

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA-AMERICAN)
WATER COMPANY, INC. (“INDIANA)
AMERICAN”) FOR (1) APPROVAL OF ITS)
LEAD SERVICE LINE PLAN PURSUANT TO)
IND. CODE CHAP. 8-1-31.6 AND (2))
APPROVAL OF ASSOCIATED CHANGES)
TO INDIANA AMERICAN’S RULES AND)
REGULATIONS FOR WATER SERVICE.)**

CAUSE NO. 45043

INDIANA-AMERICAN WATER COMPANY, INC.’S
REPLY TO PROPOSED ORDER OF OUCC

Indiana-American Water Company, Inc. (“Indiana American”) has proposed a lead service line replacement plan (“Plan”) that addresses the problem of customer-owned lead service lines and achieves the objectives established in Indiana Code Chapter 8-1-31.6. The OUCC has proposed changes to Indiana American’s Plan that would impose additional layers of risk, costs and administrative burden with no corresponding added benefit. The OUCC’s proposed changes should not be adopted.

1. Mechanisms already exist that allow for continued reporting under and review of the Plan.

The OUCC has proposed an annual reporting requirement that includes substantial additional information relating to loans, grants, prioritization, lead testing, communications, costs and unusual site restorations. Such burdensome reporting is unnecessary and should not be required. Indiana American will seek ratemaking treatment for customer-owned lead service line replacements under the Plan in its DSIC and general rate case proceedings as set forth in IC ch. 8-1-31.6. In each of those proceedings, Indiana American will provide an update on its lead service line replacements under the Plan. A mechanism thus already exists that allows for continued reporting under, and

review, of the Plan. Nevertheless, Indiana American acknowledges that, as OUCC points out, the DSIC is an expedited proceeding. Therefore, Indiana American proposes that it make an annual filing with the Commission and the OUCC reporting (1) the number of customer-owned lead service lines replaced, (2) the number of customer refusals, (3) the average cost of the replacements to date, and (4) any significant and unexpected experiences with execution that were not contemplated when the Plan was developed. Indiana American would provide this annually at the same time that its annual report under IC 8-1-2-16 is filed. The OUCC has not demonstrated the need for any further reporting, and the Commission therefore should decline to burden the Plan with such requirements.

2. The Commission need not arbitrarily set an “expiration date” for the Plan.

The OUCC proposes requiring reauthorization of the Plan in five (5) years. Its only justification for doing so is that it “need not be a lengthy proceeding” and the “cost of such a proceeding should be relatively small when compared to the cost of the Plan.” OUCC Proposed Order, p. 12. The parties agree the Plan is in the public interest and the statute under which Indiana American seeks approval contains no sunset provision for such approval. *See* IC ch. 8-1-31.6. Because information will be made available annually pursuant to the proposal stated above, in addition to the detail on actions taken under the Plan that will be presented in the context of the request for reflection in rates of those activities, all parties will remain apprised of progress being made under the Plan. The Commission, further, possesses the ability to review the Plan under its broad investigatory powers and ability to review its own orders. IC 8-1-2-54, -58, -59, and -72. It makes little sense, in approving the Plan, to presume a need for initiating further administrative proceedings. The OUCC’s proposed mandatory reauthorization docket serves only to add administrative burden without any added benefit, without any factual basis in the record, and should be rejected.

3. **The OUCC has not cited any benefit accruing from the additional testing they urge the Commission to impose.**

In response to the OUCC's testimony that additional testing should be performed, Indiana American witness Stacy Hoffman testified about the Company's participation in a study to be conducted by the Water Research Foundation. He explained the objectives of the study, described the protocols and identified the level of testing that Indiana American would be doing as a participant in that study. As Mr. Hoffman pointed out, the value of that study stems from its spanning multiple areas and collecting data from samples obtained by all participants.

The OUCC Proposed Order would have the Commission arbitrarily impose additional testing, outside of the scientific study, without identifying any additional benefits from doing so. There simply is no evidence that the additional burden of the testing the OUCC seeks to have the Commission require adds any real value. The OUCC's proposed finding on this point, further, is internally inconsistent as what they propose the Commission require of Indiana American directly contradicts the earlier statements appearing in both parties' proposed orders that "such testing, to be meaningful, must be scientifically designed and not limited to one particular water utility. More information and implementation of best practices is an important goal we should set, but we must assure that we are appropriately responding to information rather than simply and sporadically gathering data." OUCC Proposed Order, p.11; Petitioner's Proposed Order, p. 10. Therefore, the OUCC's additional testing requirement should not be adopted.

4. **Indiana American must retain the ability to enter agreements under the Plan that adequately protect the individual customers electing to participate and Indiana American's customers as a whole.**

The OUCC would have the Commission “deny Indiana American’s proposal to include its indemnification provision in its Water Service Line Replacement agreement” based on a proposed finding that the indemnification language is too broad. OUCC Proposed Order, pp. 14-15. The OUCC’s proposed order also has the Commission ignore the warranty and site restoration provisions of the agreement which provide customers a right to workmanship and correction of site damage. OUCC’s proposals should not be adopted. Indiana American’s Water Service Line Replacement agreement achieves the proper balance between protection for the individual customer electing to participate in the Plan and protection for all of Indiana American’s customers from the cost of uncertain legal actions going beyond restoration.

Indiana American has proposed that the Commission decline to issue a finding on the specific language of the indemnity under the agreement. Petitioner’s Proposed Order, p. 11. Such a finding is not necessary for the Commission to approve the Plan and, more importantly, would unnecessarily constrain the evolution of materials over the ten to twenty years of the Plan. The agreement and other customer communications attached to the Plan are intended as examples, and Indiana American should be permitted to retain the flexibility to alter those documents as it gains experience in administering the Plan. Indiana American is sensitive to the concern that the Commission’s order could be construed to approve the specific provisions of the agreement. It was for that reason Indiana American proposed the language it did in its proposed order, making it clear that was not the case.

