

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF CWA AUTHORITY, INC. FOR)
(1) AUTHORITY TO INCREASE ITS)
RATES AND CHARGES FOR)
WASTEWATER UTILITY SERVICE IN)
THREE PHASES AND APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES)
APPLICABLE THERETO; (2) APPROVAL OF)
A LOW-INCOME CUSTOMER ASSISTANCE)
PROGRAM; AND (3) APPROVAL OF)
CERTAIN CHANGES TO ITS GENERAL)
TERMS AND CONDITIONS FOR)
WASTEWATER SERVICE.)**

CAUSE NO. 45151

REDACTED TESTIMONY

OF

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

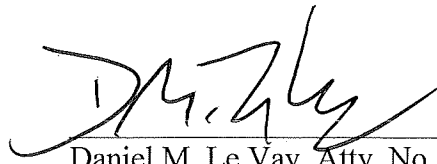
ON BEHALF

OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JANUARY 25, 2019

Respectfully Submitted,



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

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor's Redacted Testimony of Margaret A. Stull* has been served upon the following counsel of record in the captioned proceeding by electronic service on January 25, 2019.

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TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 45151
CWA AUTHORITY, INC.

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
6 a Chief Technical Advisor in the Water/Wastewater Division. My qualifications are
7 set forth in Appendix "A" attached to this testimony.

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

9 A: I present the results of the OUCC's analysis of CWA Authority, Inc.'s ("CWA" or
10 "Petitioner") proposed overall revenue increase of 24.44%, which CWA proposes
11 be implemented over three phases. The OUCC's analysis yields a proposed overall
12 revenue increase of 16.27%, which would also be implemented over three phases.
13 I discuss and present the OUCC's recommended operating revenues and explain
14 why CWA's elimination of system integrity adjustment revenues is incorrect for
15 ratemaking purposes.

16 I discuss and recommend a change to CWA's balanced billing mechanism
17 to bill customers the lower of their average winter or base consumption or their
18 actual consumption. In the alternative, I recommend customers be allowed to opt
19 out of balanced billing. I also discuss the allocation of CEG executive compensation

1 to CWA and recommend a reduction to operating expenses based on the results of
2 the updated municipal-only compensation study (CWA Attachment DLW-4).
3 Finally, I discuss the need for customer bills to contain more detailed information,
4 rather than a summary of usage and charges.

5 **Q: What review and analysis did you perform?**

6 A: I reviewed CWA's petition, testimony, accounting schedules, and workpapers filed
7 in this case. I reviewed ratepayer comments received by the OUCC. I prepared
8 discovery questions and reviewed CWA's responses.

9 **Q: Are you sponsoring any schedules or attachments?**

10 A: Yes. The following schedules reflect the issues addressed by OUCC testimony in
11 this Cause. These rate schedules are based on my review and analysis as well as the
12 review and analysis of other OUCC staff members.

13 Schedule 1 – Overall Revenue Requirement
14 – Phased-in Revenue Requirement
15 – Reconciliation of Net Operating Income Statement Adjustments

16 Schedule 2 – Comparative Balance Sheet as of May 31, 2017 and 2018

17 Schedule 3 – Comparative Income Statement for the Twelve Months Ended May
18 31, 2017 and 2018

19 Schedule 4 – *Pro forma* Net Operating Income Statement (Phases 1, 2, and 3)

20 Schedule 5 – OUCC Revenue Adjustments

21 Schedule 6 – OUCC Expense Adjustments

II. OVERALL REVENUE REQUIREMENT

A. Overview of CWA's Proposal

1 **Q: What did CWA propose in this Cause?**

2 A: CWA proposed to increase wastewater revenues by 24.44% to generate
3 \$65,586,327 in additional annual wastewater revenues to be implemented in
4 accordance with its class cost of service study.¹ CWA proposed this revenue
5 increase be phased-in over a three-year period. CWA also proposed to implement
6 a low-income assistance program in this Cause.

7 **Q: How does CWA propose to phase-in its rate increase?**

8 A: CWA proposed to implement its rate increase in three phases. CWA's pre-filed
9 testimony does not explicitly state when it proposes Phase 2 and Phase 3 rates will
10 go into effect. However, on page 34-35 of CWA's witness Jeffrey Harrison's
11 testimony he states "We have structured the rate adjustments in three phases in
12 order to time them with planned debt issuances and gradually adjust the amount of
13 revenue funded extensions and replacements to the appropriate level." Moreover,
14 page 8 of CWA's witness John Brehm's Attachment JRB-2 indicates CWA
15 anticipates that Phase 2 rates will go into effect on August 1, 2020, and that Phase
16 3 rates will go into effect on August 1, 2021. Table 1 presents a summary of CWA's
17 proposed revenue and rate increases by phase.

¹ Because not all operating revenues are subject to increase, CWA's overall proposed rate increase, based on revenues subject to increase (excluding late fee revenues), is 24.66%, with a 14.87% Phase 1 rate increase, a 4.82% Phase 2 rate increase, and a 3.54% Phase 3 rate increase.

