

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF CWA AUTHORITY, INC. FOR (1) )  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR WASTEWATER UTILITY SERVICE )  
IN THREE PHASES AND APPROVAL OF NEW ) CAUSE NO. 45151  
SCHEDULES OF RATES AND CHARGES )  
APPLICABLE THERETO; (2) APPROVAL OF A )  
LOW-INCOME CUSTOMER ASSISTANCE )  
PROGRAM; AND (3) APPROVAL OF CERTAIN )  
CHANGES TO ITS GENERAL TERMS AND )  
CONDITIONS FOR WASTEWATER SERVICE. )

**VERIFIED PETITION FOR GENERAL RATE INCREASE AND  
ASSOCIATED RELIEF UNDER INDIANA CODE SECTIONS 8-1-2-42.7 AND 8-1-2-46  
AND NOTICE OF PROVISION OF INFORMATION REQUIRED BY THE MINIMUM  
STANDARD FILING REQUIREMENTS**

CWA Authority, Inc. (“CWA” or “Petitioner”), respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for: (i) authority to increase its rates and charges for wastewater service rendered by it in three phases and approval of new schedules of rates and charges applicable thereto; (ii) approval of a Low-Income Customer Assistance Program; and (iii) approval of certain changes to its general terms and conditions for wastewater service. This filing is made in accordance with Indiana Code Sections 8-1-2-42.7 and 8-1-2-46. In accordance with the Commission’s Recommended Best Practices for Rate Cases (“GAO 2013-5”), CWA also is contemporaneously submitting to the Commission working papers required by the Commission’s Rules on Minimum Standard Filing Requirements (“MSFR Rules”), 170 IAC 1-5-1 *et seq.*, to the extent the MSFR Rules apply. In support of the relief requested herein, CWA states as follows:

### **Nature of Petitioner and Regulatory Status**

1. CWA is an Indiana nonprofit corporation and an instrumentality of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group (“Citizens Energy Group” or the “Board”) created pursuant to an Interlocal Cooperation Agreement in accordance with the Interlocal Cooperation Act, *i.e.*, Indiana Code 36-1-7. The Board, the City of Indianapolis (the “City”) and the Sanitary District of the City, acting by and through the Board of Public Works (the “Sanitary District”), entered into the Interlocal Cooperation Agreement to form CWA for the purpose of acquiring and owning wastewater system assets formerly owned by the City and the Sanitary District. Petitioner’s principal office is located at 2020 North Meridian Street, Indianapolis, Indiana 46202.

2. On July 13, 2011, the Commission issued an Order in Cause No. 43936 approving the terms of an Asset Purchase Agreement under which CWA then acquired the wastewater system assets previously owned by the City and the Sanitary District on August 26, 2011.

3. CWA provides wastewater collection and treatment services to approximately 242,000 retail customers in Marion County and wastewater treatment services to surrounding communities. Pursuant to a Management and Operating Agreement approved by this Commission in Cause No. 43936, Citizens Energy Group provides management and operational services necessary and desirable for the operation of the wastewater utility owned by CWA.

4. Pursuant to the Interlocal Cooperation Agreement, the Board has vested CWA with its statutory powers under Indiana Code Section 8-1-11.1-3(c)(9) to adopt rates and charges and terms and conditions for the provision of wastewater utility service.

5. Rates and charges and terms and conditions for the provision of wastewater utility service adopted by CWA pursuant to Indiana Code Section 8-1-11.1-3(c)(9) “shall be in effect only after the rules and rates have been filed with and approved by the commission and such approval shall be granted by the commission only after notice of hearing and hearing as provided by IC 8-1-1 and IC 8-1-2, and only after determining compliance of the rates of service with IC 8-1.5-3-8 and IC 8-1.5-3-10.”

6. Pursuant to Indiana Code Sections 8-1-11.1-3(c)(9) and 8-1.5-3-8, rates and charges made by CWA for any service rendered or to be rendered, either directly or in connection therewith, “must be nondiscriminatory, reasonable, and just.” CWA’s rates and charges for wastewater utility service are required by law to “produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service.” CWA’s revenues and income from rates and charges for services need to be increased so that it can continue to operate and maintain its wastewater utility system in satisfactory physical and financial condition to render reasonably adequate service to its customers, and to meet the requirements for reasonable and just rates and charges for services under Indiana Code Section 8-1.5-3-8(c) and (d).

#### **CWA’s Present Rates and Charges**

7. The Commission’s July 18, 2016 Order in Cause No. 44685 authorized CWA to increase its rates and charges in two phases. CWA implemented the phase 1 and phase 2 rates and charges on July 20, 2016, and August 1, 2017, respectively. CWA was required to file true-up reports and revised rate schedules based on the actual results of new debt issuances contemplated in Cause No. 44685. CWA made those compliance filings for the phase 1 and phase 2 rates and charges on October 21, 2016, and August 21, 2017, respectively. CWA’s

existing schedule of base rates and charges became effective September 1, 2017.