It appears the OUCC recognizes there is value in protecting Indiana American’s customers from frivolous lawsuits. Otherwise, presumably, they would not have included language in the

proposed order finding the Commission “appreciate[s] Indiana American’s desire to foreclose the possibility of costly disputes” However, the OUCC has not suggested how that provision might be narrowed while continuing to address Indiana American’s concern of foreclosing the possibility of costly disputes. Instead of proposing a modification that addresses their stated position that the provision is overbroad, the OUCC urges the Commission remove any such protection in its entirety.

5. The proposed rule addendum approaches the problem of lead service lines at “non-customer” properties in the manner best calculated to achieve Indiana’s policy on lead.

Indiana American proposed to amend its rules to address lead service lines present at “non-customer” properties that had been inactive for 24 months or more, or physically disconnected from service – i.e., properties that have not been “customers” for the two years leading up to a request for connection. The OUCC’s proposed rejection of the rule addendum would allow properties with known lead service lines to remain in the system, in contravention of the General Assembly’s directive that lead service lines be eliminated as quickly as reasonably possible. (The OUCC’s proposal does not address how to ensure that a future consumer of water utility service (e.g., a new tenant or owner) would be made aware of the existence of the lead service line.) Ultimately, it is for the Commission to decide on the best approach to this particular problem, but Indiana American believes its proposed rule addendum reasonably limits replacement of lead service lines to those which serve a consumer, ensures an outcome that is fair to all of its customers, and continues to serve the purpose of the Plan to remove lead service lines from service.

Conclusion

Indiana has shown itself to be a leader in tackling the problem of lead. Arbitrary hurdles and additional costs that create no demonstrable benefit should not be added to the Plan contemplated by the statute, and should not stand in the way of Indiana’s progress. Indiana American is committing

to providing an annual update of the number of customer-owned lead service lines replaced, the number of customer refusals, the average cost of replacements, and whether or not any significant and unexpected experiences with execution arise that were not contemplated when the Plan was developed. The Commission should proceed to adopt the order proposed by Indiana American approving its Lead Service Line Replacement Plan. The Plan is attached hereto – without the exemplar attachments which are not part of the approval Indiana American is seeking in this Cause -- and Indiana American recommends that it be affixed to the Commission's Order in this Cause for ease of reference going forward.

Respectfully submitted,

By: Hillary J. Close
Hillary J. Close, Attorney No. 25104-49
Lauren M. Box, Attorney No. 32521-49
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204
Close Telephone: (317) 231-7785
Box Telephone: (317) 231-7289
Facsimile: (317) 231-7433
Email: hillary.close@btlaw.com
lauren.box@btlaw.com

Attorneys for Petitioner
Indiana-American Water Company, Inc.

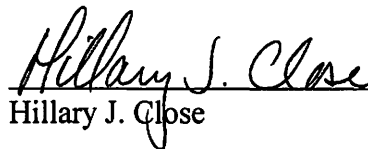
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 6th day of June, 2018, by electronic transmission to the following:

Daniel LeVay
Scott Franson
Indiana Office of Utility Consumer Counselor
PNC Center
115 West Washington Street, Suite 1500 South
Indianapolis, Indiana 46204
dlevay@oucc.in.gov
sfranson@oucc.in.gov
infomgt@oucc.in.gov

Jennifer Washburn
Margo Tucker
1915 West 18th Street, Suite C
Indianapolis, Indiana 46202
jwashburn@citact.org
mtucker@citact.org

J. Christopher Janak
Kristina Wheeler
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, Indiana 46204
cjanak@boselaw.com
kwheeler@boselaw.com


Hillary J. Close

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



Introduction

Indiana American Water Company ("Indiana American", or "the Company") is submitting this plan for the replacement of customer-owned lead service lines pursuant to recent Indiana legislation ("Customer Lead Service Line Replacement Plan" or the "Plan").¹ The Plan includes replacement of customer-owned lead service lines in conjunction with main replacement and relocation projects using the Company's prioritization model previously reviewed in prior filings with the Indiana Utility Regulatory Commission ("IURC", or "Commission"). Leaking or damaged service lines will be replaced as soon as possible in line with traditional leak repair activity. Lead service lines on mains not at the end of their useful life and not scheduled for replacement will be replaced at the time most efficient for allocation of resources, minimization of mobilization costs, and with consideration of community disturbance. The Company plans to disconnect lead service lines that have not been active for a period of 24 consecutive months.

The Plan will allow Indiana American to accelerate the replacement of lead service lines that are still in use by focusing on those lines. State and/or federal funding for replacement programs are uncertain at this time, but will be utilized to accelerate replacement under the plan, as available.

Background

The United States Environmental Protection Agency's ("U.S. EPA") October, 2016 "Lead and Copper Rule Revisions White Paper" points out:

"It is important to recognize that LSLR ("lead service line replacement") presents substantial economic, legal, technical and environmental justice challenges. First, it is costly. Estimated costs for LSLRs range from \$2,500 to more than \$8,000 per line, suggesting an estimated cost of eliminating all 6.5 to 10 million LSLs nationwide ranging from 16 to 80 billion dollars. Potential costs may be disproportionately borne by specific low-income localities, such as Detroit, which has an estimated 100,000 LSLs and where 40 percent of the population is below the poverty line. Second, LSLs are often partially or totally owned by private homeowners. Under the current LCR ("Lead and Copper Rule"), public water systems are responsible for replacement of LSL or the portion of the LSL it owns. This is typically the portion of the line from the water main to the property line."

"To the extent water systems rely on homeowners to pay for replacement of privately owned portions of lines, there are concerns about consumer's ability to pay and the possibility that lower-income homeowners will be unable to replace lines, resulting in disparate levels of protection."

The Indiana General Assembly has therefore set State policy to facilitate Lead Service Line Replacement ("LSLR") in its 2017 session.

¹ On April 20, 2017, Indiana Governor Eric Holcomb signed House Enrolled Act No. 1519 into law, with the legislation made effective on July 1, 2017. House Enrolled Act No. 1519 contains, among other items, the addition of a new chapter to the Indiana Code – IC 8-1-31.6, which establishes a process for water utilities to obtain the authority to replace customer owned lead service lines and recover a return of and on the investments made to replace these lines, even though the lines are not owned by the utility.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



Statutory Consideration for Plan

IC 8-1-31.6-5(a) states:

“Before a water utility may seek to include customer lead service line improvements as eligible infrastructure improvements for purposes of IC 8-1-31, the water utility must first obtain approval from the commission of the water utility’s plan for the customer lead service line improvements. To seek approval of the water utility’s plan for the customer lead service line improvements, the water utility shall file with the commission a petition and case-in-chief, including the information set forth in section 6 of this chapter.”