Table 1: Summary of CWA Proposed Rate Increases by Phase

	<u>Revenue Increase</u>	<u>Revenue %</u>	<u>Rate %^(A)</u>
Phase 1	\$ 39,542,033	14.74%	14.87%
Phase 2	\$ 14,714,128	4.78%	4.82%
Phase 3	\$ 11,330,166	3.51%	3.54%
Overall	\$ 65,586,327	24.44%	24.66%

^(A) Revenues subject to increase do not include late fee revenues.

B. OUCC's Recommendation

1 **Q: What does the OUCC recommend in this Cause?**

2 A: The OUCC recommends an overall rate increase of 16.34% to produce a total
3 increase in wastewater revenues of \$45,253,805 per year.² The OUCC accepts
4 CWA's proposal to implement this rate increase over three (3) phases. The OUCC
5 agrees that CWA's Phase 2 and Phase 3 rate adjustments should be structured with
6 its planned debt issuances and generally accepts CWA's anticipated time frame.
7 However, as explained by OUCC witness Edward Kaufman, the gap between
8 CWA's Phase 2 and Phase 3 rate increases and the associated issuance of its 2020
9 and 2021 debt should be minimized. Mr. Kaufman recommends that CWA's Phase
10 2 and Phase 3 rate increases should not take place until CWA has released the
11 "Official Statement" for its 2020 and 2021 debt and notified the Commission it has
12 released its respective Official Statements.

² The percentage increases shown for the OUCC reflect rate increases based on revenues subject to increase (including late fee revenues). The OUCC's overall recommended revenue increase is 16.27 % with a 7.53 % Phase 1 revenue increase, a 4.91 % Phase 2 revenue increase, and a 3.07 % Phase 3 revenue increase.

1 OUCC concerns regarding the implementation of these rates through a class
2 cost of service study are discussed by OUCC witness Jerome Mierzwa. OUCC
3 concerns regarding the implementation of a low-income assistance program are
4 discussed by OUCC witness Scott Bell. Table 2 compares CWA's overall proposed
5 revenue requirement with that proposed by the OUCC.

Table 2: Comparison of Overall Revenue Requirement

	<u>Per CWA</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Expenses	\$ 77,897,012	\$ 77,061,858	\$ (835,154)
Taxes Other Than Income	1,733,128	1,694,516	(38,612)
Extensions and Replacements	80,000,000	70,000,000	(10,000,000)
Payment in Lieu of Taxes	28,945,720	28,945,720	-
Debt Service	155,210,405	155,748,111	537,706
Total Revenue Requirements	343,786,265	333,450,205	(10,336,060)
Revenue Requirement Offsets	(12,728,161)	(11,529,818)	1,198,343
<i>Pro Forma</i> Net Revenue Requirement	\$ 331,058,104	\$ 321,920,387	\$ (9,137,717)
Less: Revenues at Current Rates Subject to Increase	(265,911,206)	(276,969,782)	(11,058,576)
Revenue Increase Required	65,146,898	44,950,605	(20,196,293)
Additional Bad Debt Expense	439,429	303,200	(136,229)
Recommended Revenue Increase	<u>\$ 65,586,327</u>	<u>\$ 45,253,805</u>	<u>\$ (20,332,522)</u>

6 **Q: What rate increases does the OUCC propose for each phase?**

7 A: Table 3 summarizes the OUCC's proposed revenue increase and rate increase
8 percentage for each of the phases.

Table 3: Summary of OUCC Rate Increases by Phase

	<u>Revenue Increase</u>	<u>Revenue %</u>	<u>Rate %^(A)</u>
Phse 1	\$ 20,940,290	7.53%	7.56%
Phase 2	\$ 14,679,536	4.91%	4.93%
Phase 3	\$ 9,633,979	3.07%	3.08%
Overall	<u>\$ 45,253,805</u>	16.27%	16.34%

^(A) Revenues subject to increase include late fee revenues.

III. BALANCED BILLING MECHANISM

1 **Q: What is CWA's "balanced billing" mechanism?**

2 A: "Balanced Billing" is a mechanism for setting a consistent wastewater bill for
3 residential and multi-family wastewater customers during the seven-month period
4 of May through November ("summer billing months") based on their average
5 winter water consumption during December through March, rather than their actual
6 water consumption during the summer billing months.

7 **Q: What is the theory or reasoning behind the balanced billing mechanism?**

8 A: According to CWA's witness Korlon Kilpatrick, balanced billing "excludes
9 seasonal watering demands related to irrigation and other uses that are not
10 discharged to the wastewater system."

11 **Q: Was balanced billing an issue in CWA's last rate case, Cause No. 44685?**

12 A: Yes. In that case, CWA proposed to change its balanced billing mechanism to the
13 lower of either a customer's average winter water consumption or their actual
14 consumption. This change was prompted by customer complaints and
15 correspondence from the Commission to CWA, which expressed concern at the
16 inequities caused by customers being charged for wastewater service based on
17 average consumption levels greater than their actual consumption. In that letter, the
18 Commission considered it unlikely these instances would occur frequently.
19 Correspondence between the Commission and CWA is included as Attachment
20 MAS-1.