8. On July 26, 2017, the Commission issued an Order in Cause No. 44685-S1 approving a series of revenue-neutral rate adjustments to be implemented during the period from January 1, 2019, through January 1, 2029, to address cost of service subsidies that exist between CWA's wholesale and retail customer classes.

9. On September 28, 2017, CWA filed a petition seeking approval to implement a System Integrity Adjustment ("SIA") pursuant to Indiana Code Section 8-2-31.5-12, which the Commission approved on December 28, 2017 in Cause No. 44990. CWA implemented the approved SIA effective January 1, 2018. On September 17, 2018, CWA filed a petition seeking approval of revised SIA rates to become effective on January 1, 2019.

**CWA's Present Rates and Charges are not "Reasonable and Just"**

10. CWA's rates and charges for wastewater service result in the collection of revenues that do not meet the requirements of reasonable and just rates and charges set forth in Indiana Code Section 8-1.5-3-8. Therefore, CWA's rates and charges are and will be too low and insufficient to:

(c)(1) Pay all the legal and other necessary expenses incident to the operation of the utility, including:

- (A) Maintenance costs;
- (B) Operating charges;
- (C) Upkeep;
- (D) Repairs;
- (E) Depreciation;
- (F) Interest charges on bonds or other obligations, including leases; and
- (G) Costs associated with the acquisition of utility property under IC 8-1.5-2;

(2) Provide a sinking fund for the liquidation of bonds or other obligations, including leases;

(3) Provide a debt service reserve for bonds or other obligations, including leases, in an amount established by the [Petitioner], not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;

(4) Provide adequate money for working capital;

(5) Provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and

(6) Provide money for the payment of any taxes that may be assessed against the utility.

Accordingly, CWA's rates and charges presently in effect are unlawful under Indiana Code Section 8-1.5-3-8(d), which states: "It is the intent of this section that the rates and charges produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service. Rates and charges too low to meet these requirements are unlawful."

11. CWA's existing schedule of rates and charges needs to be further adjusted to reflect the results of a cost-of-service study.

#### **Test Year**

12. CWA proposes that its new rates and charges be based upon its wastewater utility operations at May 31, 2018, and the results of its operations on an as-adjusted basis for the 12-month period after that date.

13. In accordance with 170 IAC 1-1.1-9(b), CWA proposes that the 12-month period ended May 31, 2018, be the test year fixed by the Commission, and that the cut-off date for adjustments to net income and operating expenses that are reasonably known, fixed, and measurable, be within twelve months following the close of the test year, except for amounts for extensions and replacements, debt service requirements and payments in lieu of taxes ("PILOT

payments”) pursuant to the schedule of PILOT payments approved by the Commission in Cause No. 43936.

**CWA’s Proposed Phase 1, Phase 2, and Phase 3 Rates and Charges**

14. CWA proposes, subject to the authorization and approval of this Commission, to cancel its existing schedule of rates and charges for wastewater service and to file with the Commission, in lieu thereof, revised schedules of rates and charges in three phases, as described below.

15. CWA proposes that its Phase 1 schedule of rates and charges be placed into effect upon the Commission’s issuance of a final Order in this Cause, which is anticipated to be on or before August 8, 2019. The Phase 1 rates and charges will result in the collection of revenues sufficient to recover the revenue requirements set forth in Indiana Code Section 8-1.5-3-8 based on *pro forma* revenues and operating expenses during the test year with adjustments for changes that are reasonably known, fixed, and measurable and occurring within twelve months following the close of the test year, in addition to *pro forma* debt service costs associated with bonds expected to be issued by CWA to fund combined sewer overflow projects (“CSO Projects”) pursuant to the Consent Decree and other necessary improvements through July 31, 2020.

16. CWA proposes that its Phase 2 schedule of rates and charges be placed into effect on August 1, 2020. The Phase 2 rates and charges will allow for the collection of incremental revenues sufficient to recover (a) debt service costs associated with bonds to be issued by CWA to fund CSO Projects pursuant to the Consent Decree and other necessary improvements through July 31, 2021, (b) annual increases to the PILOT obligation CWA pays to the City of Indianapolis in accordance with the PILOT payment schedule that was approved by the

Commission in Cause No. 43936, and (c) an increase to the amount of funding for extensions and replacements included in CWA's annual revenue requirement in order to, among other things, sustain CWA's debt service coverage ratio in light of the annual increase in debt service cost.

