

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

JOINT PETITION OF INDIANA-AMERICAN WATER)
COMPANY, INC. ("INDIANA AMERICAN") AND THE)
TOWN OF GEORGETOWN, INDIANA)
("GEORGETOWN") FOR APPROVAL AND)
AUTHORIZATION OF: (A) THE ACQUISITION BY)
INDIANA-AMERICAN OF GEORGETOWN'S WATER)
UTILITY PROPERTIES (THE "GEORGETOWN)
WATER SYSTEM") IN FLOYD COUNTY, INDIANA IN)
ACCORDANCE WITH A PURCHASE AGREEMENT)
THEREFOR; (B) APPROVAL OF ACCOUNTING AND)
RATE BASE TREATMENT; (C) APPLICATION OF)
INDIANA AMERICAN'S AREA ONE RATES AND)
CHARGES TO WATER SERVICE RENDERED BY)
INDIANA AMERICAN IN THE AREA SERVED BY)
THE GEORGETOWN WATER SYSTEM ("THE)
GEORGETOWN AREA"); (D) APPLICATION OF)
INDIANA AMERICAN'S DEPRECIATION ACCRUAL)
RATES TO SUCH ACQUIRED PROPERTIES; (E) THE)
SUBJECTION OF THE ACQUIRED PROPERTIES TO)
THE LIEN OF INDIANA AMERICAN'S MORTGAGE)
INDENTURE; AND (F) THE PLAN FOR)
REASONABLE AND PRUDENT IMPROVEMENTS TO)
PROVIDE ADEQUATE, EFFICIENT, SAFE AND)
REASONABLE SERVICE TO CUSTOMERS OF THE)
GEORGETOWN WATER SYSTEM.)

FILED

June 2, 2017

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 44915

TESTIMONY OF

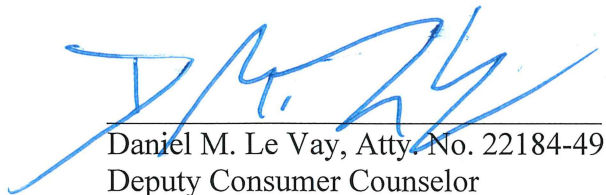
MARGARET A. STULL – PUBLIC'S EXHIBIT NO. 1

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JUNE 2, 2017

Respectfully submitted,


Daniel M. Le Vay, Atty. No. 22184-49
Deputy Consumer Counselor

TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 44915
INDIANA AMERICAN WATER COMPANY, INC.
AND TOWN OF GEORGETOWN

I. INTRODUCTION

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

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington St.,
3 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 a
6 Senior Utility Analyst in the Water/Wastewater Division. My qualifications are set
7 forth in Appendix "A" attached to this testimony.

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

9 A: I discuss the transaction proposed in this proceeding by Joint Petitioners (Indiana
10 American Water Company, Inc. ("Indiana American") and the Town of
11 Georgetown ("Georgetown")). I discuss that the OUCC does not oppose Indiana
12 American's acquisition of Georgetown's assets. I note Indiana American has not
13 stated the value of the "cost differential" as defined in IC 8-1-30.3-1 and question
14 whether in the absence of such statement Indiana American can establish its
15 rebuttable presumption that the cost differential is reasonable or show that the
16 purchase price is reasonable. I note the importance of appraisals in this process and
17 note the benefits of at least one of the appraisers being a witness in these
18 proceedings.

1 **Q: Please describe the review and analysis you performed.**

2 A: I reviewed the joint petition as well as the testimony and attachments filed by Joint
3 Petitioners in this case. I reviewed IC 8-1-30.3 and IC 8-1.5-2-6.1. Finally, I
4 prepared discovery questions and reviewed responses to those questions.

