacement SEIs are reasonable and necessary replacements of plant or equipment to maintain existing health, safety, or environmental protection for Indiana American's customers, employees, or the public. Indiana American requests the timely recovery of 80% of Petitioner's SEI costs ("SEI Charge") and authority to recover the remaining 20% of Petitioner's SEI costs not recovered through the SEI Charge, including depreciation, allowance for funds used during construction ("AFUDC"), and post-in-service carrying costs ("PISCC") compounded monthly and based on the overall cost of capital most recently approved by the Commission, by deferring for recovery in Petitioner's next rate case. Indiana American requests Commission approval of the SEI costs incurred through October 31, 2022 on which the proposed SEI Charge and deferral authority is based.

4. Indiana American's Case-in-Chief.

A. Calculation of SEI Charge. Gregory D. Shimansky, Director, Rates and Regulatory, American Water Works Service Company, Inc. described Indiana American's proposed SEI Charge. He described the accounting for two types of expenditures for eligible additions, those made pursuant to an approved SEI plan under Ind. Code § 8-1-31.7-7(1) (the "first

category"), and those for eligible additions that are replacements under Ind. Code § 8-1-31.7-7(2), for which approval of a plan is not required (the "second category").

Mr. Shimansky presented Attachment GDS-1, Petitioner's revenue requirement and fixed charge calculation, which utilized the most up-to-date capital structure, costs of capital, and return on equity approved in Indiana American's most recent rate case (Cause No. 45142). Attachment GDS-1 also calculated property taxes and depreciation recovered in the revenue requirement and shows the 80% recovery of that revenue requirement.

He explained that Indiana American proposes to treat the SEI 1 2022 surcharge consistent with the prior Distribution System Improvement Charges ("DSIC") filings in that the rate will be fixed based on meter size. He also offered proposed tariff changes as Attachments GDS-2a and GDS-2b to incorporate the changes proposed in the charge. He also presented Attachment GDS-3, which summarizes the deferred depreciation and PISCC on both categories of eligible additions, which are included in the net investor supplied SEI additions.

Mr. Shimansky discussed recovery of the revenue requirement and associated regulatory assets. He stated that Indiana American has established two regulatory assets: one for the deferrals and accruals for the first category of eligible additions and a second regulatory asset for the second category. He described how Indiana American addressed the accrual of depreciation expense and PISCC after each eligible addition is in service but before the costs are included in rates. He said the deferral of depreciation and accrual of PISCC will only cease for the 80% of the revenue requirement recovered through the rate adjustment after approval of the requested rider. He explained this is the portion of pretax return and depreciation that will then be recovered through the SEI Rider. For the portion of pretax return and depreciation associated with the 20% of SEI costs that are deferred for recovery, the PISCC will cease upon approval of rates in the ensuing general rate case whereby that 20% is included in net original costs for ratemaking purposes. He said this deferral and accrual will be recorded to the same regulatory assets. He explained what rates will be used to calculate PISCC on the portion of eligible additions placed in service but not yet recovered through rates and explained how the amortization of the PISCC deferred balance will be calculated. Finally, he presented Petitioner's proposed overall meter charge for a residential 5/8-inch meter of $1.11.

B. <u>Replacement Eligible Additions</u>. Daniel Halverstadt, Vice President of Operations at Indiana American, discussed the expenditures Indiana American incurred through October 31, 2022 for replacement of plant or equipment to maintain existing health, safety, or environmental protection for Indiana American's customers, employees, or the public under Ind. Code § 8-1-31.7-7(2) ("Replacement Eligible Additions"). He also presented Attachment DH-1, which included all of the Replacement Eligible Additions presented in this case.

Mr. Halverstadt testified that each of the Replacement Eligible Additions meet the requirements to be an "eligible addition" under Ind. Code § 8-1-31.7-2. He stated that the Replacement Eligible Additions included in Attachment DH-1 were not included in Petitioner's SEI Plan approved in Cause No. 45609.

