

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA AMERICAN WATER)
COMPANY, INC. FOR (1) APPROVAL OF AN)
ADJUSTMENT TO ITS WATER RATES AND)
CHARGES THROUGH ITS SERVICE)
ENHANCEMENT IMPROVEMENT (“SEI”) RIDER)
APPROVED PURSUANT TO IND. CODE CH. 8-1-)
31.7; (2) AUTHORITY TO CREATE A)
REGULATORY ASSET TO DEFER (A) 20% OF THE)
APPROVED SERVICE ENHANCEMENT)
IMPROVEMENT COSTS AND (B) POST-IN-)
SERVICE CARRYING COSTS, FOR RECOVERY IN)
PETITIONER’S NEXT GENERAL RATE CASE;)
AND (3) CREATION OF A SUBDOCKET TO)
CONSIDER SERVICE ENHANCEMENT)
IMPROVEMENT COSTS ASSOCIATED WITH)
SERVICE ENHANCEMENT IMPROVEMENTS)
UNDER IND. CODE § 8-1-31.7-7(2) AND APPROVE)
RECOVERY THEREOF.)**

**CAUSE NO. 45609 SEI 1
APPROVED: FEB 22 2023**

ORDER OF THE COMMISSION

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

On November 18, 2022, Indiana American Water Company, Inc. (“Indiana American” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) requesting (1) approval of an adjustment to its water rates and charges through its Service Enhancement Improvement (“SEI”) Rider pursuant to Ind. Code ch. 8-1-31.7; (2) authority to create a regulatory asset to defer (A) 20% of the approved service enhancement improvement costs and (B) post-in-service carrying costs (“PISCC”), compounded monthly and based on the overall cost of capital most recently approved by the Commission and deferred depreciation, for recovery in Petitioner’s next general rate case; and (3) creation of a subdocket to consider SEI costs associated with SEIs under Ind. Code § 8-1-31.7-7(2) and approve recovery thereof. On that same day Petitioner filed its case-in-chief and supporting workpapers.

On December 13, 2022, the Commission issued a docket entry granting Petitioner’s request and establishing the subdocket of Cause No. 45609 SEI 1 S1 to consider SEI costs under Ind. Code § 8-1-31.7-7(2).

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

The Commission held an evidentiary hearing in this Cause at 9:30 a.m. on February 2, 2023 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Indiana American and the OUCC appeared and participated in the hearing, and the evidence of both parties was admitted into the record without objection.

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

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

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

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

In this proceeding, Indiana American requests the timely recovery of 80% of Petitioner’s SEI costs (“SEI Charge”). Indiana American requests authority to recover the remaining 20% of Petitioner’s SEI costs not recovered through the SEI Charge, including depreciation, allowance for funds used during construction, and PISCC compounded monthly and based on the overall cost of capital most recently approved by the Commission, by deferring for recovery in Petitioner’s next rate case. Indiana American requests Commission approval of the SEI costs incurred through October 31, 2022 on which the proposed SEI Charge and deferral authority is based.

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

A. Calculation of SEI Charge. Gregory D. Shimansky, Director, Rates & Regulatory, American Water Works Service Company, Inc. ("Service Company"), described Indiana American's proposed SEI Charge. He described the accounting for two types of expenditures for eligible additions, those made pursuant to an approved plan under Ind. Code § 8-1-31.7-7(1) (referred to herein as the "first category"), and those for eligible additions that are replacements under Ind. Code § 8-1-31.7-7(2), for which approval of a plan is not required (the "second category"). He discussed the recovery of each of those types of investments and briefly explained the accounting for investments in service.

He presented Attachment GDS-1, Petitioner's revenue requirement and fixed charge calculation. The calculation considers the most up-to-date capital structure and costs of capital and uses the return on equity ("ROE") previously approved in Indiana American's most recent rate case (Cause No. 45142). Further, the attachment calculates property taxes and depreciation recovered in the revenue requirement and shows the 80% recovery of that revenue requirement.