II. PROPOSED ACQUISITION

5 **Q: Please provide a summary of the relief requested by Joint Petitioners.**

6 A: Joint Petitioners request approval and authorization of the acquisition by Indiana
7 American of certain water utility assets currently owned by Georgetown in
8 accordance with an asset purchase agreement. Joint Petitioners also request
9 approval of accounting and rate base treatments that will allow Indiana American
10 to reflect as net original cost rate base the full purchase price plus transaction costs.
11 Joint Petitioners also seek authority for Indiana American to apply the rules and
12 regulations and rates and charges generally applicable to its Area One rate group to
13 service provided by Indiana American in the area currently served by Georgetown's
14 water utility. Joint Petitioners seek authority to apply Indiana American's existing
15 depreciation accrual rates to the water utility assets acquired from Georgetown.
16 Finally, Joint Petitioners seek authority for Indiana American to encumber the
17 acquired water utility assets, which will be subjected to the lien of Indiana
18 American's Mortgage Indenture.

19 **Q: What assets would be acquired by Indiana American?**

20 A: Joint Petitioners' witness and Indiana American employee Matthew Prine
21 explained "Indiana-American proposes to acquire all of the property that is the
22 subject of the Town's appraisal, which property corresponds to Section 2.2 of the

1 Agreement. The acquired assets are listed in the appraisal sponsored by Mr. Pullen,
2 as Attachment EP-1.” (Testimony of Matthew Prine, page 9, lines 5-8.)

3 **Q: What is not being acquired by Indiana American in this transaction?**

4 A: According to Section 2.2 of the Asset Purchase Agreement (Joint Petitioners’
5 Attachment MP-3), the acquisition would exclude (a) all insurance policies and
6 rights thereunder; (b) all personnel records; (c) all office furniture and equipment,
7 including computers; (d) all rights in connection with and assets of the employee
8 benefit plans; (e) all rights of Seller under the Transaction Documents; (f) cash,
9 cash equivalents, and short-term investments; (g) accounts receivable arising prior
10 to the Effective Time; (h) customer service connections which shall remain the
11 property of the customer; and (i) all assets not listed in the Summary Report
12 Valuation of Water Utility Assets of the Town of Georgetown, Indiana dated July
13 29, 2016.

14 **Q: What is the agreed purchase price for Georgetown’s water utility assets?**

15 A: The agreed purchase price is \$6,426,000. The total purchase price Indiana
16 American proposes to record is \$6,529,000, which includes \$6,426,000 as set forth
17 in the asset purchase agreement and an additional \$103,000 of transaction costs.
18 (See Joint Petitioners’ Attachment GMV-1.)

19 **Q: What support is provided for the agreed purchase price of \$6,426,000?**

20 A: Joint Petitioners provided an appraisal report, dated July 29, 2016, prepared by
21 Tracy L. Williams of Donohue & Associates, Inc. This appraisal report was
22 sponsored by Everett Pullen, President of the Georgetown Town Council, as Joint
23 Petitioners’ Attachment EP-1. According to Mr. Pullen’s testimony, the

1 Georgetown Town Council appointed three appraisers for its Water System. In
2 addition to Donohue & Associates, Cleland Environmental Engineering Inc., and
3 Associated Appraisal Group were also engaged to appraise the water system.
4 Donohue & Associates and Cleland Environmental Engineering appraised the
5 water system utility plant while Associated Appraisal Group appraised the land at
6 the elevated tank and booster station. Copies of the appraisals prepared by Cleland
7 Environmental Engineering Inc. and Associated Appraisal Group were not
8 provided by Mr. Pullen.

9 **Q: Did the Georgetown Town Council choose the Donohue & Associates appraisal**
10 **over the Cleland Environmental Engineering appraisal?**

11 A: No. The two appraisals for water system utility plant were averaged and the land
12 appraisal value (\$23,500) was added to arrive at the agreed purchase price of
13 \$6,426,000. Donohue & Associates estimated a total present value of the entire
14 water system at approximately \$6,366,000 million, including the value of
15 contributed distribution system infrastructure, while Cleland Environmental
16 Engineering estimated the value at \$6,439,000. Table 1 presents a comparison of
17 the two appraisals.