Mr. Halverstadt stated that columns L through P of Attachment DH-1 include explanations of how each of the expenditures included in Attachment DH-1 was made to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public. He opined that the costs incurred by Indiana American are reasonable because repairing and replacing these assets is necessary for continued health, safety, and environmental stability.

5. OUCC's Evidence. Carl Seals, Assistant Director of the OUCC's Water/Wastewater Division, evaluated the cost recovery of projects completed by Indiana American as "replacement projects" under Ind. Code 8-1-31.7-7(2). Mr. Seals testified that the projects he challenged fall into three categories: 1) unplanned new additions, rather than replacement of existing plant or equipment; 2) recovery of expenses incurred on plant that is no longer used and useful; and 3) projects that do not meet applicable statutory criteria. He recommended that, in the future, Indiana American provide specific citations to the Occupational Safety and Health Administration ("OSHA"), the Indiana Department of Environmental Management ("IDEM"), or other regulations that initially drove Indiana American's desire and perceived need to pursue SEI projects. He also recommended Indiana American include in future SEI filings information on the districts where the SEIs are being made.

Regarding the unplanned new additions, Mr. Seals identified three projects that he believed were not replacements but instead additions of new plant and equipment. These three projects involved additions of $14,755. He opined that, while these may be relatively small-dollar projects, he found that it was important to establish whether unplanned additions of plant and equipment should or should not be part of replacement SEI projects.

Regarding the recovery of expenses incurred on plant that is no longer used and useful, Mr. Seals identified a project performed at the Charlestown plant as not being used and useful. This project involved the replacement of the entire plant electrical system from the acquired system, prior to the total demolition and replacement of that plant by Indiana American. Mr. Seals noted that, as of the date of filing of this subdocket, the project was not used and useful, as required for an eligible addition under Ind. Code § 8-1-31.7-2(2)(A)(i), and recommended exclusion of the $464,516 project (additions) from the SEI.

Regarding the inclusion of projects that do not meet statutory SEI requirements, Mr. Seals identified three projects that he believed do not meet the definition of a replacement project as set out in Ind. Code § 8-1-31.7-7(2), since they did not involve the "[r]eplacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public." These projects totaled $242,963 in additions and included items such as cabinets, a credenza, office furniture, drywall, and shelves.

Margaret A. Stull, Chief Technical Advisor in the OUCC's Water/Wastewater Division, testified that her recommended SEI 1 S1 charge is $0.07 less than that proposed by Indiana American, primarily due to (1) the exclusion of projects that add rather than replace water utility plant, (2) the exclusion of wastewater asset replacement costs, (3) the exclusion of costs of removal, and (4) the exclusion of post-in-service AFUDC and deferred depreciation. Table 3 in Ms. Stull's testimony compared the revenue requirement proposed by Petitioner to that recommended by the OUCC.

She discussed the OUCC's concerns regarding the inclusion of costs of removal in the calculation. She discussed Indiana American's inclusion of wastewater projects in its proposed water SEI 1 S1 charge and recommended these projects be excluded. She also discussed the OUCC's objections to the inclusion of post-in-service AFUDC and deferred depreciation costs included in the calculation of net investor-supplied water SEI additions for replacement investments. Finally, she explained this SEI 1 S1 charge should not be billed to the Lowell and River's Edge customers as those customers are being charged on a stand-alone basis for ratemaking purposes. After eliminating costs of removal, post-in-service AFUDC, and deferred depreciation, as well as costs for wastewater asset replacements, she concluded that the Commission should approve a $0.13 SEI 1 S1 charge per month per 5/8-inch equivalent meter and an overall total SEI Charge of $1.04.

6. Indiana American Rebuttal. On rebuttal, Mr. Shimansky disagreed with Ms. Stull's exclusion of PISCC and deferred depreciation on the replacement projects from recovery, stating that Ind. Code § 8-1-31.7-9(f) authorizes such recovery. He opined that this is also consistent with the relief granted in the 45609 Order. He also stated that that his corrected Workpaper GDS-2 R1 was filed on December 9, 2022 and corrects the anomalies identified by Ms. Stull.