21 In Cause No. 44685, CWA determined the effect of this change would be a
22 decrease to operating revenues of approximately \$15.0 million, further increasing

1 rates for all customers. In its Final Order, the Commission stated "...CWA's
2 revenue adjustment resulting from the proposed [lower-of adjustment] would have
3 a large impact on CWA's operating revenues and would further increase rates for
4 all CWA customers. Conversely, only a very small proportion of CWA's customers
5 would potentially benefit from the Proposed [lower-of adjustment]." In the final
6 order in Cause No. 44685, the Commission ordered CWA to work with the OUCC
7 and Industrial Group to address this issue in its next base rate case. (Cause No.
8 44685 IURC July 18, 2016 Final Order at 21.)

9 **Q: What is CWA proposing in this case relative to balanced billing?**

10 A: CWA is proposing no change to its balanced billing mechanism in this case.
11 According to Mr. Kilpatrick "the costs still outweigh the benefits in terms of overall
12 rate impact and impact on individual customer classes....the change is simply not
13 something CWA is willing to do to benefit approximately 68,000 customers, while
14 causing a detrimental impact to the remaining 176,000 customers on our system."
15 (Kilpatrick Direct Testimony, page 33, line 17-page 34, line 5.)

16 **Q: What does CWA estimate is the effect of changing the balanced billing**
17 **mechanism to the lower of average winter water consumption or actual**
18 **consumption?**

19 A: Based on test year billing determinants, CWA estimated the change from billing
20 average winter water consumption to the lower of average winter consumption or
21 actual water consumption would result in a reduction of 1,032,307 ccf or the
22 equivalent of removing \$5,507,368 from *pro forma* operating revenues. (Kilpatrick
23 Testimony page 32, lines 27-30.)

1 **Q: Does the OUCC accept CWA's proposal to keep the balanced billing**
2 **mechanism unchanged?**

3 A: No. As currently implemented by CWA, during the summer months many
4 customers are charged for sewer service their water meters show they are not using.
5 In any month, nearly one-third of CWA's customers have actual consumption that
6 is less than their average winter or "base" water consumption.

7 **Q: What does the OUCC recommend regarding CWA's balanced billing**
8 **mechanism?**

9 A: The OUCC recommends CWA modify its balanced billing mechanism to bill a
10 customer's average winter consumption or actual consumption, whichever is lower.

11 **Q: Have you adjusted operating revenues to reflect the \$5.5 million effect**
12 **estimated by CWA if "lower of" was implemented?**

13 A: No. I am not convinced CWA has been able to correctly calculate the effect of
14 implementing the "lower of" modification to its balanced billing mechanism. In
15 Cause No. 44685, CWA estimated the effect would be nearly \$15.0 million. Now,
16 CWA claims the impact would be \$5.5 million. Both of these amounts were derived
17 from CWA's billing system data. According to Mr. Kilpatrick, there was an error
18 in the data used in the prior rate case analysis. CWA's \$5.5 million estimate is still
19 a significant operating revenue impact and I am not yet convinced it accurately
20 states the effect of this change.

21 **Q: What operating revenue adjustment does the OUCC recommend?**

22 A: Given the uncertainty regarding the effect of modifying the balanced billing
23 mechanism, the OUCC does not recommend any operating revenue adjustment. An
24 operating revenue adjustment is unnecessary. Any operating revenue shortfall

1 CWA might encounter as a result of this change can be addressed through the filing
2 of a system integrity adjustment.

3 **Q: Does the OUCC have an alternative balanced billing mechanism**
4 **recommendation?**

5 A: Yes. In the alternative, the OUCC would recommend CWA allow a customer to opt
6 out of balanced billing altogether. If a customer's consumption patterns do not
7 conform to the rationale behind balanced billing, i.e., winter consumption doesn't
8 reflect base consumption, that customer should have the option of opting out of
9 balanced billing altogether and paying for sewer service based on actual water
10 consumption on a year-round basis.

IV. OPERATING REVENUES

A. CWA Proposed Operating Revenues

11 **Q: What operating revenue adjustments did CWA propose?**

12 A: CWA proposed several operating revenue adjustments, including billing
13 exceptions, additional customers due to the septic tank elimination program, test
14 year customer growth, post-test year customer growth, unbilled revenues,
15 normalization of Cause No. 44685 Phase 2 rates implemented in August 2017, and
16 the elimination of system integrity adjustment revenues. Total operating revenue
17 adjustments proposed by CWA resulted in a decrease of \$9,574,002 to test year
18 wastewater operating revenues of \$277,912,032 yielding Phase 1 *pro forma*
19 wastewater operating revenues of \$268,338,030.