Table 1: Comparison of Appraised Values

	Cleland	Donahue	Average
	Net Value	Net Value	Net Value
Struc & Imp Pumping	\$ 214,992	\$ 325,834	\$ 270,413
Dist Reservoirs & Standpipes	611,279	595,200	603,239
Trans & Dist Mains	4,548,609	4,480,076	4,514,344
Services	628,889	590,640	609,764
Meters	63,126	71,447	67,287
Hydrants	305,305	235,949	270,626
Other Plant & Equipment	21,800	21,854	21,827
Inventory	45,000	45,000	45,000
	<u>\$ 6,439,000</u>	<u>\$ 6,366,000</u>	<u>\$ 6,402,500</u>
Add: Land Appraisal			23,500
Agreed Purchase Parice			<u>\$ 6,426,000</u>

Q: Please describe the valuation methodology used in the Donohue & Associates valuation report.

A: According to Section D (page 5 of 7) of the Donohue & Associates valuation report, the valuation was completed by first reviewing the Town's existing water distribution system maps, records, and operator information. The major above-grade infrastructure was observed visually for condition, upkeep and wear. The water facilities were then inventoried by age, size, type, and approximate location from mapping information. The various facility components' year of installation was estimated based on information provided. For nearly all of the distribution system components no actual original cost data exists. Therefore, to compute the Estimated Present Value, Donohue computed the cost of the asset as if it had been constructed in 2016 using one of two methods. Current pricing was obtained from vendors and suppliers for certain larger assets and construction cost index factors

1 published by the commonly-accepted Engineering News Record ("ENR") were
2 used to estimate the current value of the remaining distribution system assets.

3 **Q: Assuming Indiana American's current weighted cost of capital applies**
4 **following its next rate order, what would the increase to Indiana-American's**
5 **net operating income be if it is authorized to include the entire purchase price**
6 **in rate base?**

7 A: In Cause No. 42351-DSIC 10, Indiana American proposed a pre-tax weighted cost
8 of capital of 9.39%. Applying this rate to the entire purchase price of \$6,529,000
9 proposed in this case yields an increase to Net Operating income of \$613,073. This
10 amount does not include any depreciation expense associated with the acquired
11 plant Indiana American would be permitted to include as a revenue requirement.

12 **Q: Do you have any observations about Joint Petitioner's case?**

13 A: Yes. I note there is no testimony from the appraisers. There is no statement in the
14 Joint Petitioners' testimony about the net original cost of the assets being acquired
15 including the value of contributions-in-aid of construction.

16 **Q: Why would it be useful to have an appraiser file testimony?**

17 A: Indiana American seeks to include as its fair value for the assets acquired in this
18 transaction, a value established by a committee of three professionals hired to
19 establish the purchase price for the assets. Without the appraisers appearing before
20 the Commission in this proceeding and offering testimony, the Commission and the
21 OUCC are denied the opportunity to examine the appraisers to determine precisely
22 the methodologies employed, the assumptions made, the accuracy and
23 completeness of the data relied upon, the level of scrutiny exercised by them, and
24 whether their review included any bias. The Commission, which is authorized and
25 required by law to establish the rate base of utilities, is asked to make a decision

1 based on evidence prepared by individuals who do not stand before them in this
2 proceeding. The issue is not simply what the appraisal determined, the issue is
3 whether and to what extent the appraisals should be used to determine the fair value
4 of the utility's assets.

5 **Q: What is a cost differential for purposes of the relevant statutes?**

6 A: Under IC 8-1-30.3-1 "cost differential" is defined as

7 the difference between:

8 (1) the cost to a utility company that acquires utility property
9 from a distressed utility, including the purchase price,
10 incidental expenses, and other costs of acquisition; minus

11 (2) the difference between:

12 (A) the cost of the utility property when originally
13 put into service by the distressed utility; minus

14 (B) contributions or advances in aid of construction
15 plus applicable accrued depreciation.