IC 8-1-31.6-6 includes ten specific items that must be addressed in a water utility’s plan for customer lead service line improvements. Each of these ten items are listed below. The plan prepared by and for Indiana American addresses each of these specific items.

1. **Availability of grants or low interest loans.** *(See Page 4 of the Plan for details)*
IC 8-1-31.6-6(a)(1): The availability of grants or low interest loans and how the water utility plans to use available grants or low interest loans to help the water utility finance or reduce the cost of the customer lead service line improvements for the water utility and the water utility’s customers, including any arrangements for the customer to receive available grants or financing directly.
2. **How the replacement of customer owned lines will be accomplished.** *(See Page 5 of the Plan for details)*
IC 8-1-31.6-6(a)(2): A description of how the replacement of customer owned lead service lines will be accomplished in conjunction with distribution system infrastructure replacement projects.
3. **Estimated savings for replacement of customer owned lead service lines by Indiana American as compared to the customer cost to replace an individual customer owned lead service line.** *(See Page 7 of the Plan for details)*
IC 8-1-31.6-6(a)(3): The estimated savings in costs per service line that would be realized by the water utility replacing the customer owned portion of the lead service lines versus the anticipated replacement costs if customers were required to replace the customer owned portion of the lead service lines.
4. **Estimated number of lead mains and lead service lines that are part of Indiana American’s utility system.** *(See Page 9 of the Plan for details)*
IC 8-1-31.6-6(a)(4): The number of lead mains and lead service lines estimated to be part of the water utility’s system.
5. **A range of the number of customer owned lead service lines estimated to be replaced annually.** *(See Page 10 of the Plan for details)*
IC 8-1-31.6-6(a)(5): A range of the number of customer owned lead service lines to be replaced annually.

6. **A range for the total feet of lead mains estimated to be replaced annually.** *(See Page 12 of the Plan for details)*
IC 8-1-31.6-6(a)(6): A range for the total feet of lead mains estimated to be replaced annually.
7. **Indiana American's proposal for addressing unusual site restoration costs.** *(See Page 13 of the Plan for details)*
IC 8-1-31.6-6(a)(7): The water utility's proposal for addressing the costs of unusual site restoration work necessitated by structures or improvements located above the customer owned portion of the lead service lines.
8. **Indiana American's communication and documentation proposal.** *(See Page 16 of the Plan for details)*
IC 8-1-31.6-6(a)(8): The water utility's proposal for:
 - (A) communicating with the customer the availability of the water utility's plan to replace the customer owned portion of the lead service line in conjunction with the water utility's replacement of the utility owned portion of the lead service line; and
 - (B) documenting the customer's consent or lack of consent to replace the customer owned portion of the lead service line.
9. **Indiana American's proposal for future ownership of the customer owned lead service line.** *(See Page 19 of the Plan for details)*
IC 8-1-31.6-6(a)(9): The water utility's proposal concerning whether the water utility or the customer will be responsible for future replacement or repair of the portion of the new service line corresponding to the previous customer owned lead service line.
10. **Estimated total cost and estimated annual cost range to replace customer owned lead service lines.** *(See Page 20 of the Plan for details)*
IC 8-1-31.6-6(a)(10): The estimated total cost to replace all customer owned portions of the lead service lines within or connected to the water utility's system and an estimated range for the annual cost to be incurred by the water utility under the water utility's plan.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



1. Availability of Grants or Low Interest Loans

IC 8-1-31.6-6(a)(1): The availability of grants or low interest loans and how the water utility plans to use available grants or low interest loans to help the water utility finance or reduce the cost of the customer lead service line improvements for the water utility and the water utility's customers, including any arrangements for the customer to receive available grants or financing directly.

Indiana American will continuously monitor availability of grants and low interest loans for which it may be eligible and will take appropriate action to seek such funding that would reduce the total cost of lead service line replacement and accelerate implementation of the plan. The Company will invest its capital to execute the plan and schedule outlined herein; as grants or low interest loans become available, they will be used to accelerate the plan.

Pursuit of Low Interest Loans and/or Grants through the Indiana Finance Authority

The Indiana Finance Authority ("IFA") is the authority that is responsible for the receipt and distribution of low interest and/or grant funds for the State of Indiana. The mission of the IFA is to oversee State-related debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in Indiana. Indiana American is eligible for available low interest loan funds, grant funds and State Revolving Fund ("SRF") Loan Program funds through the IFA.

The SRF Program provides low interest loans for projects that improve drinking water infrastructure. The program's mission is to provide eligible entities with the lowest interest rates possible on financing of such projects while protecting public health and the environment. The Company will pursue available SRF funding which would lower the total cost of implementing this LSLR plan and accelerate its execution. The Company will be proactive in discussing the priority of this work with the IFA, recognizing that this work will be ranked with other requests for funding and funding is limited.

The IFA is seeking authorization from the EPA to expand its funding sources and mechanisms, which could include funds pursuant to the Water Infrastructure Finance and Innovation Act of 2014, also known as "WIFIA". WIFIA is a federal credit program administered by the EPA for eligible water and wastewater infrastructure projects. Eligible borrowers include Drinking Water SRF programs. Should this funding become available to the IFA, and should its use lower the total cost of implementing the plan and accelerate its execution, then the Company will pursue such funding.

The IFA has also developed a loan offer for utilities and municipalities that increases the debt, but lowers the overall interest rate significantly below the SRF rate. This provides more funding while maintaining the required debt service level. Should this type of loan be available, lower the total cost of implementing the plan, and accelerate its execution, then the Company will pursue such funding.

The Company will pursue all of these options for which it may be or may become eligible, as well as any others that may become available and which will lower the total cost of implementing the plan and accelerate its execution.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



2. How the Replacement of Customer Owned Lead Service Lines will be accomplished

IC 8-1-31.6-6(a)(2): A description of how the replacement of customer owned lead service lines will be accomplished in conjunction with distribution system infrastructure replacement projects.