B. OUCC Recommended Operating Revenues

1 **Q: Do you accept CWA's proposed wastewater operating revenues?**

2 A: No. The OUCC recommends total operating revenue adjustments resulting in an
3 increase of \$286,231 to test year wastewater operating revenues of \$277,912,032
4 yielding Phase 1 *pro forma* wastewater operating revenues of \$278,198,263.
5 Specifically, the OUCC disagrees with the elimination of all system integrity
6 adjustment revenues. Table 4 presents a comparison of the Phase 1 operating
7 revenue adjustments proposed by CWA to those recommended by the OUCC.
8 However, the lack of OUCC discussion about any CWA operating revenue does
9 not indicate acceptance by the OUCC.

Table 4: Comparison of Wastewater Operating Revenue Adjustments

	<u>CWA</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Residential	\$ 1,321,564	\$ 1,321,564	\$ -
Commercial	642,019	642,019	-
Multi-Family	(39,952)	(39,952)	-
Industrial	1,204,318	1,204,318	-
Satellite	126,152	126,152	-
Interdepartmental	-	-	-
System Integrity Adjustment	(12,774,424)	(2,914,191)	9,860,233
Late Fees	(83,463)	(83,463)	-
Other Wastewater Revenues	29,784	29,784	-
	<u>\$ (9,574,002)</u>	<u>\$ 286,231</u>	<u>\$ 9,860,233</u>

10 **Q: Do the OUCC's recommended operating revenue adjustments include any**
11 **adjustment to reflect the OUCC's balanced billing recommendation?**

12 A: No. As discussed above, given the uncertainty regarding the effect of modifying
13 the balanced billing mechanism, the OUCC does not consider it prudent or
14 necessary to incorporate any estimated revenue shortfall at this time.

C. System Integrity Adjustment Revenues

1. SIA Overview

1 **Q: What is a System Integrity Adjustment?**

2 A: A system integrity adjustment (“SIA”) is an authorized tariff rate charged to
3 ratepayers to increase (or decrease) an eligible utility’s operating revenues. More
4 specifically, an SIA is defined by IC 8-1-31.5-9 as “an amount charged by an
5 eligible utility to allow the automatic adjustment of the eligible utility’s basic rates
6 and charges to recover from or credit to customers an adjustment amount.” A
7 system integrity adjustment is determined through a process created by IC 8-1-31.5
8 wherein an eligible utility may file for relief if it is not recovering the amount of
9 operating revenues authorized in its last general rate case. Once an eligible utility
10 has been approved to recover a system integrity adjustment, it is authorized to
11 collect the SIA until the earlier of four years or the issuance of an order in the
12 utility’s next general rate case. Once a utility is authorized to collect an SIA, it must
13 make annual filings to modify and reconcile its SIA.

14 **Q: Does CWA currently have an approved SIA?**

15 A: Yes. CWA implemented its first SIA on January 1, 2018 (Cause No. 44990). SIA
16 1 was designed to generate \$6,139,673 of additional wastewater revenues. CWA’s
17 SIA 2 was approved on December 19, 2018 and was designed to generate
18 \$9,860,233 of additional wastewater revenues.³

³ See CWA’s Amended Compliance Filing dated December 27, 2018.

2. CWA Proposed SIA Adjustment

1 **Q: What adjustment to SIA revenues did CWA propose?**

2 A: CWA proposed the elimination of all test year system integrity adjustment revenues
3 from *pro forma* operating revenues.

4 **Q: Why did CWA eliminate all test year system integrity adjustment revenues?**

5 A: According to Mr. Kilpatrick, “Monies collected (or recognized) related to the SIA
6 are to be used for eligible infrastructure projects and are not considered revenue for
7 rate-making purposes.” (Kilpatrick Testimony at page 59, lines 16-18).

8 **Q: What treatment does CWA propose for SIA revenues?**

9 A: According to Mr. Kilpatrick “As the SIA funds to be received are to be used for
10 eligible infrastructure projects, the SIA affects the amount of debt that Petitioner
11 will need to issue during the time period that the proposed rates are to be in effect.
12 More specifically, it would lower the amount of debt to be issued and the debt
13 service to be included in the rates proposed in this proceeding.” (See Kilpatrick
14 testimony, page 35, lines 4-8.)

15 **Q: How much did CWA reduce its proposed debt borrowings due to SIA
16 revenues?**

17 A: Mr. Kilpatrick determined CWA would receive \$22,263,316 of SIA revenues and
18 Mr. Brehm reduced his proposed debt borrowings by that amount.

