

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF AQUA INDIANA, INC., )  
SANI TECH, INC., AND SOUTHEASTERN )  
UTILITIES, INC. FOR APPROVAL OF AND )  
CONSENT TO THE TRANSFER TO AQUA ) CAUSE NO. 45385  
INDIANA, INC. OF THE PLANT, PROPERTY )  
AND OTHER ASSETS OF SANI TECH, INC. )  
AND SOUTHEASTERN UTILITIES, INC., AND )  
FOR OTHER RELATED RELIEF. )

PREFILED TESTIMONY

RICHARD J. COREY – PUBLIC’S EXHIBIT NO. 1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

July 10, 2020

Respectfully Submitted,



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Scott Franson, Atty. No. 27839-49  
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## CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor's Prefiled Testimony of Richard J. Corey* has been served upon the following counsel of record in the captioned proceeding by electronic service on July 10, 2020.

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**TESTIMONY OF OUCC WITNESS  
RICHARD J. COREY  
CAUSE NO. 45385  
AQUA INDIANA, INC., SANI TECH, INC., AND  
SOUTHEASTERN UTILITIES, INC.**

**I. INTRODUCTION**

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

2   A:   My name is Richard J. Corey, and my business address is 115 West Washington  
3       Street, Suite 1500 South, Indianapolis, Indiana 46204.

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

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

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

9   A:   I address the Verified Joint Petition of Aqua Indiana, Inc. ("Aqua Indiana"), Sani  
10       Tech, Inc. ("Sani Tech") and Southeastern Utilities, Inc. ("Southeastern")  
11       (collectively "Joint Petitioners"), seeking Commission approval to transfer by  
12       merger the wastewater utility plant, property and other assets of both Sani Tech and  
13       Southeastern ("Merging Utilities") to Aqua Indiana. I also address additional relief  
14       related to the proposed transfers by merger of the plant, property, and other assets  
15       of each of the Merging Utilities to Aqua Indiana.

16   **Q:   Please describe the review and analysis you conducted to prepare your**  
17       **testimony.**

18   A:   I reviewed the Verified Joint Petition. I reviewed the final orders from Causes No.  
19       39695 and 43793-U (Sani Tech); and Causes No. 40619 and 43794-U  
20       (Southeastern) and I reviewed the tariffs authorized by those orders. I participated

1 in the preparation of discovery questions issued to Aqua Indiana by the OUCC and  
2 reviewed the responses we received.

## II. AQUA MERGER PROPOSAL

### A. Overview of the Transfer of Assets and Requested Relief

3 **Q: Please describe Aqua Indiana and the entities with which it will be merging.**

4 A: Aqua Indiana is an Indiana for-profit corporation, which currently provides  
5 wastewater utility service to approximately 27,794 customers in Indiana and  
6 provides water utility service to approximately 1,284 customers in Indiana. Aqua  
7 Indiana also provides comprehensive administrative and operational support  
8 services for water and wastewater utilities in Indiana, including Sani Tech and  
9 Southeastern. Aqua Indiana is a subsidiary of Essential Utilities, Inc. ("Essential").<sup>1</sup>  
10 Essential is a water, wastewater, and natural gas provider, serving approximately  
11 five million people across ten states under the Aqua and Peoples brands.

12 Sani Tech is an Indiana for-profit corporation providing wastewater utility  
13 service to approximately 120 customers in Morgan County, Indiana. Sani Tech is a  
14 wholly-owned subsidiary of Aqua Indiana – Western Hancock, Inc. ("Aqua-WH"),  
15 which is in turn a wholly owned subsidiary of Essential.

16 Southeastern is an Indiana for-profit corporation providing wastewater  
17 utility service to approximately 96 customers in Marion County, Indiana.  
18 Southeastern is also a wholly-owned subsidiary of Aqua – WH which is a wholly-  
19 owned subsidiary of Essential.

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<sup>1</sup> Note Aqua America, Inc. ("Aqua America") changed its name to Essential Utilities Inc. in February 2020.

1   **Q:    Are the proposed Merging Utilities ultimately owned by one entity?**

2   A:    Yes. All the Merging Utilities are direct or indirect subsidiaries of Essential  
3       Utilities, Inc., a Pennsylvania for-profit corporation. The Commission regulates  
4       each of the Merging Utilities and Aqua Indiana as a public utility under the laws of  
5       the State of Indiana.

6   **Q:    What changes does Aqua Indiana propose to implement in the merger?**

7   A:    Joint Petitioners have indicated that because Aqua Indiana and the Merging Utilities  
8       are affiliated entities, there will be very little, if any change in the operation of the  
9       utility plant and properties. Upon consummation of the proposed transfers by  
10      merger, the transferred plant, property, and other assets of each of the Merging  
11      Utilities will be managed and operated as they each are currently, but as a division  
12      of Aqua Indiana.

13           Aqua Indiana proposes to adopt the existing depreciation accrual rates of  
14      each of the merging Utilities for application to plant, property and other assets  
15      located in the areas now served by each, as well as to reflect on its books and records  
16      the assets, liabilities and capital account balances of each, subject to adjustments as  
17      are necessary to reflect the proposed transfers. Following the consummation of the  
18      proposed transfers by mergers, the rates and charges to be applied to customers for  
19      services of the Merging Utilities as divisions of Aqua Indiana will be the same as  
20      those currently applicable to the Merging Utilities. Also, following the  
21      consummation of the proposed transfers, Aqua Indiana proposes to apply Aqua  
22      Indiana's current Rules and Regulations to the Merging Utilities as divisions of

1 Aqua Indiana, subject to subsequent amendment, addition, deletion and changes the  
2 Commission may permit.

**B. Transfer of Assets, Liabilities and Capital Account Balances, Depreciation and Tariffs**

3 **Q: How will Aqua Indiana record the assets, liabilities, and capital accounts from**  
4 **the Merging Utilities?**

5 A: Aqua Indiana will record the assets, liabilities and capital accounts directly onto its  
6 balance sheet without modification as they appear on the books and records of the  
7 Merging Utilities as of the date the plant, property, and other assets are transferred.