Mr. Shimansky testified that, to eliminate controversy, Indiana American accepts the recommendations of Ms. Stull and Mr. Seals regarding the removal of certain projects from the SEI Charge. Mr. Shimansky also responded to Mr. Seals's requests that Indiana American provide a citation to the regulation or law where applicable and that Indiana American identify the district where improvements have been made.

Mr. Shimansky also disagreed with Ms. Stull that removal costs should not be included in the SEI Charge calculation. He testified that Indiana American has calculated the net cost included in the SEI Charge like how it has calculated net cost in DSIC cases for 20 years. He said Indiana American offsets the cost of the improvement by the original cost of any assets that are being replaced, including the costs of removal. He noted that Ms. Stull accepted the offset for the retirement, but proposed to exclude costs of removal. He opined that, if this position were to be accepted, then there should be a reduction to accumulated depreciation equal to the original costs of the retired asset. Pursuant to the Uniform System of Accounts, Indiana American is to debit accumulated depreciation and credit utility plant in service for the original cost of the depreciable asset when it is retired. He stated that Ms. Stull's treatment only picks up the reduction for the original cost, fails to recognize the cost of removal, and ignores the reduction to depreciation reserve. Mr. Shimansky recommended that the Commission treat retirements as Indiana American does in its DSIC.

Mr. Shimansky also disputed Ms. Stull's testimony that costs of removal have not been funded by shareholders and that Indiana American should therefore not earn a return on cost of removal. He stated that, in theory, the costs of removal should be recovered through depreciation rates over time. That recovery, however, is recognized as a reduction to Indiana American's net original cost rate base because the offsetting credit entry to the recording of depreciation expense is accumulated depreciation. In other words, the amounts that Indiana American has invested in utility plant in service are reduced by the amount that, in theory, has been recovered from

customers through depreciation expense. Mr. Shimansky stated that when an asset is actually retired and the cost of removal is incurred, the actual cost that is incurred is recorded by debiting accumulated depreciation and thereby increasing rate base. While the anticipated cost of removal that has been recovered through depreciation expense has not been "funded" by shareholders, that reality is reflected by reducing net original cost rate base until those funds are actually spent, at which time the reduction to net original cost rate base is eliminated.

Mr. Shimansky also accepted Ms. Stull's proposal that Indiana American remove Lowell and River's Edge from the calculation of the SEI Charge.

7. Commission Discussion and Findings. The Commission has opened this subdocket pursuant to Ind. Code § 8-1-31.7-12(h) to address SEI costs associated with eligible additions made in association with SEIs described in Ind. Code § 8-1-31.7-7(2).

A. SEI Requirements and Calculations (Ind. Code ch. 8-1-31.7). The SEI Statute authorizes the Commission to approve SEI charges to allow water and wastewater utilities to automatically adjust their basic rates and charges to recover depreciation, property taxes, and pretax return incurred in connection with "eligible additions." "Eligible additions" are defined under Ind. Code § 8-1-31.7-2 as new utility plant or equipment that (1) do not increase revenues by connecting to new customers, even though the plant or equipment may provide the eligible utility with greater available capacity and, (2) for a public utility: (i) are used and useful; (ii) are procured, installed, or constructed by the public utility with expenditures that are service enhancement improvements; and (iii) were not included in the public utility's rate base in its most recent general rate case.

Ind. Code § 8-1-31.7-7-7(2) defines service enhancement improvements as "[r]eplacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public." In order to approve recovery of the replacement expenditures made under Ind. Code § 8-1-31.7-7(2), the Commission must find that the service enhancement improvements described in Ind. Code § 8-1-31.7-7(2) to be reasonable and necessary. Ind. Code § 8-1-31.7-12(h)(2).