Table 5: Comparison of SIA Offset to Debt Borrowing

	CWA	OUCC	OUCC More (Less)	
SIA 1	\$ 2,452,885	\$ 2,452,885	\$ -	To be collected August - December 2018
SIA 2	9,949,843	-	(9,949,843)	Estimate
SIA 3	9,860,588	-	(9,860,588)	Estimate
	\$ 22,263,316	\$ 2,452,885	\$ (19,810,431)	

1 **Q: Why did Mr. Kilpatrick include SIA 3 revenues in his determination of the**
2 **offset to debt borrowing?**

3 A: According to Mr. Kilpatrick:

4 The twelve-month period that SIA 3 would cover is August 2018
5 through July 2019. It is estimated that an order in this proceeding
6 would not be received prior to July 2019. However, whether an order
7 is received by then or not, Petitioner will have experienced most, if
8 not all, of the 25th through the 36th months of the 48 months of the
9 SIA. Petitioner should be able to make a filing pursuant to IC 8-1-
10 31.5-13 to reflect the results of this most recent twelve month period,
11 or the subset thereof. At the very least, Petitioner should be able to
12 include the results of this period preceding an Order in a
13 reconciliation filing pursuant to IC 8-1-31.5-15. (Kilpatrick
14 Testimony, page 36, lines 1-9.)

15 **Q: Do you agree with Mr. Kilpatrick's assertion regarding the treatment of SIA**
16 **revenues for ratemaking purposes?**

17 A: No. Whether revenues are "earmarked" for a specific purpose does not change the
18 fact that they are revenues, charged to and collected from ratepayers and, therefore,
19 should be included in the determination of a utility's revenue requirement for
20 ratemaking purposes. Further, eliminating SIA revenues from *pro forma* operating
21 revenues overstates the percentage revenue increase calculated by CWA as it does
22 not consider all revenues currently being collected from ratepayers.

23 **Q: Do you have concerns with CWA's proposed treatment of SIA revenues?**

24 A: Yes. While CWA states it is cash funding \$228,000,000 of capital projects
25 (\$72,000,000 (Phase 1), \$76,000,000 (Phase 2), and \$80,000,000 (Phase 3)), it is
26 actually proposing to cash fund \$250,263,316 because it is using SIA revenues as
27 a source of cash funding for capital projects. This treatment unnecessarily increases
28 customer rates because the debt service on these capital projects would be
29 considerably less than the capital project costs. In other words, rather than using

1 SIA revenues to fund the capital projects themselves, these revenues can be used to
2 fund the debt service on these capital projects with the remaining revenues being
3 used to fund other revenue requirements, thereby keeping the rate increase as low
4 as possible.

5 **Q: Do you agree with Mr. Kilpatrick's assertions regarding the filing of an SIA**
6 **3?**

7 A: No. The current SIA statute is very clear that a utility must stop collecting SIA
8 revenues once an order is issued in its next general rate case. IC 8-1-31.5-12(d)
9 states as follows:

10 The system integrity adjustment may be collected until the earlier of
11 the following:

12 (1) Forty-eight (48) months after the date set forth in the
13 order entered under this subsection on which the eligible
14 utility may begin collecting the system integrity
15 adjustment.

16 (2) The date on which the commission issues an order in the
17 eligible utility's next general rate case proceeding.

18 Further, Mr. Kilpatrick's assertion that CWA should be allowed to include the
19 results of the period August 2018 – July 2019 in a reconciliation filing is contrary
20 to the current SIA statute. IC 8-1-31.5-12(d) states that a utility shall reconcile the
21 difference between the adjustment amount approved by the Commission for a
22 previous twelve (12) month period and the adjustment revenues actually received
23 by the utility. There is no mention of including adjustment revenues that have not
24 been previously approved or collected.

3. OUCC Recommended SIA Adjustment

1 **Q: Do you accept CWA's proposed treatment of system integrity adjustment**
2 **revenues?**

3 A: No.

4 **Q: What treatment do you recommend for system integrity adjustment revenues?**

5 A: I recommend currently authorized SIA revenues be included as a component of *pro*
6 *forma* operating revenues. Further, I propose the remaining SIA 1 revenues be
7 included as an offset to the amount of debt to be incurred to fund capital projects.

8 **Q: What amount of system integrity adjustment revenues do you recommend be**
9 **included in *pro forma* wastewater operating revenues?**

10 A: I recommend system integrity adjustment revenues be based on the \$9,860,233 SIA
11 2 revenues approved by the Commission on December 19, 2018 and as calculated
12 in CWA's December 27, 2018 Amended Compliance Filing. This represents the
13 annual revenues expected to be collected from CWA's Rider B tariff rate (\$0.4421
14 per 1,000 gallons).

15 **Q: What SIA revenue adjustment do you propose?**

16 A: CWA recorded \$12,774,424 of SIA revenues during the test year, including both
17 billed and accrued revenues. I recommend a \$2,914,191 reduction to test year SIA
18 revenues, yielding *pro forma* SIA revenues of \$9,860,233.

19 **Q: What SIA revenue offset to long-term borrowing do you propose?**

20 A: I propose the remaining \$2,452,885 of SIA 1 revenues be used as an offset to long-
21 term borrowing. Mr. Kaufman discusses this proposal in his testimony.