8 **Q: How will the proposed merger affect depreciation expense and accumulated**  
9 **depreciation?**

10 A: Joint Petitioners will continue to use the currently authorized depreciation rates in  
11 each of the new divisions as if they were independent legal entities. Accumulated  
12 depreciation will be recorded on Aqua Indiana's general ledger as it currently exists  
13 on each of the merging entities' general ledgers.

14 **Q: Does the OUCC have any objection to the mergers as proposed?**

15 A: No. However, the OUCC would like Joint Petitioners to notify the Commission  
16 and the OUCC when these mergers are accomplished.

**C. Rules and Regulations**

17 **Q: Did Aqua Indiana propose revised rules and regulations for the customers of**  
18 **the merging utilities?**

19 A: Yes. Aqua Indiana proposes to adopt for its entire operation the Rules, Regulations  
20 & Conditions of Sewer Service that Aqua Indiana currently applies to its other  
21 wastewater utility customers in Indiana.

1   **Q:    Does the OUCC have any objections to the adoption of these rules and**  
2       **regulations as revised?**

3   A:    No.

**D. Rates and Charges**

4   **Q:    Did Aqua Indiana provide proposed tariff sheets for its new divisions after the**  
5       **mergers?**

6   A:    Yes. Aqua Indiana provided proposed tariff sheets that will replace the current  
7       tariff sheets of the independent legal entities being merged upon the issuance of a  
8       final order. (See Joint Petitioner's Exhibit 1, Attachment D). The rates and charges  
9       applicable to customers served by each of Aqua Indiana's divisions will not change  
10      as a result of the mergers.

11   **Q:    Does the OUCC have any objections to the proposed tariff sheets for the**  
12      **Merging Utilities?**

13   A:    No.

14   **Q:    Will the larger Aqua Indiana possess the necessary skills to manage the**  
15      **proposed larger utility?**

16   A:    Yes. Aqua Indiana possesses the legal, financial and operational ability to render  
17      the proposed wastewater utility services now provided by the Merging Utilities.  
18      The proposed transfers, by merger or contribution of the plant, property, and other  
19      assets of each of the Merging Utilities, should be considered to be in the public  
20      interest.

**III. RECOMMENDATIONS**

21   **Q:    Does the OUCC object to the mergers proposed?**

22   A:    No. The mergers in this Cause are a legal re-structuring and will not change the  
23      current rates charged, the personnel involved in the utility operations or the way the

1 larger entity will function. In my opinion Aqua Indiana has the managerial,  
2 technical, and financial ability to continue to provide the adequate and reliable  
3 wastewater service that is now provided by each of the merging utilities. Also, in  
4 my opinion the proposed merger is in the public interest.

5 **Q: What are your recommendations?**

6 A: I recommend the following:

- 7 1. The Commission approve the proposed mergers and asset transfers.
- 8 2. The Commission require that Joint Petitioners notify the OUCC and the  
9 Commission within 14 days when each phase of the mergers and transfer of  
10 assets has been accomplished.
- 11 3. The Commission approve the tariffs provided for each prospective division  
12 of Aqua Indiana.
- 13 4. The Commission approve Joint Petitioner's proposal to apply its Aqua  
14 Indiana Rules and Regulations as revised to its consolidated operations.
- 15 5. The Commission require Joint Petitioners to notify its customers and  
16 provide electronic access to the rules and regulations that will now be  
17 applicable to Joint Petitioner's operations.

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

19 A: Yes.



**APPENDIX A**

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

2   A:   I graduated from Indiana University with a Bachelor of Science degree majoring in  
3       accounting. Upon graduation, I took a position as an accountant for Tousley-Bixler  
4       Construction Company for whom I worked until 1984. At that time, I began  
5       attending Indiana University School of Law. After graduating from law school in  
6       1988, I was employed by the public accounting firm of Boyd, Stamper & Leeds  
7       and participated in the preparation of compilations, audits, and corporate and  
8       individual tax returns. From 1990 to 1993, I worked for the CPA firm of Myers &  
9       Stauffer, which specializes in Medicaid accounting, consulting and rate setting.  
10      After a short tenure with the OUCC as a Principal accountant in 1993, I became  
11      Controller, Corporate Secretary, and a member of the Board of Directors of General  
12      Acceptance Corporation. I returned to the OUCC in 1998 as an Assistant Utility  
13      Consumer Counselor and represented the interests of the public before the Indiana  
14      Utility Regulatory Commission ("Commission") in a variety of Gas, Water and  
15      Telecommunications cases. I assumed my current position as a Utility Analyst with  
16      the OUCC in April of 2005. Since joining the OUCC, I have attended the NARUC  
17      Annual Regulatory Studies Program, the NARUC Utility Rate School, and other  
18      continuing educations programs. I became licensed as a Certified Public  
19      Accountant in 1983. Having left the practice of public accounting in 1993, my

1 license is currently inactive. I am also an inactive member of the Indiana Bar in  
2 good standing.

3 **Q: Have you previously testified before the Indiana Utility Regulatory**  
4 **Commission?**

5 A: Yes. I have testified in many cases before the Commission including a number of  
6 applications by municipal, not-for-profit and investor owned water utilities for  
7 financing authority and changes to rates and charges.