Indiana American's Plan for LSLRs includes three LSLR categories:

1. LSLRs completed in conjunction with main replacement and relocation projects.
2. LSLRs completed for leaking or damaged service lines.
3. LSLRs completed on mains not at the end of their useful life and not scheduled for replacement.

The plan is to prioritize replacement in conjunction with main replacement and relocation projects using the Company's prioritization model previously reviewed in prior filings with the IURC. Leaking or damaged service lines will be replaced as soon as possible in line with traditional leak repair activity. Lead service lines on mains not at the end of their useful life and not scheduled for replacement will be replaced at the time most efficient for allocation of resources, minimization of mobilization costs, and with consideration of community disturbance. Indiana American Water will not be accomplishing customer lead service line replacements at an individual customer's request; rather, the replacements will be accomplished according to this Plan. The Company will consider special situations that might arise in the prioritization and scheduling of lead service line replacements; such as supporting documentation from the Indiana Department of Health that links a premise to higher lead levels from other sources, or a U.S. Department of Housing and Urban Development (HUD) lead remediation program.

In addition, Indiana American is proposing an Addendum to Section 4 of its Rules and Regulations² (new Section 4.4, a copy of which is included as Attachment GMV-2 to the Direct Testimony of Gary M. VerDouw in support of this Plan, which testimony is incorporated herein and made a part of this Plan) to address premise locations that have been disconnected and inactive for a period of twenty-four consecutive months or that have been physically disconnected from the Company's mains. The three LSLR approaches and the proposed Addendum to the Company's Rules and Regulations are explained further below.

LSLRs completed in conjunction with main replacement and relocation projects

Indiana American has created and implemented a Geographic Information System (GIS) based prioritization model for identifying pipeline replacement investment needs. The model prioritizes pipeline replacement needs through identification of service risks associated with pipe failure risks. Indiana American budgets and plans these pipe replacements on a continuing basis. Indiana American also budgets for and completes unscheduled main replacements because it knows from operating experience that pipes that are not initially planned for replacement will fail during the year and will require replacement of segments of those pipes to enable

² Indiana-American Water Company, Inc. Rules and Regulations Applicable to Water Service, I.U.R.C. W-15, Effective March 30, 2015.

continuing service to customers. Indiana American also relocates pipe when the pipes are affected by projects planned by governments and other entities.

LSLRs will include the Company owned portion of the service line, and the customer owned portion of the service line if the customer agrees to the replacement of their line on their property. If a customer refuses to have Indiana American replace the customer owned portion of the service line, the refusal will be documented as discussed in Section 8 (3) below. If a customer refuses the offer of replacing the lead service line on their property, Indiana American will proceed with replacing the Company owned portion of the service line and will connect the new service to the existing service at the customer property line. Indiana American will communicate with the customer about lead and drinking water with the same methods and materials as described in Section 8 of this Plan. The communications include information about lead and drinking water, health effects, exposures to lead, flushing recommendations, ways to minimize exposure to lead, testing for lead, frequently asked questions, and further contact information.

LSLRs completed for leaking or damaged service lines

Indiana American will complete LSLRs for leaking or damaged service lines. LSLRs will include the Company owned portion of the service line, and the customer owned portion of the service line if the customer agrees to the replacement of their line on their property. If a customer refuses to have Indiana American replace the customer owned portion of the service line, the refusal will be documented as discussed in Section 8 (3) below.

LSLRs completed on mains not at the end of their useful life and not scheduled for replacement

Some distribution system pipes are not at the end of their useful life and are not presently contemplated to be replaced within the Company nearer term view - at least within the next ten years, and likely longer depending on pipe condition. Indiana American is planning to complete LSLRs on these mains (without replacing the mains themselves), including the Company owned portion of the service line and the customer owned portion of the service line if the customer agrees to the replacement of their line on their property. If a customer refuses to have Indiana American replace the customer owned portion of the service line, the refusal will be documented as discussed in Section 8 (3) below.

Disconnection of lead services lines from distribution mains at properties that have not been a customer for 24 consecutive months or more

Indiana American has a number of premises where lead service lines exist that have not been connected for service for twenty-four months or more – in essence, no customer exists for these services. As part of this Plan, Indiana American is proposing that an Addendum creating a new Section 4.4 of the Company's Rules and Regulations be approved by the Commission. The proposed Addendum is attached as Attachment GMV-2 to the Direct Testimony of Gary M. VerDouw which is incorporated into this Plan for consideration and approval. The Addendum states that any premise (account) with a lead service line that is or becomes inactive for a period of twenty-four consecutive months or that has been physically disconnected from the Company's mains will not be eligible for service reconnection unless and until the customer replaces the customer portion of the lead service line. Indiana American would install a new non-lead service line to the property and require the property owner to install the customer owned portion of the service line that meets current building code and Indiana American standards before new water service is connected. The customer would also be subject to a connection fee per Indiana American's approved tariff.

If a customer requests to reconnect a service that has not been connected for service for twenty-four months or more, and Indiana American is not given such authority to amend its rules with the Addendum as requested above, the connection would be made and service started once the property owner is provided educational

materials and executes an acknowledgement of the knowledge of the lead service line. The acknowledgment would stipulate that the property owner disclose the lead service line information to any residents served by the service line, and to anyone who purchases the property from them.

**Customer Lead Service Line Replacement Plan
For Submission and Approval
January, 2018**



***3. Estimated Savings for Replacement of Customer Owned Lead Service Lines by
Indiana American Water as Compared to Customer Cost to Replace Individual
Customer Owned Lead Service Line***

IC 8-1-31.6-6(a)(3): The estimated savings in costs per service line that would be realized by the water utility replacing the customer owned portion of the lead service lines versus the anticipated replacement costs if customers were required to replace the customer owned portion of the lead service lines.