V. OPERATING & MAINTENANCE EXPENSE

1 **Q: What operating expense adjustments did CWA propose?**

2 A: CWA proposed many operating expense adjustments, including adjustments to
3 salaries, employee benefits, purchased power, chemicals, materials and supplies,
4 contractual services, liability insurance, bad debt expense, miscellaneous expense,
5 payroll taxes, and property taxes. Total operating expense adjustments proposed by
6 CWA resulted in an increase of \$6,607,242 to test year operating expenses of
7 \$99,800,611 yielding *pro forma* Phase 1 operating and maintenance expenses of
8 \$106,407,853.⁴

9 **Q: Does the OUCC accept CWA's proposed operating expenses?**

10 A: No. The OUCC recommends total operating expense adjustments resulting in an
11 increase of \$5,733,475 to test year operating expenses of \$99,800,611 yielding *pro*
12 *forma* Phase 1 operating and maintenance expense of \$105,534,086. Specifically,
13 the OUCC disagrees with CWA's proposed allocation of executive compensation,
14 the inclusion of reimbursable or non-recurring storm sewer repair expenses,
15 excessive membership expenses, and rate case expense. OUCC witness Richard
16 Corey discusses the OUCC's proposed adjustments to rate case expense, storm
17 sewer repair expense, IDEM penalty, and employee memberships. The lack of
18 OUCC discussion about any other CWA operating expense does not indicate

⁴ These amounts exclude depreciation expense and any adjustments CWA may have proposed to depreciation expense. Because CWA is requesting extensions and replacements, depreciation expense is not included in CWA's revenue requirements.

For purposes of my testimony, I include amortization expense and taxes other than income as part of "operating and maintenance expense."

1 acceptance by the OUCC. Table 6 presents a comparison of the operating expense
2 adjustments proposed by CWA to those recommended by the OUCC.

Table 6: Comparison of Operating Expense Adjustments

	<u>CWA</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>	
Salaries and Wages	\$ 1,554,407	\$ 984,905	\$ (569,502)	Executive Compensation
Employee Pensions & Benefits	816,338	816,338	-	
Purchased Power	431,735	431,735	-	
Chemicals	(603,210)	(603,210)	-	
Materials and Supplies	(153,963)	(123,963)	30,000	Grinder Pump Maintenance
Contractual Services				
Accounting	(69,098)	(69,098)	-	
Legal	147,616	147,616	-	
Other	572,915	468,296	(104,619)	Storm Sewer Repair
Rents - Property & Equipment	(3,785)	(3,785)	-	
Transportation	(27,161)	(27,161)	-	
Insurance - General Liability	60,799	60,799	-	
Rate Case Expense	15,498	(142,465)	(157,963)	
Bad Debt Expense	767,833	767,833	-	
Miscellaneous Expense	(142,131)	(175,202)	(33,071)	Employee Memberships & IDEM Penalty
Amortization Expense	302,656	302,656	-	
Taxes Other than Income:				
Payroll Taxes	105,368	66,756	(38,612)	Executive Compensation
Property Taxes	2,832,630	2,832,630	-	
Other Taxes	(1,205)	(1,205)	-	
Total Adjustments	<u>\$ 6,607,242</u>	<u>\$ 5,733,475</u>	<u>\$ (873,767)</u>	

3 **Q: Did you prepare any workpapers to assist in your determination of the amount**
4 **total expense adjustment for each expense category?**

5 A: Yes. See Attachment MAS-2 for my operating expense workpapers identifying
6 each adjustment by expense category.

A. Executive Compensation

7 **Q: What level of executive compensation did CWA propose in this Cause?**

8 A: CWA witness Jodi Whitney stated total executive compensation for CWA was
9 \$1,349,642 (Whitney Testimony at page 16. lines 8-9). CWA is allocated 24.69%
10 of all Citizens Energy Group ("CEG") executives except for the Vice President of

1 Water Operations, which is allocated 47% to CWA. On average, 26.45% of CEG
2 executive compensation⁵ is allocated to CWA.

Table 7: Executive Compensation

	CEG		CWA	
President	\$ 916,574	24.69%	\$ 226,302	
CFO	610,563	24.69%	150,748	
VP Water Ops	402,898	47.00%	189,362	
General Counsel	537,874	24.69%	132,801	
Chief Customer Officer	512,215	24.69%	126,466	
Vp IT	378,522	24.69%	93,457	
VP Human Resources	367,359	24.69%	90,701	
Engineering	359,016	24.69%	88,641	
Customer Operations	359,016	24.69%	88,641	
Regulatory	347,817	24.69%	85,876	
Controller	310,437	24.69%	76,647	
	<u>\$ 5,102,291</u>	26.45%	<u>\$ 1,349,642</u>	

3 **Q: Did the Commission address executive compensation in CWA’s last general**
4 **rate case, Cause No. 44685?**

5 **A:** Yes. The Commission noted that, in previous cases involving the utilities of
6 Citizens Energy Group, it had “repeatedly questioned the level of executive
7 compensation, and specifically the use of a compensation study that includes both
8 municipal and investor-owned, for profit utilities.” (Cause No. 44685, Final Order
9 at 24.) The Commission noted that in Cause No. 44644 it required Citizens Water
10 to submit a compensation study of executive salaries that included only municipal
11 utilities. This study was provided in a confidential filing on June 22, 2016. Finally,
12 the Commission ordered CWA to include in its next general rate case “an updated
13 compensation study of executive salaries that includes only municipal utilities. This

⁵ Excluding the Vice President of Energy Operations.