16 Under IC 8-1-30.3-5, the utility acquiring the assets may petition the Commission
17 to include the cost differentials as part of its rate base. Under IC 8-1-30.3-5(b),
18 there is a rebuttable presumption the cost differential is reasonable.

19 **Q: What is the "cost differential" for this proposed transaction?**

20 A: Indiana American did not state the cost differential in its case. In response to
21 discovery, Indiana American indicated it did not know the value of the cost
22 differential (Attachment MAS-1).

23 **Q: Are other criteria relevant to this application?**

24 A: Yes. The ratemaking relief requested in this case depends on a determination that
25 the purchase price of the utility property is reasonable. Without original cost
26 information, including information regarding any contributions-in-aid of
27 construction, one cannot determine this cost differential. Without knowing the cost

1 differential, which is unstated, it isn't possible to determine the cost differential is
2 reasonable. This also affects the ability to reach a determination of the
3 reasonableness of the purchase price.

4 **Q: Why is the amount of the cost differential important?**

5 A: Under IC 8-1-30.3-5(b) "There is a rebuttable presumption that a cost differential
6 is reasonable." Without the information necessary to determine the cost differential,
7 there can be no rebuttable presumption that the cost differential is reasonable.

8 **Q: Does the OUCC oppose Indiana American's acquisition of Georgetown's**
9 **water utility assets?**

10 A: No. The OUCC does not oppose Indiana American's acquisition of the utility
11 assets. However, in the absence of knowledge of the cost differential and the
12 rebuttable presumption that would create, the OUCC is not able to agree that the
13 purchase price should be considered reasonable for ratemaking purposes or that
14 Petitioner has qualified for relief under the statute.

15 **Q: Does the OUCC agree that the proposed transaction costs should be included**
16 **in rate base?**

17 A: It is not unusual for reasonable transaction costs to be included in rate base. The
18 \$103,000 of proposed transaction costs include the costs of the appraisals prepared
19 for Georgetown in the amount of \$18,494 (Attachment MAS-2). According to the
20 Asset Purchase Agreement, Section 9.9, "All legal, consulting and advisory fees
21 and other costs and expenses incurred in connection with this Agreement and the
22 Contemplated Transaction are to be paid by the Party incurring such costs and
23 expenses." While Indiana-American paid for the appraisals, the appraisals were
24 procured by Georgetown. The appraisals are required under Indiana law in order
25 for Georgetown to sell non-surplus property. As such, Georgetown is the party that

1 incurred the expense and was required to pay the expense under the Asset Purchase
2 Agreement. Therefore, the \$18,494 of appraisal costs is not a cost of Indiana
3 American under the Asset Purchase Agreement and should not be included in the
4 net original rate base.

5 **Q: Does the OUCC have any other concerns with the proposed transaction costs?**

6 A: Yes. IC 8-1-30.3-5(e) allows the inclusion of incidental expenses and other cost of
7 acquisition in the amount recorded for the acquired assets. In addition to excluding
8 from the net original cost rate base Indiana-American's payment of Georgetown's
9 appraisal fees, the transaction costs should be further limited to the qualified amounts
10 actually incurred.

III. RECOMMENDATIONS

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

12 A: I recommend the following:

- 13 (1) The Commission not allow Indiana-American to include in rate base the
14 \$18,494 it paid for Georgetown's appraisal.
- 15 (2) The amount of transaction costs to be included in rate base should be limited
16 to amounts actually incurred not to exceed \$84,506.
- 17 (3) The Commission find Indiana American has not met its burden to establish
18 the presumption that the cost differential is reasonable.