Estimated Savings from Indiana American Managed LSLRs compared with Home Owner Managed LSLRs

As explained below, savings of 25% to 30%, on average, are estimated to be realized from Indiana American managed LSLR work compared with home owner managed LSLR. In addition, scheduling and coordinating activities in a scenario of home owner managed work to ensure full service line replacements in conjunction with the Company's main replacement program would likely delay the Company's main replacement projects, increase the time to complete the projects, increase the time of disruption to customers and the community, and increase the cost.

Estimated Cost of Indiana American Managed LSLRs on Customer Properties

Indiana American commenced offering to replace customer owned lead service lines in 2017 when encountering lead service lines during main replacement and relocation projects. Work and costs for replacing the service lines includes:

1. Time and materials in communicating with customers for purposes of education, schedule coordination, and sharing water sample test results.
2. Installation of new water service line and retirement of old water service line.
3. Inspection of service line work.
4. Restoration work to normal site conditions.
5. Electrical inspection, removal of any electrical system grounding connection from the old water service line, and installation of new electrical grounding system when warranted.
6. Time and materials for flushing from the building outside hose bibb, and flushing of all operating faucets within the building.
7. Time and materials for collection of water samples, mailing samples, performing sample analyses, completing documentation, and sharing results with customers.
8. General coordination and administration.

At the time of preparing this filing, Indiana American had replaced 81 customer owned LSLs in 2017 as part of main replacement and relocation projects. Most of this work occurred with projects in the Richmond service area. The contractor cost to replace the customer owned lead service lines has ranged from \$400 to \$3,953 per service thus far, and has averaged approximately \$2,900 per service. These costs do not include Company

personnel time for Engineering, planning, construction supervision, or water quality testing. The contractor cost has included replacing the service line into the inside of the house basement for most of the services because most of the buildings thus far have had unfinished basements. The average cost could increase or decrease as work continues. Factors impacting cost could include:

1. Local codes and requirements.
2. Changes in laws, standards, and best practices.
3. Local competitive market prices.
4. Differences in construction methods and equipment in different areas.
5. Property site conditions.
6. Scope of work and building conditions for work, if any, performed through building foundation walls and within buildings.
7. Any factors impacting material and labor costs such as inflation, strikes, and events affecting the supply chain.
8. Improvements in technology.

Considering the cost factors outlined above, Indiana American estimates that the current average cost per service across Indiana American's service area would be approximately \$3,500 in 2017 dollars.

Estimated Cost of Customer Managed LSLRs on Customer Properties

The EPA October, 2016 Lead and Copper Revisions White Paper sets forth a range of the estimated cost of replacing customer owned lead service lines. The IFA, additionally, has undertaken funding of a project to replace lead service lines in the Super Fund areas of East Chicago, Indiana. Indiana American received an opinion of cost for this work from a contractor who has been performing a number of replacements for Indiana American. The estimates for a customer managed LSLR, exclusive of Indiana American's time and materials for communicating with the customers, and exclusive of the water sampling and analyses would be at least 25% higher if managed and performed for an individual homeowner. This is primarily due to savings achieved with Indiana American's work from already having equipment mobilized for the project. This results in lower costs for equipment mobilization, scheduling, and coordination. The contractor also perceives savings due to efficiencies in performing systematic ongoing service line work deriving from the ability to develop more efficient practices, techniques, and use of equipment through the sequential systematic mass work while performing work in the Indiana American managed approach. In the case of the individual home owner managing the work, costs for communicating with customers and for Indiana American performed water sampling and analyses would be additional costs to the contractor work. These costs are included in the Company's costs of managing the service line work, and would add to the cost of the home owner managed approach. Including these costs, the total cost per service in the homeowner managed approach is estimated to range between \$4,000 and \$5,500 (in 2017 dollars) and is limited to the benefit of individual homeowners as opposed to the broad education and outreach proposed here.

The approach of individual home owners managing the work presents other challenges. A primary challenge is homeowner responsiveness and coordination of their service line work with Indiana American's service line work to ensure simultaneous full service line replacement to the building in lieu of partial service line replacements, while enabling timely replacement or relocation of water mains. This is a concern because studies indicate partial lead service line replacements can result in increases in lead concentrations to buildings being served by the service line. The time and cost involved in coordinating these activities with large numbers of individual home owners could also be extraordinary. All of these additional costs are difficult to quantify but would increase the \$4,000 to \$5,500 amount estimated above.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



4. Estimated Number of Lead Mains and Lead Service Lines that are part of Indiana American's Utility System

IC 8-1-31.6-6(a)(4): The number of lead mains and lead service lines estimated to be part of the water utility's system.

Estimated Number of Lead Mains

Indiana American Water has identified four small diameter lead mains in the distribution system serving less than 15 customers. Indiana American commenced replacing these mains in September of 2017, along with the lead services extending from these mains. The work on the replacement of the lead mains was completed in 2017.

Estimated Number of Lead Service Lines

The number of Indiana American owned lead services extending from the distribution mains to the customer property line is difficult to determine because of the state of historic paper records for these services. The Company has historic paper service records with some information for many service areas; however, historic service records do not exist for some areas. Because of the historic nature of information contained on these available records, some of the information like service line material and address may also be outdated and may no longer be accurate.

Many of the historic record addresses have been matched to premises in Indiana American's current computerized customer information system ("CIS"). The Company is also identifying a number of the historic record card addresses that cannot be matched to active premises in the Company's current CIS. Indiana American anticipates a number of these premises may no longer have a service, or may have a service line but a customer account has been inactive for longer than two years, or may have been redeveloped with a new address and a new non-lead service line. Indiana American is in the process of quantifying these circumstances.

A review of the Company's available historic service records indicates that 50,748 lead service lines from the distribution main to the property line may have been present at one time at the addresses identified. As the Company further researches the old service record addresses and determines the current state of the premises, it is anticipated that the number of lead services originally identified from these records will be reduced because a number of these premises may no longer have service or may have been redeveloped with a new address and a new non-lead service line. Indiana American could also discover an additional number of lead services through field investigations of both the Company owned portion of the service lines and the customer owned portion of the service lines. Indiana American has limited information about the portion of service line owned by the customer. It is possible that a service line from the distribution main to the house could be all non-lead, all lead, or partial lead with either the customer owned portion being lead or the Company owned portion being lead.