1 requirement also extends to Citizens Energy Group's other regulated utilities." (*Id.*
2 at 24.)

3 **Q: Did the Commission address executive compensation in any other Citizens'**
4 **rate cases?**

5 A: Yes. In Cause No. 44306 (Citizens Water), the Commission stated CEG's status as
6 a not-for-profit public charitable trust is inconsistent with a for-profit compensation
7 model and the resulting allocation of for-profit based costs to municipal utility
8 ratepayers. (Cause No. 44306, Final Order issued March 19, 2014 at page 43.) In
9 that case, the Commission further stated:

10 ...our role is not to determine the appropriate executive
11 compensation for CEG executives. That is ultimately a decision for
12 CEG's Board of Directors, and the probate court, among
13 others...Our role, however, is to determine an appropriate amount
14 of compensation that should be allocated to Citizens' ratepayers,
15 under our authority to determine municipal utility rates and
16 charges...municipal utility ratepayers are only obligated to pay for
17 municipal-based expenses when they take municipal utility service.
18 (*Id.* at page 43 to 44)

19 The Commission concluded its discussion of executive compensation in
20 Cause No. 44306 by stating "the rationale for our decision in this Cause is
21 applicable to not only Citizens Water, but CEG's municipal gas, sewer, and thermal
22 utilities as well. (*Id.* at page 46.)

23 **Q: Did CWA prepare an updated executive compensation study as ordered in**
24 **Cause No. 44685?**

25 A: Yes. In compliance with the Commission's directive in Cause No. 44685, CWA
26 engaged Willis Towers Watson to complete a "Municipal Only Benchmark
27 Compliance Report". (See CWA's Attachment DJW-4.)

1 **Q: What was the basis of the “Municipal Only Benchmark Compliance Report”?**

2 A: The “Municipal Only Benchmark Compliance Report” was based upon a peer
3 group of comparably-sized municipal utilities based on revenues in a range of one-
4 half to two times Citizens Energy Group revenues of \$874 million from the Western
5 Management Group Utilities Compensation Survey. CWA’s Attachment DJW-5
6 presents a listing of the 37 comparably-sized utilities included in the study. This
7 study compared Citizens’ executive salaries with comparable executive salaries
8 from other municipally owned utilities. In this study comparable data was only
9 available for 7 of the 12 CEG executive positions.

10 **Q: What were the results of the “Municipal Only Benchmark Compliance**
11 **Report”?**

12 A; Based on this study, Citizens’ executives are paid, on average, a 73% premium over
13 median market salaries for comparable positions at municipal utilities (Confidential
14 Attachment MAS-3).

15 **Q: Did CWA adjust executive compensation in accordance with the**
16 **Commission’s findings in Cause Nos. 44305 and 44306?**

17 A: No. No reduction to reflect comparable municipal executive compensation was
18 proposed by CWA.

19 **Q: Do you accept CWA’s proposed executive compensation?**

20 A: No. As discussed above, the Commission has considered CEG’s arguments
21 regarding executive compensation and determined only comparable municipal
22 executive compensation should be included in the revenue requirement for CEG’s
23 municipal utilities. Therefore, I reject CWA’s allocation of the proposed executive
24 compensation which includes a 73% premium over comparable municipal
25 compensation.

1 **Q: What level of executive compensation is supported by the “Municipal Only**
2 **Benchmark Compliance Report” conducted by Willis Towers Watson?**

3 A: Based on the executive compensation presented on page 16 of Ms. Whitney’s
4 testimony, I recommend a \$569,503 reduction in the allocation of executive
5 compensation to CWA during the test year to remove the 73% premium as
6 determined by the municipal only compensation study (OUCC Schedule 6,
7 Adjustment No. 1).

Table 8: Executive Compensation

	<u>CEG</u>		<u>CWA</u>	<u>OUCC</u>	<u>OUCC</u>
			<u>Allocation</u>	<u>Allocation</u>	<u>More (Less)</u>
President	\$ 916,574	24.69%	\$ 226,302	\$ 130,810	\$ (95,492)
CFO	610,563	24.69%	150,748	87,138	(63,610)
VP Water Operations	402,898	47.00%	189,362	109,458	(79,904)
General Counsel	537,874	24.69%	132,801	76,763	(56,038)
Chief Customer Officer	512,215	24.69%	126,466	73,102	(53,364)
VP Information Technology	378,522	24.69%	93,457	54,021	(39,436)
VP Human Resources	367,359	24.69%	90,701	52,428	(38,273)
VP Engineering	359,016	24.69%	88,641	51,238	(37,403)
Customer Operations	359,016	24.69%	88,641	51,238	(37,403)
VP Regulatory	347,817	24.69%	85,876	49,639	(36,237)
Controller	310,437	24.69%	76,647	44,304	(32,343)
	<u>\$ 5,102,291</u>	26.45%	<u>\$ 1,349,642</u>	<u>\$ 780,139</u>	<u>\$ (569,503)</u>

8 **Q: Are you recommending salary reductions for CEG executives as a result of the**
9 **updated compensation study?**

10 A: No. I do not address whether the level of CEG executive compensation is
11 reasonable or necessary. I only recommend that the amount of executive
12 compensation allocated to CWA should be based on comparable municipal-based
13 executive compensation as ordered by the Commission in prior Citizens’ rate cases.