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

20 A: Yes.

APPENDIX A

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

2 A: I graduated from the University of Houston at Clear Lake City in August 1982 with
3 a Bachelor of Science degree in Accounting. From 1982 to 1985, I held the position
4 of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From 1985 to
5 2001, I worked for Enron in various positions of increasing responsibility and
6 authority. I began in gas pipeline accounting, was promoted to a position in
7 financial reporting and planning, for both the gas pipeline group and the
8 international group, and finally was promoted to a position providing accounting
9 support for infrastructure projects in Central and South America. In 2002, I moved
10 to Indiana, where I held non-utility accounting positions in Indianapolis. In August
11 2003, I accepted my current position with the OUCC. In 2011, I was promoted to
12 Senior Utility Analyst. Since joining the OUCC I have attended the National
13 Association of Regulatory Utility Commissioners ("NARUC") Eastern Utility Rate
14 School in Clearwater Beach, Florida, and the Institute of Public Utilities' Advanced
15 Regulatory Studies Program in East Lansing, Michigan. I have also attended several
16 American Water Works Association and Indiana Rural Water Association
17 conferences as well as the National Association of Utility Consumer Advocates
18 ("NASUCA") Water Committee Forums. I have participated in the NASUCA
19 Water Committee and the NASUCA Tax and Accounting Committee. In March
20 2016 I was appointed chair of the NASUCA Tax and Accounting Committee.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**
2 **Commission?**

3 A: Yes. I have testified before the Commission as an accounting witness in various
4 causes involving water, wastewater, electric, and gas utilities.

5 **Q: Have you held any professional licenses?**

6 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
7 Texas until I moved to Indiana in 2002.

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
DATA REQUEST**

INDIANA-AMERICAN WATER COMPANY, INC.

and

TOWN OF GEORGETOWN, INDIANA

CAUSE NO. 44915

OUC Data Request Set No. 1

Date: March 17, 2017

**INDIANA-AMERICAN WATER COMPANY'S
AND TOWN OF GEORGETOWN, INDIANA'S
RESPONSES AND OBJECTIONS TO THE FIRST SET
OF DATA REQUESTS FROM INDIANA OFFICE OF
UTILITY CONSUMER COUNSELOR**

Indiana-American Water Company, Inc., ("Indiana-American") and Town of Georgetown, Indiana ("Georgetown" and together with Indiana-American, the "Petitioners") hereby provide the following responses to the first set of Data Requests from Indiana Office of Utility Consumer Counselor, subject to the following objections:

I. General Objections.

1. The responses provided to the Requests have been prepared pursuant to a reasonable and diligent investigation and search conducted in connection with the Requests in those areas where information is expected to be found. To the extent the Requests purport to require more than a reasonable and diligent investigation and search, Petitioners object on grounds that they include an undue burden or unreasonable expense.

2. Petitioners object to the Requests to the extent they seek documents or information which are not relevant to the subject matter of this proceeding and which are not reasonably calculated to lead to the discovery of admissible evidence.

3. Petitioners object to the Requests to the extent they seek an analysis, calculation, or compilation which has not already been performed and which Petitioners object to performing.

4. Petitioners object to the Requests to the extent they are vague and ambiguous and provide no basis from which Petitioners can determine what information is sought.

5. Petitioners object to the Requests to the extent they seek information that is subject to the attorney-client, work product, settlement negotiation or other applicable privileges.

6. The responses constitute the corporate responses of Petitioners and contain information gathered from a variety of sources. Petitioners object to the Requests to the extent they request identification of and personal information about all persons who participated in responding to each data request on the grounds that it is overbroad, unreasonably burdensome and irrelevant given the nature and scope of the requests and the many people who may be consulted about them. Petitioners further object to the Requests to the extent they purport to require identification of a witness who can answer questions regarding the substance of or origination of information supplied in each response on the ground that Petitioners have no obligation to call witnesses to testify as to information provided in discovery.

Without waiving these objections, Petitioners respond to the Requests in the manner set forth below.

II. Data Request Responses

OUCG DR 1.1

DATA REQUEST
Indiana-American Water Company, Inc.
and
Town of Georgetown, Indiana

Cause No. 44915

Information Requested:

Please state the cost of the utility property when originally put into service by Petitioner Georgetown. (See IC 8-1-30.3-1 (2)(A).)