Under Ind. Code § 8-1-31.7-9(f), if the Commission approves an eligible utility's plan under that section, or if approval is otherwise not required, the Commission shall approve a rider authorizing timely recovery of the eligible utility's service enhancement improvement costs under Ind. Code § 8-1-31.7-12. The following apply to the utility's timely recovery:

> (1) Eighty percent (80%) of the eligible utility's service enhancement improvement costs shall be recovered by the eligible utility through a periodic rate adjustment mechanism that allows the timely recovery of the approved service enhancement improvement costs.
> (2) Twenty percent (20%) of the eligible utility's service enhancement improvement costs, including depreciation, allowance for funds used during construction, and post in service carrying costs, compounded monthly and based on the overall cost of capital most recently approved by the commission, shall be

deferred and recovered by the eligible utility as part of its next general rate case filed by the eligible utility with the commission.
(3) Actual costs that exceed by more than twenty-five percent (25%) the projected costs set forth in the eligible utility's plan approved under this section require specific justification by the eligible utility and specific approval by the commission before being authorized in the next general rate case filed by the eligible utility with the commission.

As stated in Ind. Code § 8-1-31.7-9(f), Ind. Code § 8-1-31.7-12 further governs an eligible utility's petition for adjustment rider and in pertinent part states:

(a) If the commission approves an eligible utility's plan under section 9 of this chapter, or if commission approval of the plan is otherwise not required, the eligible utility may file a petition to establish or adjust an adjustment rider to its rate schedules under this section so as to allow timely recovery of the eligible utility's service enhancement improvement costs. The following shall apply:
(1) The adjustment rider shall be calculated as a fixed charge based upon equivalent meter size.
(2) Publication of notice of the filing is not required.
(b) The adjustment rider shall provide for the timely recovery of eighty percent (80%) of the service enhancement improvement costs. The remaining twenty percent (20%) of the service enhancement improvement costs shall be deferred under section 9(f)(2) of this chapter.

Under Ind. Code. § 8-1-31.7-12(h), if a petition filed under that section seeks recovery of service enhancement improvement costs associated with eligible additions made in association with service enhancement improvements described in Ind. Code § 8-1-31.7-7(2):

(1) the commission shall create a sub-docket to consider the service enhancement improvement costs if the petition combines the service enhancement improvement costs with service enhancement improvement costs associated with approved plans under section 7(1)(A) or 7(1)(B) of this chapter;
(2) to approve recovery of the service enhancement improvement costs associated with service enhancement improvements described in section 7(2) of this chapter, the commission must find that the service enhancement improvements described in section 7(2) of this chapter are reasonable and necessary; and
(3) the time period for issuance of an order under subsection (e) is extended to one hundred twenty (120) days with respect to the service enhancement improvement costs associated with service enhancement improvements described in section 7(2) of this chapter.

B. <u>Petitioner's Proposed Replacement Eligible Additions Are Reasonable and Necessary</u>. Under Ind. Code § 8-1-31.7-12(h), before the Commission can approve the recovery of the SEI costs associated with SEIs described in Ind. Code. § 8-1-31.7-7(2), the Commission must find that those SEIs are reasonable and necessary. Mr. Halverstadt provided testimony on the additions identified on Pet. Ex. 3, Attachment DH-1, as Replacement Eligible

Additions. Mr. Halverstadt testified that, because each of these expenditures was made to maintain the existing health, safety, or environmental protection for Indiana American's customers, employees, or the public, he believed they were reasonable and necessary and should be approved by the Commission.

Mr. Seals challenged certain improvements divided into three categories: 1) unplanned new additions, rather than replacement of existing plant or equipment, 2) recovery of expenses incurred on plant that is no longer used and useful, and 3) projects that do not meet applicable statutory criteria. In the first category, Mr. Seals recommended disallowance of SEI costs associated with three improvements based on his contention that these projects were not replacements of plant and equipment, but instead additions. He also recommended that SEI costs associated with replacement of the Charlestown electrical system be disallowed because the Charlestown plant is no longer used or useful as required in Ind. Code § 8-1-31.7-2(2)(A)(i). Finally, Mr. Seals identified three projects as not meeting the requirements for a "replacement project" under Ind. Code § 8-1-31.7-7(2) because they do not provide for the maintenance of the "existing health, safety, or environmental protection for the eligible utility's customers, employees or the public." Ms. Stull also recommended exclusion of certain wastewater projects.