He explained that Indiana American is proposing to treat the SEI 1 2022 surcharge consistent with the prior Distribution System Improvement Charges ("DSIC") filings in that the rate will be a fixed rate based on meter size. He also offered proposed tariff changes as Attachments GDS-2a and GDS-2b to incorporate the changes proposed in the charge. He presented two versions of the tariff because assets and investments deemed "replacements" and not subject to the pre-approval plan filing will be evaluated in a subdocket in this Cause. Attachment GDS-3 summarizes the deferred depreciation and PISCC on both categories of eligible additions, which amounts are included in the net investor-supplied SEI additions.

Mr. Shimansky discussed the revenue requirement recovery provided for in the SEI Statute. He said that Ind. Code § 8-1-31.7-9 provides that, should the actual costs in the aggregate of the first category of eligible additions exceed by more than 25% the projected costs for which approval was granted in the 45609 Order, Indiana American must seek Commission approval before including those costs in the next rate case.

Stacy S. Hoffman, Director of Engineering for Indiana American, testified that actual costs do not exceed the projections by greater than 25%. He explained how property tax expense and pre-tax return on new capital investment were calculated. Regarding the proposed weighted average cost of capital ("WACC"), he explained that, in accordance with the SEI Statute, Indiana American is using its actual regulatory capital structure and actual cost rates for long-term debt, as of October 2022, the latest closed period available to be incorporated prior to filing testimony in this Cause.

Mr. Shimansky explained the deferral of the remaining 20% of eligible revenue requirement amounts not recovered through the SEI Rider. He testified that Petitioner has established two regulatory assets: one for the deferrals and accruals for the first category of eligible additions and a second regulatory asset for the second category. He described how Indiana American addressed the accrual of depreciation expense and PISCC after each eligible addition is in service but before the costs are included in rates. He said the deferral of depreciation and accrual

of PISCC will only cease for the 80% of the revenue requirement recovered through the rate adjustment after approval of the requested rider. He explained this is the portion of pretax return and depreciation that will then be recovered through the SEI Rider. For the portion of pretax return and depreciation associated with the 20% of SEI costs that are deferred for recovery, the PISCC will cease upon approval of rates in the ensuing general rate case whereby that 20% is included in net original costs for ratemaking purposes. He said this deferral and accrual will be recorded to the same regulatory assets. He explained what rates will be used to calculate PISCC on the portion of eligible additions placed in service but not yet recovered through rates and explained how the amortization of the PISCC deferred balance will be calculated. He then described how the revenue requirement was built. He presented Petitioner's proposed meter charge for a residential 5/8-inch meter after all projects in this Cause are complete of \$1.11 (total). The proposed meter charge for a residential 5/8-inch meter after the first category of projects is complete will be \$0.91.

B. SEI Plan Status. Mr. Hoffman sponsored Attachments SSH-1 through SSH-5, which identified all eligible additions, retirements, cost of removals, and comparison to original estimates in this case through October 31, 2022. He explained that all the eligible additions included in Attachment SSH-1 were also included in Petitioner's plan for SEIs as preapproved in Cause No. 45609, are eligible for recovery under Ind. Code ch. 8-1-31.7, and are "eligible additions" as that term is defined in Ind. Code § 8-1-31.7-2. He stated that all of the improvements were discussed in depth and thoroughly vetted in Cause No. 45609 and that there have been no changes to Indiana American's plan as submitted in Cause No. 45609, except for deferral of non-chlorine chemical scope of work in the Northwest Borman Park. Attachment SSH-5 compared the current estimated costs to the amounts approved in Cause No. 45609.

Mr. Hoffman testified about the SEI investments Indiana American has incurred through October 31, 2022 and described how Indiana American's filing complies with the SEI Statute. He stated that each of the eligible additions is new utility plant or equipment that (1) does not increase revenues by connecting to new customers; (2) is used and useful; (3) was procured, installed, or constructed with expenditures that are service enhancement improvements; and (4) was not included in rate base in Indiana American's most recent general rate case.