Objections:

Petitioners object to the request on the grounds and to the extent that the request seeks a compilation or analysis that Petitioners have not performed and which they object to performing.

Information Provided:

Subject to and without waiver of the foregoing objections, Petitioners respond as follows.

Petitioner Georgetown does not have a record of what the original cost is for any of the utility plant Georgetown owns, nor does Georgetown have a record of any depreciation of its utility plant. The appraisals were based on a listing of assets, including assets that were contributed, but no records exist reflecting the original cost, accrued depreciation or utility plant ledger applicable to the plant that is to be acquired.

Petitioners further respond that this information is not required for sale of a municipally owned utility. Indeed, approval of the transaction is to be determined "without regard" to such information. Such sales are conducted pursuant to IC 8-1.5-2-6.1 ("Section 6.1"). Pursuant to Section 6.1(d), "[t]he commission shall approve the sale or disposition of the property according to the terms and conditions proposed by the municipality and the prospective purchaser if the commission finds that the sale or disposition according to the terms and conditions proposed is in the public interest." If the petition is also filed pursuant to IC 8-1-30.3-5(d) and the commission approves pursuant to IC 8-1-30.3-5(c), then the sale "is considered to be in the public interest." Otherwise, the

Commission is to consider “the extent to which the proposed terms and conditions of the proposed sale or disposition would require the existing utility customers of either the prospective purchaser or the municipally owned utility, as applicable, to pay rates that would subsidize utility service to the other party’s existing customers.” In either event, “the commission shall, without regard to amounts that may be recorded on the books and records of the municipality and without regard to any grants or contributions previously received by the municipality, provide that for ratemaking purposes, the prospective purchaser shall record as the net original cost rate base an amount equal to:

- (1) The full purchase price;
- (2) incidental expenses; and
- (3) other costs of acquisition;

allocated in a reasonable manner among appropriate utility plant in service accounts.”

Section 6.1(f). Petitioners know there is a cost differential for purposes of IC 8-1-30.3 because of the inclusion of contributed property in the appraisals. As a result, so long as the acquisition satisfies the elements of IC ch. 8-1-30.3 (as described in Joint Petitioners’ case-in-chief), the transaction is in the public interest as a matter of law. In any event, regardless of whether a municipal acquisition satisfies IC 8-1-30.3 or not, the purchaser is permitted under Section 6.1(f) to book the full purchase price as rate base without regard to what may or should be recorded on the seller’s books and records.

OUCG DR 1.2

DATA REQUEST
Indiana-American Water Company, Inc.
and
Town of Georgetown, Indiana

Cause No. 44915

Information Requested:

Please provide the utility plant ledger applicable to the plant to be acquired.

Objections:

Petitioners object to the request on the grounds and to the extent that the request seeks a compilation or analysis that Petitioners have not performed and which they object to performing.

Information Provided:

Subject to and without waiver of the foregoing objections, Petitioners respond as follows.

Petitioner Georgetown does not have a record of what the original cost is for any of the utility plant Georgetown owns, nor does Georgetown have a record of any depreciation of its utility plant. The appraisals were based on a listing of assets, including assets that were contributed, but no records exist reflecting the original cost, accrued depreciation or utility plant ledger applicable to the plant that is to be acquired.

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either the prospective purchaser or the municipally owned utility, as applicable, to pay rates that would subsidize utility service to the other party's existing customers." In either event, "the commission shall, without regard to amounts that may be recorded on the books and records of the municipality and without regard to any grants or contributions previously received by the municipality, provide that for ratemaking purposes, the prospective purchaser shall record as the net original cost rate base an amount equal to:

- (1) The full purchase price;
- (2) incidental expenses; and
- (3) other costs of acquisition;

allocated in a reasonable manner among appropriate utility plant in service accounts."