On rebuttal, Mr. Shimansky agreed to remove the projects identified in Mr. Seals's testimony.

The Commission's January 30, 2023 docket entry request sought a revised version of Attachment DH-1, directly identifying each project as a water or wastewater project. To the extent there are wastewater projects previously not identified, the docket entry request sought a complete corrected set of rebuttal schedules to account for the additional wastewater projects. Indiana American responded by providing its updated Attachment DH-1 and explained that it had identified ten additional projects that it previously did not identify as wastewater projects. Indiana American also filed with its response a complete set of rebuttal schedules, identified as Updated Attachment GDS-1, Updated Attachment GDS-3, and Updated Workpaper GDS-3 (Pet. Ex. 3), to account for the additional wastewater projects it identified.

Based on the evidence of record, the Commission finds the additions as presented in Pet. Ex. 3, Attachment DH-1—excluding the projects identified in Mr. Seals's testimony and accepted by Indiana American and the wastewater projects identified previously and in Indiana American's docket entry response—are "eligible additions" under the SEI Statute and approved for recovery, as Indiana American provided credible evidence that these projects are reasonable and necessary.

C. Approval of the SEI Charge.

i. Inclusion of PISCC and Deferred Depreciation. The parties disagree on whether PISCC and deferred depreciation were authorized to accrue on the replacement additions. Ms. Stull opined that, while the 45609 Order authorized this treatment for the eligible additions included in the SEI Plan approved by the Commission in that Cause, Indiana American did not request this treatment for the asset replacements that are the subject of this subdocket. She opined the SEI Statute allows deferral of these costs on 20% of the project costs that are deferred as a regulatory asset, but does not make any reference to including these types of deferred costs as part of the 80% of the project costs recovered through an SEI Charge.

On rebuttal, Mr. Shimansky disagreed with Ms. Stull's contention that Indiana American was not authorized to accrue and defer PISCC and deferred depreciation on the asset replacements that are the subject of the subdocket, citing Ind. Code § 8-1-31.7-9(f). Mr. Shimansky opined that the following section of the 45609 Order supported Indiana American's position on this matter:

> Mr. Shimansky also described interim deferral authority to record PISCC (both debt and equity) and depreciation and property tax expenses associated with the projects until such costs are reflected in the SEI Rider rates or Indiana American's base rates . . . . Indiana American also seeks authority to create regulatory assets for the deferral authority and interim deferral authority described by Mr. Shimansky.
>
> Petitioner's requested accounting and ratemaking relief was not opposed by the OUCC. We find Indiana American's proposed accounting and ratemaking treatment aligns with the cost recovery provided in the SEI Statute, and such accounting and ratemaking treatment is reasonable and is therefore approved.

45609 Order at 10-11. In Cause No. 45609, Indiana American proposed to accrue PISCC on all eligible additions beginning with the month after the investment is placed in service until the date that investment is included in rates for recovery.

We agree with Mr. Shimansky that both the SEI Statute and the 45609 Order authorize Petitioner to accrue and defer PISCC and deferred depreciation on the replacement projects. Therefore, the Commission finds Indiana American has properly accrued PISCC and deferred depreciation of the replacement additions.

ii. Inclusion of Costs of Removal. The parties disagree on whether costs of removal should be included in the calculation of the SEI Charge, as noted above. After considering the evidence of record, we agree with Indiana American that costs of removal are properly included in the calculation of the SEI Charge. While shareholders do not technically fund costs of removal as explained in Ms. Stull's testimony, shareholders also do not receive any return on these costs while the asset is in service. As explained in Mr. Shimansky's rebuttal testimony, until the asset is retired, utility plant in service is reduced by the amount that, in theory, is recovered from customers through depreciation expense. This reduction to rate base is not eliminated until the cost of removal funds are actually spent. This does not constitute a double recovery because Indiana American shareholders do not receive a return on these costs until the asset is retired and the reduction to net original cost rate base is eliminated.