Mr. Hoffman explained Indiana American is seeking approval to recover costs for the SEI Plan improvements that were approved in Cause No. 45609 and which are now in service, including:

1. Charlestown filtration additions ("Charlestown Improvements")
2. Mooresville filtration additions ("Mooresville Improvements")
3. Southern filter backwash residuals management additions ("Southern Indiana Improvements")
4. Northwest Borman Park chlorine and chemical storage additions ("Northwest Borman Park Improvements")

He stated that Indiana American is not seeking recovery of costs for the Mecca East Pressure Zone Replacements now because the Mecca East Pressure Zone Replacements are not anticipated to be placed in service until 2023. Mr. Hoffman provided a summary of each of the improvements.

He explained that some portions of the eligible additions were not included in Indiana American's request for cost recovery in this Cause. He said the Northwest Borman Park chlorine and chemical storage additions cost included in this Cause do not include the cost of the ammonia and fluoride bulk chemical tank additions because supply chain issues have also delayed delivery of materials and equipment for that work. He stated that Indiana American will seek recovery of costs for the ammonia system improvements in a future matter. He explained because the ammonia and fluoride work will likely be managed as one project, Indiana American may also seek recovery of costs for the fluoride system improvements under a future matter rather than under the 45609 Order.

C. Actual Costs of Eligible Additions. Mr. Hoffman described the total projected additions for each of the SEIs through final completion of the improvements and provided Indiana American's estimates for total additions through final completion for each of the SEIs at the time of Indiana American's filing for approval of its plan in Cause No. 45609 in 2021. He explained the Mooresville Improvements, Southern Indiana Improvements, and Charlestown Improvements are projected to exceed the original additions estimates presented in Cause No. 45609 by 1.9%, 19.2%, and 6.1% respectively. The Northwest Borman Park Improvements are projected to be less than the original additions estimates presented in Cause No. 45609 by -4.3%.

Mr. Hoffman testified that none of the actual costs of the eligible additions included for recovery in this Cause exceeds the projected costs set forth in Petitioner's preapproved SEI Plan by more than 25%. He explained that Indiana American has recorded the retirements for the Southern Improvements and the Mooresville Improvements and planned to record the retirements for the remaining improvements by December 2022. Indiana American has identified the value of the retirements in Attachment SSH-1 and Attachment SSH-4. He said the total costs of removals are estimated at \$224,231 as reflected in Attachment SSH-1. He stated that approximately \$222,796 of these costs of removals have been incurred, and the remaining estimated amount of \$1,435 will be incurred before the end of 2022. He explained if the remaining costs of removals differ from the expected amount, Indiana American will provide to the Commission a true-up of those removal costs.

5. OUCC's Evidence. Margaret A. Stull, Chief Technical Advisor in the OUCC's Water/Wastewater Division, provided a general overview of Petitioner's proposed \$0.91 SEI Charge and discussed the OUCC's concerns regarding the inclusion of costs of removal in the calculation. She discussed the need for specific justification and specific approval by the Commission when the actual costs exceed the projects costs by more than 25%. She opined that the SEI 1 charge should not be billed to the Lowell and River's Edge customers as those customers are being charged on a stand-alone basis for ratemaking purposes.

Ms. Stull testified that Petitioner's total actual costs were approximately 4% less than total projected costs as presented in Cause No. 45609. However, actual costs for the southern filter backwash, Project #I10-750014, exceeded projected costs by \$673,066 or 30.21%. She opined that the SEI Statute's requirement that the utility provide specific justification for excess costs necessitates that Petitioner state why the southern filter backwash exceeded the estimated cost by more than 25%.

Ms. Stull opined that allowing Indiana American to recover removal costs through increased depreciation expense over the life of the assets and then allowing them to earn a return on these costs results in double recovery. She also opined that Lowell and River's Edge customers should not be billed an SEI Charge. She recommended approval of the \$0.91 monthly water SEI Charge per equivalent 5/8-inch meter as proposed by Indiana American. She explained while she recommended that cost of removal be excluded from the calculation of a SEI Charge, in this case the cost of removal is immaterial and removing these costs from the calculation does not result in a different SEI 1 charge.