Section 6.1(f). Petitioners know there is a cost differential for purposes of IC 8-1-30.3 because of the inclusion of contributed property in the appraisals. As a result, so long as the acquisition satisfies the elements of IC ch. 8-1-30.3 (as described in Joint Petitioners' case-in-chief), the transaction is in the public interest as a matter of law. In any event, regardless of whether a municipal acquisition satisfies IC 8-1-30.3 or not, the purchaser is permitted under Section 6.1(f) to book the full purchase price as rate base without regard to what may or should be recorded on the seller's books and records.

OUCG DR 1.3

DATA REQUEST
Indiana-American Water Company, Inc.
and
Town of Georgetown, Indiana

Cause No. 44915

Information Requested:

Please quantify contributions or advances in aid of construction. (See IC 8-1-30.3-1 (2)(B).)

Information Provided:

CIAC, as used in the valuation report (Attachment EP-1 to Joint Petitioners' Exhibit No. 3), was determined based on mapping and data provided by the Town, and insufficient detail was included in the GIS mapping on fittings (valves, hydrants & flushing hydrants) to conduct direct fitting counts for the CIAC subdivisions identified at page 2 of the valuation report. See attached table.

House connections were estimated at 1 connection per 100 lineal feet of system water main length within each subdivision and age was based on estimated subdivision installation and expansion dates.

Petitioners further respond that this information is not required for sale of a municipally owned utility. Indeed, approval of the transaction is to be determined "without regard" to such information. Such sales are conducted pursuant to IC 8-1.5-2-6.1 ("Section 6.1"). Pursuant to Section 6.1(d), "[t]he commission shall approve the sale or disposition of the property according to the terms and conditions proposed by the municipality and the prospective purchaser if the commission finds that the sale or disposition according to the terms and conditions proposed is in the public interest." If the petition is also filed pursuant to IC 8-1-30.3-5(d) and the commission approves pursuant to IC 8-1-30.3-5(c), then the sale "is considered to be in the public interest." Otherwise, the Commission is to consider "the extent to which the proposed terms and conditions of the proposed sale or disposition would require the existing utility customers of either the prospective purchaser or the municipally owned utility, as applicable, to pay rates that would subsidize utility service to the other party's existing customers." In either event, "the commission shall, without regard to amounts that may be recorded on the books and records of the municipality and without regard to any grants or contributions previously received by the municipality, provide

that for ratemaking purposes, the prospective purchaser shall record as the net original cost rate base an amount equal to:

- (1) The full purchase price;
- (2) incidental expenses; and
- (3) other costs of acquisition;

allocated in a reasonable manner among appropriate utility plant in service accounts.”

Section 6.1(f). Petitioners know there is a cost differential for purposes of IC 8-1-30.3 because of the inclusion of contributed property in the appraisals. As a result, so long as the acquisition satisfies the elements of IC ch. 8-1-30.3 (as described in Joint Petitioners’ case-in-chief), the transaction is in the public interest as a matter of law. In any event, regardless of whether a municipal acquisition satisfies IC 8-1-30.3 or not, the purchaser is permitted under Section 6.1(f) to book the full purchase price as rate base without regard to what may or should be recorded on the seller’s books and records.

Attachments:

OUCC DR 1.3 – R1.xlsx

OUCG DR 1.4

**DATA INFORMATION REQUEST
Indiana-American Water Company, Inc.
and
Town of Georgetown, Indiana**

Cause No. 44915

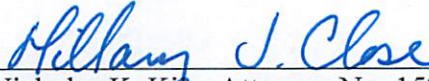
Information Requested:

Please quantify accrued depreciation. (See IC 8-1-30.3-1 (2)(B).)

Information Provided:

See response and attachments to OUCG DR 1.3.