Nearly 65% of the count of possible lead service lines from the historic record cards are in the Northwest Indiana service area. The largest counts as a percent of total services in respective service areas are in the Winchester

District at approximately 43% of total services; the Northwest District at approximately 41% of total services; the Richmond District at approximately 26% percent of total services; and, the Terre Haute District at approximately 21% of total services.

**Customer Lead Service Line Replacement Plan
For Submission and Approval
January, 2018**



5. A Range of the Number of Customer Owned Lead Service Lines Estimated to be Replaced Annually

IC 8-1-31.6-6(a)(5): A range of the number of customer owned lead service lines to be replaced annually.

Indiana American completed 81 LSLRs in 2017.

Indiana American prepares and updates a five year capital investment plan each year. From this planning Indiana American currently estimates it will replace a quantity range of lead service lines in each of the next five years as shown in Table 1 below.

Table 1: Estimated Range of Number of Customer Owned Lead Service Lines to be Replaced from 2017 through 2022

<u>Year</u>	<u>Range of Number of Service Lines Replaced</u>
2017	81 (Actual)
2018	500 - 2,000
2019	1,000 - 5,000
2020	1,000 - 5,000
2021	1,500 - 5,000
<u>2022</u>	<u>1,500 - 5,000</u>
Total for period	5,581 - 22,081

Plan for Customer Owned Lead Service Line Replacement beyond Five Years

Indiana American does not prepare detailed capital investment budgets beyond a five year period; however, for the purposes of planning for LSLRs, it has prepared an estimated range of LSLRs completed by year beyond 2022, as shown in Table 2. Completion of LSLRs at the high end of the range results in completing the estimated LSLRs by year end 2027, within 10 years. Completion of LSLRs at the low end of the range results in completing the estimated number of LSLRs by year end 2041, or within 24 years.

**Table 2: Estimated Range of Number of Customer Owned Lead
Service Lines to be Replaced beyond 2022**

<u>Year</u>	<u>Range of Number of Service Lines Replaced</u>
2023	2,000 – 6,000
2024	2,000 – 6,000
2025	2,000 – 6,000
2026	2,000 – 6,000
2027	2,000 – 6,000
2028	0 – 6,000
2029	0 – 6,000
2030	0 – 6,000
2031	0 – 6,000
2032	0 – 6,000
2033	0 – 6,000
2034	0 – 6,000
2035	0 – 6,000
2036	0 – 6,000
2037	0 – 6,000
2038	0 – 6,000
2039	0 – 6,000
2040	0 – 6,000
2041	0 – 6,000

**Customer Lead Service Line Replacement Plan
For Submission and Approval
January, 2018**



6. A Range for the Total Feet of Lead Mains Estimated to be Replaced Annually

IC 8-1-31.6-6(a)(6): A range for the total feet of lead mains estimated to be replaced annually.

Indiana American's Lead Main Replacement Plan

As described in Section 4 of this Plan, Indiana American identified four small diameter lead mains in the distribution system. These four lead mains are approximately 475 feet in length and serve less than 15 customers. Indiana American commenced in the replacement of these mains in September of 2017, along with the lead services extending from these mains. The work on the replacement of these mains was completed in 2017. Indiana American is not aware of any other lead mains existing in its services areas. If other mains are discovered, Indiana American will schedule their replacement when they are discovered.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



7. Indiana American's Proposal for Addressing Unusual Site Restoration Costs

IC 8-1-31.6-6(a)(7): The water utility's proposal for addressing the costs of unusual site restoration work necessitated by structures or improvements located above the customer owned portion of the lead service lines.

Indiana American will use any and all methods available to mitigate the need for unusual site restoration work necessitated by structures or improvements located above the customer owned portion of the lead service lines. However, there may be specific instances that necessitate unusual or extraordinary site restoration as a result of the replacement of customer owned lead service lines.

Replacement of the customer owned portion of the lead service lines might be categorized as usual or unusual with regard to what it takes to do the replacement and the related restoration.

A customer owned lead service line replacement for a specific property is designated as "Usual" if all of the following conditions exist:

Usual Replacement:

- Customer lead service line replacement and site restoration can be done with same equipment and crew expertise as used in the replacement of the Company owned portion of the lead service line; i.e., traditional excavation and grounds and pavement restoration as is done with routine main and service line replacement projects.
- Site has no unusual access requirements or structure interference that cannot be addressed with re-routing or traditional equipment and crew; i.e., requires no removal and replacement of outbuildings, fences, retaining walls, patios, pools, etc.
- Replacement requires no access inside building/home; or, access to replace a nominal length to the inside plumbing connection (i.e., shut-off, meter) does not require repair or restoration to the building/home.

If the lead service line replacement is considered "usual", the replacement and restoration will be executed by Indiana American at no cost to the customer; or, the customer can reject the offer of replacement by Indiana American. As noted in Section 8 (3) below, customers will be asked to sign a waiver if they reject the offer of replacement.

A customer owned lead service line replacement for a specific property is designated as "Unusual" if one or more of the following conditions exist:

Unusual Replacement:

- An unobstructed path allowing installation of a new underground non-lead service line on the property does not exist because of structures that interfere with the replacement (e.g., outbuildings, fences, retaining walls, patios, pools, etc.).

This premise will not be eligible for customer lead service line replacement under this program unless the customer takes whatever action is required, at customer's expense, to provide the required access for replacement. This action must be completed within the schedule set by

Indiana American in order to avoid delaying the Company's main replacement projects and replacements of lead service lines for other customers as planned and/or to avoid any increased cost resulting from such delay.

- Replacement of the customer lead service line up to the point of an inside shut-off connection or meter would require repair to the building after the lead service line replacement; i.e., repair of walls and/or drywall for a finished basement, or repair to the external wall or the foundation of the building.

In this situation, Indiana American will replace the customer lead service line as close as possible to the building/home, making the connection to existing plumbing outside the structure itself.

- Site has landscaping that would require costly replacement of trees, shrubs, flower beds, etc., resulting in restoration cost over the program allowable amount (see below).

In this case, Indiana American will complete the replacement and restoration, incurring cost up to the program allowable amount. Any further restoration will be the responsibility of the customer.