6. Indiana American Rebuttal. On rebuttal, Mr. Shimansky stated both Indiana American and Ms. Stull recommend the same SEI Charge for the approved plan improvements. He noted that, while there is some disagreement between the parties, none of those disagreements affect the rate.

Mr. Shimansky disagreed with Ms. Stull that the 25% threshold applies on an individual project basis and testified that the SEI Statute refers to an SEI plan, not individual SEI projects. He noted that the 45609 Order approved the SEI Plan, including improvements in four operations. He also disagreed with Ms. Stull's calculation of cost estimates including PISCC and deferred depreciation. He testified that there was no estimation of PISCC and deferred depreciation in the individual estimated costs that made up the estimated costs of the SEI Plan because PISCC are a function of rate of return and passage of time following the placement in service of the improvement and the implementation of rates. He noted that PISCC will continue on the 20% that is deferred, by statute. Mr. Shimansky noted the same is true of retirements, cost of removal, and deferred property tax, all of which were also not included in the cost estimate and do not count against the 25% threshold.

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

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

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

Regarding Ms. Stull’s recommendation that the SEI Charge not apply to Lowell and River’s Edge, Mr. Shimansky stated the effect on the total SEI would be negligible, if any. He testified that, in light of Indiana American’s most recent DSIC, Indiana American will remove Lowell and River’s Edge from the calculation of the SEI Charge.

7. Commission Discussion and Findings.

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

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

- (1) Eighty percent (80%) of the eligible utility’s service enhancement improvement costs shall be recovered by the eligible utility through a periodic rate adjustment mechanism that allows the timely recovery of the approved service enhancement improvement costs.
- (2) Twenty percent (20%) of the eligible utility’s service enhancement improvement costs, including depreciation, allowance for funds used during construction, and post in service carrying costs, compounded monthly and based on the overall cost of capital most recently approved by the commission, shall be deferred and recovered by the eligible utility as part of its next general rate case filed by the eligible utility with the commission.
- (3) Actual costs that exceed by more than twenty-five percent (25%) the projected costs set forth in the eligible utility’s plan approved under this section require specific justification by the eligible utility and specific approval by the commission

before being authorized in the next general rate case filed by the eligible utility with the commission.

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

(a) If the commission approves an eligible utility's plan under section 9 of this chapter, or if commission approval of the plan is otherwise not required, the eligible utility may file a petition to establish or adjust an adjustment rider to its rate schedules under this section so as to allow timely recovery of the eligible utility's service enhancement improvement costs. The following shall apply:

(1) The adjustment rider shall be calculated as a fixed charge based upon equivalent meter size.

(2) Publication of notice of the filing is not required.

(b) The adjustment rider shall provide for the timely recovery of eighty percent (80%) of the service enhancement improvement costs. The remaining twenty percent (20%) of the service enhancement improvement costs shall be deferred under section 9(f)(2) of this chapter.

B. Approval of the SEI Charge.

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

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

ii. Projects and Amounts To Be Included in the SEI. The evidence of record reflects that the SEI projects are eligible additions under Ind. Code § 8-1-31.7-2. The evidence further shows that Petitioner calculated the SEI surcharge in this proceeding as a monthly fixed charge based upon meter size, as required by Ind. Code § 8-1-31.7-12(a)(1). In response to the Commission's January 30, 2023, docket entry request in Cause No. 45609 SEI 1 S1, Indiana American, as requested, filed with its response a complete set of rebuttal schedules, identified as

Updated Attachment GDS-1, Updated Attachment GDS-3, and Updated Workpaper GDS-3 to account for additional replacement wastewater projects it identified for removal from the SEI Charge, as addressed in Cause No. 45609 SEI 1 S1. This docket entry response and schedules were also admitted into the record in this docket. While these updated attachments and workpaper supported a different calculation of the SEI 1 S1 charge, the calculation of the charge in this docket remained the same.