Indiana American's calculation of net cost for purposes of the SEI calculation is consistent with how it has calculated net cost in its DSIC cases for over 20 years. We believe that, for purposes of this proceeding, it makes sense to follow the approach Indiana American has historically used in its DSIC cases. *See, e.g.*, *Indiana American Water Co.*, Cause No. 42351 DSIC 8 (Dec. 18, 2013). Therefore, we find costs of removal are properly included in the SEI calculation. As the costs of removal were essentially immaterial, Indiana American and the OUCC each calculated the same SEI Charge per meter equivalency.

iii. Projects and Amounts to Be Included in the SEI Charge. The evidence submitted by Indiana American supports a finding that SEI water additions of $6,031,255 are eligible additions under Ind. Code § 8-1-31.7-2. This amount includes PISCC, deferred depreciation, and a deferred property tax regulatory asset totaling $920,852 as set forth in Updated Attachment GDS-1BR Sch. 9, page 1, modified by Indiana American's acceptance of the removal of certain projects on rebuttal, and updated in Indiana American's January 31, 2023 docket entry response (Pet. Ex. 3).

We agree with the OUCC that certain projects discussed in Mr. Seals's testimony, including $14,755 in additions (not replacements) of new plant and equipment, a $464,516 project performed at the Charlestown plant that is no longer used and useful, and $242,963 in projects that do not meet the statutory SEI requirements should be excluded from the SEI Charge. As we have found that the replacement additions, other than those excluded, are reasonable and necessary, they are properly included in Indiana American's SEI Charge. The evidence further shows that Petitioner calculated the SEI surcharge in this proceeding as a monthly fixed charge based upon meter size, as required by Ind. Code § 8-1-31.7-12(a)(1).

Based on the evidence of record, the Commission finds that Petitioner's request for an SEI Charge complies with the requirements of Ind. Code ch. 8-1-31.7. Further, Petitioner's proposed SEI Charge is non-discriminatory, reasonable, and just. Accordingly, we find that an SEI Charge of $0.15[1] per meter equivalency will allow Petitioner to timely recover 80% of its SEI costs as required under Ind. Code § 8-1-31.7-12 and is approved. We further find that Petitioner is authorized to collect from each of its present and future water customers, excluding the former customers of the Town of Lowell and River's Edge, the SEI Charge as set forth on Updated Attachment GDS-1. The remaining 20% of the SEI costs shall be deferred in accordance with Ind. Code § 8-1-31.7-9(f)(2) as described by Mr. Shimansky. This SEI Charge may be collected in addition to any SEI Charge approved in the Main Docket.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. A service enhancement improvement charge of $0.15 per meter equivalency calculated as a fixed charge by meter size is approved for Indiana American Water Company, Inc. This charge is in addition to the charge approved in any other service enhancement improvement orders.

2. Indiana American is authorized to defer 20% of the service enhancement improvement costs, including depreciation, allowance for funds used during construction, and post in service carrying costs, compounded monthly and based on the overall cost of capital most recently approved by the Commission. These costs will be deferred and recovered by Indiana American as part of its next general rate case.

[1] *See* Updated Attachment GDS-1, Schedule 2 (Pet. Ex. 3) for revised calculation based on Petitioner's acceptance of certain recommendations of the OUCC on rebuttal and in response to the Commission's January 30, 2023, docket entry request.

3. Prior to placing into effect the above-authorized SEI Charge, Indiana American shall file appendices to its schedules of rates and charges with the Water/Wastewater Division of the Commission consistent with the findings and ordering paragraphs set forth above. Such charges will become effective upon approval by the Water/Wastewater Division of the Commission.

4. This Order shall be effective on and after the date of its approval.

HUSTON, FREEMAN, KREVDA, VELETA, AND ZIEGNER CONCUR:

APPROVED: MAR 08 2023

I hereby certify that the above is a true and correct copy of the Order as approved.

Dana Kosco
Digitally signed by Dana Kosco
Date: 2023.03.08 10:14:50 -05'00'

Dana Kosco
Secretary of the Commission