- The property is unsafe. In this situation, the homeowner will be responsible for rectifying the unsafe condition(s) prior to any work on their property.
- Any other unusual conditions which may exist will be addressed in a similar manner; i.e., requiring the customer to provide usual access for replacement, and to assume the responsibility for any restoration scope above that covered by the program allowable amount.

The program allowable amount will be \$7,000 for total cost of replacement and restoration. This amount is 200% of the midpoint for the estimated cost range (in 2017 dollars), based on actual replacements completed to date, as described in Section 3 of this Plan. The allowable amount will be adjusted at the beginning of each calendar year to reflect the Handy-Whitman Cost Trends of Water Utility Construction, North Central Region, Cost Index for Services Installed, which is updated semi-annually.

The program will not cover the cost of non-related local plumbing code upgrades such as installing pressure reducing valves or upgrading home fire protection systems. Such upgrades would be the responsibility of the customer.

The customer will be notified that an unusual site condition applies prior to providing approval for the work to begin. The customer may reject the offer of replacement if unwilling to meet the requirements for unusual replacement and restoration described above.

Unusual Site Conditions

Directional drilling and pull through methods are expected to mitigate much of any concern for unusual site restoration work. In 2017, Indiana American replaced 81 customer owned lead service lines. In the course of communicating with customers about the program, Indiana American encountered only one property owner who declined to have their lead service line replaced on their property because of concern about the life of a tree on their property. Thus, it is possible that unusual site conditions could lead to a decision by the property owner that the property owner manage the work on their property without Indiana American's involvement or funding if the property owner wants to replace the service line on their property. It is possible that other types of site conditions and concerns about restoration, unusual liability concerns, or safety concerns could lead to a similar decision by parties involved. If there is a unique replacement scenario encountered that would make a

lead service line replacement infeasible or impractical, other solutions would be investigated. Without these unusual concerns, and with customer agreement, Indiana American plans to replace customer owned lead service lines as described in this plan.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



8. Indiana American's Communication and Documentation Proposal

IC 8-1-31.6-6(a)(8): The water utility's proposal for:

- (A) communicating with the customer the availability of the water utility's plan to replace the customer owned portion of the lead service line in conjunction with the water utility's replacement of the utility owned portion of the lead service line; and
- (B) documenting the customer's consent or lack of consent to replace the customer owned portion of the lead service line.

Indiana American's Communication Plan

Indiana American has developed a comprehensive communication plan for communicating with customers regarding lead and drinking water.

Lead and Drinking Water Information

Indiana American has created a webpage on its customer website, www.indianaamwater.com, in the Water Quality tab, discussing lead and drinking water. Topics on the webpage include: water treatment and corrosion control; results from lead sampling; assessing exposure to lead; minimizing exposure to lead; home treatment for lead; and testing water for lead. Additional information from outside sources is also included on the webpage. The webpage link is: <https://amwater.com/inaw/water-quality/lead-and-drinking-water>.

Communication Plan for Customers with Lead Service Lines

Indiana American has developed a comprehensive communication plan for informing customers about project work and about lead and drinking water. The communication also informs customers about lead service lines, and steps for identifying and replacing lead services lines in conjunction with Indiana American work. Communications are described in the sections below. Examples of referenced communication materials are attached in the Appendices of this plan.

1. Communications with Scheduled Utility Work

In conjunction with scheduled utility work, Indiana American mails or otherwise delivers to affected customers a communication entitled "We Are Investing in Your Neighborhood". Service lines and service line replacements are described in this communication. This communication also advises customers that Indiana American will contact them to discuss replacing their service line if it is discovered that their service line is a lead service line.

Indiana American also includes in the package a communication entitled "Important Notice About Your Water Service and Lead Service Lines". This communication describes utility owned and customer owned service lines, along with steps of service line material investigation, further communications, an overview of the lead service replacement program, frequently asked questions with answers, and further information about lead and drinking water.

2. Service Line Assessment Results

After the service line material is investigated in the field, the results of the investigation are shared with the customer, usually via a door hanger entitled “Service Line Assessment Results”. The customer is asked to call the identified Indiana American representative if the service material was identified as lead. Indiana American personnel or consultant inspectors attempt to follow up with property owners who are not responsive by mail, phone call, or both.

3. Customer License Agreement to Replace Customer Owned Lead Service Line, and Lead Fact Sheet

Indiana American personnel or consultant representatives share by mail, or in person, the customer owned water service line replacement license agreement entitled “Water Service Line Replacement”. Indiana American personnel or consultant representatives share details about the work and schedule and answer any questions in person or by telephone.

The license agreement describes the work, the schedule, a 12-month workmanship warranty, indemnification provisions, the provisions that the service line will continue to be owned and maintained by the customer, and acknowledgements by the customer, including an acknowledgment that they have received and read the “Important Notice About Your Water” and the “Lead” fact sheet, which is given to them at this time. The “Lead” fact sheet describes lead and drinking water, health effects, exposures to lead, ways to minimize exposure to lead, testing for lead, frequently asked questions, and further contact information.

The customer can agree to permit Indiana American to replace their lead service line by signing the license agreement. The customer can also decline to permit Indiana American to replace their lead service line, and sign the acknowledgement indicating they decline. If the customer declines to sign the acknowledgement, all relative safety and educational materials will be left with the customer, Indiana American will document the customer’s choice, and will maintain that information in its records. Indiana American also maintains copies of signed license agreements.

4. Completion of Work, Water Sampling, and Sample Analysis

Indiana American recommends that immediately after the service line is replaced that the house outside hose bibb first be flushed for 30 minutes, immediately followed by a whole house flush for 30 minutes. The whole house flush includes the removal of all faucet aerators and flushing of all operating faucets in the house together for 30 minutes. In instances of lower pressure, Indiana American may recommend the whole house flush be modified to a first floor flush. The purpose of the flushing is to flush high velocity water through the pipes to remove particles that may exist in the remaining home plumbing.

Indiana American offers to customers to perform the flushing for them, and to collect a first set of samples immediately after the flushing. Indiana American sends the samples to the American Water Works Service Company certified laboratory in Belleville, Illinois (the “Lab”) for analysis. The test results are shared with the customer via letter, and are shared via telephone if the results are above the EPA action level.