Based on the evidence of record, the Commission finds that Petitioner's request for an SEI Charge complies with the requirements of Ind. Code ch. 8-1-31.7. We find that Petitioner's proposed SEI is non-discriminatory, reasonable, and just. Accordingly, we find that Petitioner's proposed SEI Charge of \$0.92¹ per meter equivalency, as set forth on Updated Attachment GDS-1, will allow Petitioner to timely recover 80% of its SEI costs as required under Ind. Code § 8-1-31.7-12 and is approved. Petitioner is authorized to collect from each of its present and future water customers, excluding the former customers of the Town of Lowell and River's Edge, the SEI Charge as set forth on Updated Attachment GDS-1. The remaining 20% of the SEI costs shall be deferred in accordance with Ind. Code § 8-1-31.7-9(f)(2) as described by Mr. Shimansky. This SEI Charge may be collected in addition to any SEI charge approved in Cause No. 45609 SEI 1 S1.

C. **Ind. Code § 8-1-31.7-9(f)(3)**. As noted above, Indiana American and the OUCC also disagree on whether the requirement in Ind. Code § 8-1-31.7-9(f)(3) to provide specific justification for actual costs that exceed 25% of the projected costs applies to each individual SEI project or the utility's SEI plan in the aggregate.

Ind. Code § 8-1-31.7-9(f)(3) requires specific justification when the "actual costs" exceed by more than 25% the "projected costs" set forth in the approved plan. While we agree with Petitioner that the SEI Statute refers to a "plan," the plan consists of several projects, for which Petitioner included cost estimates in its plan. In this Cause, Petitioner has provided the actual costs for each project upon which it bases its SEI Charge. Under Ind. Code § 8-1-31.7-9(f)(3), Petitioner's "projected costs" are "set forth in the eligible utility's plan approved under this section[.]" Those projected costs are "service enhancement improvement costs," defined in Ind. Code § 8-1-31.7.8 as "costs that an eligible utility incurs in connection with an eligible addition[.]" "Eligible addition" is defined by Ind. Code § 8-1-31.7-2 as "any new utility plant or equipment." Thus, we agree with the OUCC that the proper analysis is whether the actual costs of each project in Petitioner's SEI Plan exceed the 25% threshold set forth in Ind. Code § 8-1-31.7-9(f)(3).

According to Ms. Stull's calculations, the filter backwash project exceeded the 25% threshold of Ind. Code § 8-1-31.7-9(f)(3). On rebuttal, Mr. Shimansky argued that Ms. Stull incorrectly included PISCC and deferred depreciation as "project costs," since PISCC and deferred depreciation were not included in the individual estimated costs included in the SEI Plan because

¹ The SEI charge set forth on Updated Attachment GDS-1 (Pet. Ex. 3) is \$0.01 higher than what Indiana American calculated in its case-in-chief because Petitioner agreed on rebuttal to remove customers in the Lowell and River's Edge territory from the calculation.

these costs are a function of rate of return and passage of time following the placement in service of the improvement and the implementation of rates.

While we find that PISCC, deferred depreciation, and deferred property taxes are recoverable costs under the SEI Statute, including them in the 25% project comparison for the filter backwash project would yield an erroneous result because they were not included in the original estimates. Without PISCC, deferred depreciation, and the deferred property tax regulatory asset, the final project cost of the filter backwash project is \$2,714,147, 21.82% over the original project estimate of \$2,227,969 included in the SEI Plan approved in Cause No. 45609. Therefore, we find that the actual cost of this project meets the criteria set out in Ind. Code § 8-1-31.7-9(f)(3) since it is less than 25% greater than the original project estimate.

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

1. Indiana American's proposed SEI Charge of \$0.92 per meter equivalency calculated as a fixed charge by meter size is approved. This charge is in addition to the charge approved in any other service enhancement improvement orders.

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

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

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

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

APPROVED: FEB 22 2023

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

Dana Kosco
Secretary of the Commission