17. CWA proposes that its Phase 3 schedule of rates and charges be placed into effect on August 1, 2021. The Phase 3 rates and charges will allow for the collection of incremental revenues sufficient to recover (a) debt service costs associated with bonds to be issued by CWA to fund CSO Projects pursuant to the Consent Decree and other necessary improvements through July 31, 2022, (b) annual increases to the PILOT obligation CWA pays to the City of Indianapolis in accordance with the PILOT payment schedule that was approved by the Commission in Cause No. 43936, and (c) an increase to the amount of funding for extensions and replacements included in CWA's annual revenue requirement in order to, among other things, sustain CWA's debt service coverage ratio in light of the annual increase in debt service cost.

18. The Phase 1, Phase 2, and Phase 3 schedules of rates and charges are designed to provide CWA with reasonable and just rates and charges for services within the meaning of Indiana Code Section 8-1.5-3-8. CWA's proposed revised schedules of rates and charges will be accompanied by the prepared direct testimony and exhibits of CWA's witnesses.

19. The proposed Phase 1, Phase 2, and Phase 3 schedules of rates and charges will be based on an updated cost-of-service study and rate design, to better reflect the cost-of-service by customer class.

### **Low-Income Customer Assistance Program**

20. In Indiana Code Section 8-1-2-42-0.5, the Indiana General Assembly declared:

it is the continuing policy of the state, in cooperation with local governments and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to create and maintain conditions under which utilities plan for and invest in infrastructure necessary for operation and maintenance while protecting the affordability of utility services for present and future generations of Indiana citizens.

21. Senate Enrolled Act No. 416, which was enacted by the Indiana General Assembly and signed by the Governor in 2017, provides the Commission statutory authority to approve a wastewater utility's establishment of a customer assistance program that provides financial relief to residential customers who qualify for income-related assistance, based on the Commission's determination that the proposed customer assistance program furthers the interests set forth in Indiana Code Section 8-1-2-42-0.5

22. According to a recent study by the United Way of Central Indiana, 18 percent of Marion County households are living below the federal poverty level. Citizens Energy Group and CWA have begun to undertake steps to address the issue of poverty and affordability in Marion County, including working with other community stakeholders and improving data mining and analysis capabilities to better understand the affordability challenges CWA's customers face.

23. In this case, CWA is proposing a Low-Income Customer Assistance Program pursuant to Senate Enrolled Act No. 416.

24. The purpose of CWA's Low-Income Customer Assistance Program is to help its most at-risk customers maintain continued access to wastewater service, which is essential for



public health and sanitary needs, and to reduce the amount of costs other customers bear as a result of arrearages, bad debt expense and disconnections of service. The proposed program has two components: (1) a rate discount for eligible customers; and (2) an assistance fund to help eligible customers with, among other things, infrastructure improvements that have bill impacts, such as the replacement of leaking service lines or the installation of water-efficient plumbing fixtures.

**CWA's Proposed Revisions to the  
General Terms and Conditions for Wastewater Service**

25. Based on its experience owning and operating the wastewater system since 2011, CWA is proposing certain additional minor revisions to its terms and conditions for service, which will be described in its prepared direct testimony and exhibits.

**Procedural Matters**

26. In accordance with GAO 2013-5, CWA provided its Notice of Intent to File Rate Case to the Commission on September 12, 2018. A copy of the Notice was provided to the Indiana Office of Utility Consumer Counselor ("OUCC") at the same time. CWA also notified each Satellite Customer in writing of the filing of this Verified Petition in accordance with Section 3 of CWA's Sewer Rate No. 6. CWA will publish notice to its customers of the filing of this Verified Petition and the requested upward adjustment to its rates and charges pursuant to Indiana Code Section 8-1-2-61. The published notice will be late-filed as an attachment to testimony. CWA will give its residential customers further notice that fairly summarizes the extent of the requested Phase 1, Phase 2, and Phase 3 rate adjustments in accordance with 170 IAC 8.5-2-6(c).

27. Pursuant to 170 IAC 1-1.1-15(b) of the Commission's Rules of Practice and Procedure, CWA requests that the Commission convene a prehearing conference and preliminary hearing for the purposes of establishing a procedural schedule, resolving accounting, engineering, and such other matters as may properly come before the Commission in this proceeding.