Indiana American also offers for the customer to collect a second set of samples within a few days after the first sample. If the customer chooses to collect the second set of samples,

Indiana American coordinates pick up of the samples from the customer and sends the samples to the Lab for analysis. Coordination of the sample pick up from the customer may include a door hanger entitled "72 Hour Water Sample Reminder". Water sample test results are shared with the customer via letter, and are also shared via telephone if the results are above the EPA action level. If the results are above the EPA action level, Indiana American offers to perform flushing, sampling, and sample analysis up to two additional times.

If the customer does not permit Indiana American to perform a whole house flush, but does permit flushing of the outside hose bibb, Indiana American will perform the hose bibb flush and collect a sample at the hose bibb but will not collect samples inside the house.

At the time the service line is replaced Indiana American also gives the customer the communication entitled "Important Notice About Your Water". This communication informs the customer that the water service line was replaced. It also describes flushing instructions, other steps for managing exposure to lead, and identifies contact information.

5. Contractor Guidance for Lead Service Line Replacement & Electrical Grounding

Indiana American reviews the scope of work with contractors and gives them a guidance sheet entitled "Lead Service Line Replacement & Electrical Grounding". This sheet reviews instructions and practices for retiring lead service lines and for managing building electrical grounding issues.

All documents listed above are attached to this Plan and listed as "Communication Materials Included with Customer Lead Service Line Replacement Plan".

**Customer Lead Service Line Replacement Plan
For Submission and Approval
January, 2018**



9. Indiana American's Proposal for Future Ownership of the Customer Owned Lead Service Line

IC 8-1-31.6-6(a)(9): The water utility's proposal concerning whether the water utility or the customer will be responsible for future replacement or repair of the portion of the new service line corresponding to the previous customer owned lead service line.

Customer Service Line Ownership

As described in the preceding section, the customer license agreement for replacing the customer owned lead service identifies that the new service line will continue to be owned and maintained by the customer.

Customer Lead Service Line Replacement Plan For Submission and Approval January, 2018



10. Estimated Total Cost and Annual Cost Range to Replace Customer Owned Lead Service Lines

IC 8-1-31.6-6(a)(10): The estimated total cost to replace all customer owned portions of the lead service lines within or connected to the water utility's system and an estimated range for the annual cost to be incurred by the water utility under the water utility's plan.

As described in Section 5 of this Plan, Indiana American prepares and updates a five year capital investment plan each year. From this planning, Indiana American currently estimates it will replace a quantity range of lead service lines in 2017 and in each of the next five years shown in Table 3 below. Based on the estimated quantity range, and an average estimated cost of \$3,500 per service, the estimated range of annual cost is shown in Table 3. The estimates are in 2017 dollars and do not account for inflation of materials and labor costs.

Table 3: Estimated Annual Cost Range of Replacing Customer Owned Lead Service Lines from 2017 through 2022

<u>Year</u>	<u>Estimated Range of Number of Service Lines Replaced</u>	<u>Estimated Range of Annual Cost (In 2017 Dollars)</u>
2017	81 (actual)	\$210,000 - \$1,050,000
2018	500 - 2,000	\$1,750,000 - \$7,000,000
2019	1,000 - 5,000	\$3,500,000 - \$17,500,000
2020	1,000 - 5,000	\$3,500,000 - \$17,500,000
2021	1,500 - 5,000	\$5,250,000 - \$17,500,000
2022	1,500 - 5,000	\$5,250,000 - \$17,500,000

As described in Section 5 of this plan, Indiana American does not prepare detailed capital investment budgets beyond a five year period. However, for the purposes of planning for LSLRs it has prepared an estimated range of LSLRs completed by year beyond the year 2022, as shown in Table 4. Completion of LSLRs at the high end of the range results in completing the estimated number of LSLRs by year 2027, within 10 years. Completion of LSLRs at the low end of the range results in completing the estimated number of LSLRs by year end 2041, or within 24 years. Based on the estimated quantity range, and an average estimated cost of \$3,500 per service, the estimated range of annual cost is shown in the Table 4 for years beyond the year 2022. The estimates are in 2017 dollars and do not account for inflation of materials and labor costs.

Table 4: Estimated Annual Cost Range of Replacing Customer Owned Lead Service Lines beyond 2022

<u>Year</u>	<u>Range of Number of Service Lines Replaced</u>	<u>Estimated Range of Annual Cost (in 2017 Dollars)</u>
2023	2,000 – 6,000	\$7,000,000 - \$21,000,000
2024	2,000 – 6,000	\$7,000,000 - \$21,000,000
2025	2,000 – 6,000	\$7,000,000 - \$21,000,000
2026	2,000 – 6,000	\$7,000,000 - \$21,000,000
2027	2,000 – 6,000	\$7,000,000 - \$21,000,000
2028	0 – 6,000	\$0 - \$21,000,000
2029	0 – 6,000	\$0 - \$21,000,000
2030	0 – 6,000	\$0 - \$21,000,000
2031	0 – 6,000	\$0 - \$21,000,000
2032	0 – 6,000	\$0 - \$21,000,000
2033	0 – 6,000	\$0 - \$21,000,000
2034	0 – 6,000	\$0 - \$21,000,000
2035	0 – 6,000	\$0 - \$21,000,000
2036	0 – 6,000	\$0 - \$21,000,000
2037	0 – 6,000	\$0 - \$21,000,000
2038	0 – 6,000	\$0 - \$21,000,000
2039	0 – 6,000	\$0 - \$21,000,000
2040	0 – 6,000	\$0 - \$21,000,000
2041	0 – 6,000	\$0 - \$21,000,000

The total estimated cost to replace 50,748 customer owned lead services at an average cost of \$3,500 per service in 2017 dollars is \$177,618,000. This does not include inflation of materials and labor. As described in Section 4 of this Plan, as Indiana American further researches the old service record addresses and determines the current state of the premises, it is anticipated that the number of lead services originally identified from these records will be reduced because a number of these premises may no longer have service or may have been redeveloped with a new address and a new non-lead service line.