Respectfully submitted,



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Town of Georgetown, Indiana

From: Cloud, Judy <Judy.Cloud@btlaw.com>
Sent: Monday, March 27, 2017 4:12 PM
To: Levay, Daniel; UCC Info Mgt
Cc: kfox@aye.net; Kile, Nicholas; Close, Hillary; Box, Lauren
Subject: Cause No. 44915; Indiana American Water Company/Town of
Georgetown, Indiana
Attachments: 44915 Response to OUCC DR 1.pdf; OUCC DR 1.3-R1.xls

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Attached is Petitioner's Response to the OUCC's Data Request 1 in the above-referenced matter.

Judy Cloud | Legal Administrative Assistant
Barnes & Thornburg LLP
11 South Meridian Street, Indianapolis, IN 46204-3535
Direct: (317) 231-7733 | Fax: (317) 231-7433



Atlanta | Chicago | Dallas | Delaware | Indiana | Los Angeles | Michigan | Minneapolis | Ohio | Washington, D.C.

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OUCG DR 3.10

DATA REQUEST
Indiana-American Water Company, Inc.
and
Town of Georgetown, Indiana

Cause No. 44915

Information Requested:

Please identify in detail and quantify each cost included in the \$103,000 of transaction costs proposed by Indiana American in this case. Please identify and quantify any such costs that have been or will be reimbursed by Georgetown or any other source.

Information Provided:

Please see the attached file labelled as OUCG DR 3.10-R1.xlsx. The line labelled as "Contract Services-Other" represents the appraisal costs. None of these costs have been or will be reimbursed by Georgetown or any other source.

Attachment:

OUCG DR 3.10-R1.xlsx

Indiana American Water Company, Inc.
Cause No. 44915 - Georgetown Acquisition
Transaction Costs to Include in Petition -
Actual Costs through March 1, 2017, with estimate for remaining outside legal counsel expense

Cost Element	Cost Element (Text)	Total plan costs	Total actual costs	Plan/actual variance	Plan/act. cost var (%)	Currency
53155000	Contract Services - Legal	0.00	3,139.00	3,139.00	0.00	USD
50550000	Group Insurance Expense	0.00	13.83	13.83	0.00	USD
68533000	FICA	0.00	1.45	1.45	0.00	USD
50100001	Labor Expense Accrual	0.00	0.00	0.00	0.00	USD
53150000	Contract Svc-Other - Natural Account	0.00	13,595.50	13,595.50	0.00	USD
50100000	Labor Natural Account	0.00	117.20	117.20	0.00	USD
54110000	Rents-Real Property - Natural Account	0.00	1,627.50	1,627.50	0.00	USD
Debit indicator Debit Debit		0.00	18,494.48	18,494.48		USD
Debit indicator Settlement Settlement		0.00	-18,494.48	-18,494.48		USD
		0.00	0.00	0.00		USD

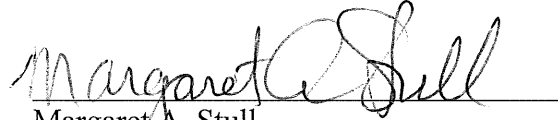
Estimate of Barnes and Thornburg legal costs through the end of the acquisition: 83,560.00

Total Estimated Costs: 102,054.48

Total Rounded up for Acquisition Filing: 103,000.00

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in cursive script, reading "Margaret A. Stull", written over a horizontal line.

Margaret A. Stull

Indiana Office of Utility Consumer Counselor

June 2, 2017

Date

Cause No. 44915

Indiana-American Water Company

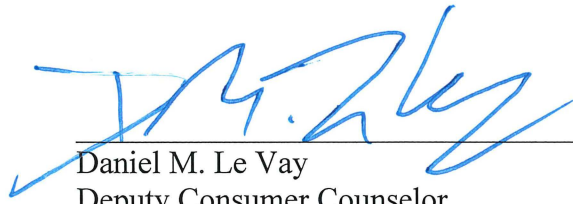
Georgetown Municipal Water Utility

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC Testimony of Margaret A. Stull: Public's Exhibit No. 1*** has been served upon the following counsel of record in the captioned proceeding by electronic service on June 2, 2017.

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