28. The names and addresses of CWA's attorneys in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Michael E. Allen (Atty. No. 20768-49)  
Lauren R. Toppen (Atty. No. 23778-49)  
CWA Authority, Inc.  
2020 N. Meridian Street  
Indianapolis, IN 46202  
Telephone: (317) 927-4318  
Facsimile: (317) 927-4318  
E-mail: mallen@citizensenergygroup.com  
ltoppen@citizensenergygroup.com

Michael B. Cracraft (Atty. No. 3416-49)  
Steven W. Krohne (Atty. No. 20969-49)  
Ice Miller LLP  
One American Square, Suite 2900  
Indianapolis, IN 46282-0200  
Telephone: (317) 236-2100  
Facsimile: (317) 592-4211  
E-mail: michael.cracraft@icemiller.com  
steven.krohne@icemiller.com

Said attorneys are counsel for CWA and are duly authorized to accept service of papers in this Cause on behalf of CWA. In addition, papers filed in this proceeding should be sent by mail and electronically to:

Korlon L. Kilpatrick  
Director, Regulatory Affairs  
Citizens Energy Group  
2020 N. Meridian Street  
Indianapolis, Indiana 46202  
E-mail: kkilpatrick@citizensenergygroup.com


WHEREFORE, CWA respectfully requests that the Indiana Utility Regulatory Commission make an investigation and hold such hearings as it shall deem necessary and advisable in this proceeding and thereafter make and enter an Order in this Cause in accordance with the 300-day time frame provided in GAO 2013-5 and Indiana Code Section 8-1-2-42.7:


- (i) Finding that CWA's existing rates and charges for wastewater service are unjust, unreasonable, unlawful and inadequate to provide its annual requirements for funds for those items required for reasonable and just rates and charges as enumerated in Indiana Code Section 8-1.5-3-8;
- (ii) Determining, and by Order authorizing and approving just, reasonable, and sufficient rates and charges to be imposed by CWA in three phases, as set forth above, in lieu of such present rates and charges;
- (iii) Authorizing and approving CWA's proposed Low-Income Customer Assistance Program as described herein and in CWA's case-in-chief;
- (iv) Approving various changes in CWA's terms and conditions of service;
- (v) Authorizing and approving the filing of revised schedules of rates and charges and terms and conditions of service applicable to the wastewater service rendered by CWA, embodying the just and reasonable rates and charges and terms and conditions of service; and
- (vi) Granting such other and further relief as the Commission may deem necessary and appropriate in the premises.

**[signature page follows]**

DATED this 12<sup>th</sup> day of October, 2018.

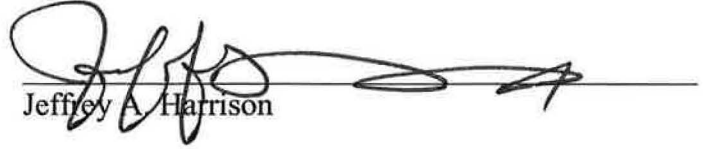
CWA AUTHORITY, INC.

By:   
Jeffrey A. Harrison, President and Chief Executive Officer

By:   
Michael E. Allen, Counsel for Petitioner

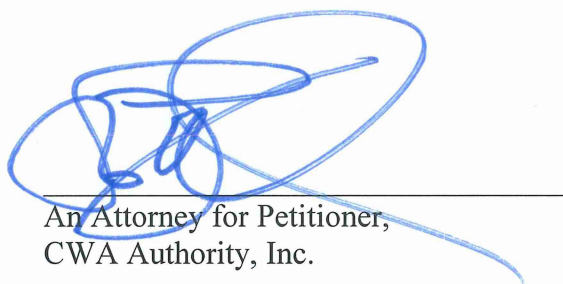
**VERIFICATION**

The undersigned affirms under the penalties for perjury that the foregoing representations are true to the best of his knowledge, information, and belief.

  
Jeffrey A. Harrison

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing “Verified Petition for General Rate Increase and Associated Relief Under Indiana Code Sections 8-1-2-42.7 and 8-1-2-46 and Notice of Provision of Information Required by the Minimum Standard Filing Requirements” of CWA Authority, Inc. was served on the Indiana Office of Utility Consumer Counselor electronically or by delivering a copy thereof to said office on this 12<sup>th</sup> day of October, 2018.

  
An Attorney for Petitioner,  
CWA Authority, Inc.

Michael E. Allen (Atty. No. 20768-49)  
Lauren R. Toppen (Atty. No. 23778-49)  
CWA Authority, Inc.  
2020 N. Meridian Street  
Indianapolis, IN 46202  
Telephone: (317) 927-4318  
Facsimile: (317) 927-4318  
E-mail: mallen@citizensenergygroup.com  
ltoppen@citizensenergygroup.com

Michael B. Cracraft (Atty. No. 3416-49)  
Steven W. Krohne (Atty. No. 20969-49)  
Ice Miller LLP  
One American Square, Suite 2900  
Indianapolis, IN 46282-0200  
Telephone: (317) 236-2100  
Facsimile: (317) 592-4211  
E-mail: michael.cracraft@icemiller.com  
steven.krohne@icemiller.com