B. Additional Operating Expenses Related to Septic Tank Elimination Program

1 **Q: Why are you proposing an increase in test year operating expenses for**
2 **expenses related to the septic tank elimination program ("STEP")?**

3 A: OUCC witness James Parks recommends CWA be responsible for maintaining and
4 replacing grinder pumps installed as part of the low pressure sewer systems
5 currently being installed for STEP customers. Currently, the maintenance and
6 replacement of these grinder pumps is the responsibility of the customer.

7 **Q: What additional expense do you propose?**

8 A: I propose an additional \$30,000 of operating and maintenance expense based on
9 Mr. Parks' recommendations (OUCC Schedule 6, Adjustment No. 5).

C. Payroll Tax Expense

10 **Q: What payroll tax expense adjustment did CWA propose?**

11 A: CWA proposed a \$105,368 increase to test year payroll tax expense of \$1,498,578,
12 yielding *pro forma* payroll tax expense of \$1,603,946.⁶ This adjustment is
13 calculated on CWA wp 330.

14 **Q: Do you accept CWA's proposed payroll tax expense?**

15 A: Yes. However, due to my proposed executive compensation allocation adjustment
16 to salaries and wage expense, I propose an additional \$38,612 reduction to payroll
17 tax expense.

⁶ In CWA's wp 330, test year payroll tax expense is shown as \$1,498,067, a difference of \$511 from the amount reflected in CWA's test year trial balance (wp 100) for account number 408121 "Tax Expense – FICA." My schedules use the amount included in the trial balance.

1 **Q: How did you determine the amount of your proposed payroll tax expense**
2 **adjustment?**

3 A: CWA wp 330 determined shared services payroll tax expense is 6.78% of total
4 allocated salary expense. Therefore, I multiplied 6.78% times my \$569,503
5 reduction to salary expense to yield an additional payroll tax expense reduction of
6 \$38,612 (OUCC Schedule 6, Adjustment No. 14). In total, I propose a \$66,756
7 increase to test year payroll tax expense yielding *pro forma* payroll tax expense of
8 \$1,565,334.

VI. REVENUE REQUIREMENT OFFSETS

9 **Q: What do you mean by “revenue requirement offset”?**

10 A: A revenue requirement offset is income or resources other than utility rates, which
11 are available to the utility to meet its revenue requirements. These other resources
12 are not included in operating revenues or considered in the calculation of revenue
13 requirement components. Revenue requirement offsets include any non-recurring
14 fees charged to customers to recover the costs incurred by the utility to provide
15 services to customers, including bad check charges, disconnection and
16 reconnection fees, and tap fees. These offsets reduce the total revenue requirement
17 thereby mitigating rate increases.

18 **Q: What revenue requirement offsets did CWA propose?**

19 A: CWA proposed total revenue requirement offsets of \$12,674,482. These offsets
20 included \$2,069,372 of interest income, \$110,877 of other income, \$1,228,481 of
21 other wastewater revenues, \$1,144,664 of late fee revenues, and \$8,121,088 of
22 connection fees.

Table 9: CWA Revenue Requirement Offsets

Interest Income	\$	2,069,372
Other Income		110,877
Other Wastewater Revenues		1,228,481
Late Fees		1,144,664
Connection Fees		8,121,088
	\$	<u>12,674,482</u>

1 **Q: Do you accept CWA's proposed revenue requirement offsets?**

2 A: Yes. However, instead of treating late fee revenues as a revenue offset, I include
3 late fee revenues in "revenues at current rates subject to increase." Late fee
4 revenues are calculated as a percentage of the outstanding bill. While this
5 percentage does not change as a result of the rate increase, the revenues this
6 percentage is applied to are larger, yielding increased late fee revenues. Late fee
7 revenues are still applied as a reduction to the revenue requirement.

8 **Q: What revenue requirement offset do you propose?**

9 A: I propose a total revenue requirement offset of \$11,529,818.

Table 10: OUCC Revenue Requirement Offsets

Interest Income	\$	2,069,372
Other Income		110,877
Other Wastewater Revenues		1,228,481
Late Fees		-
Connection Fees		8,121,088
	\$	<u>11,529,818</u>

VII. OTHER BILLING ISSUES

1 **Q: Does the OUCC have concerns regarding the information included in Citizens'**
2 **customer bills?**

3 A: Yes. The OUCC considers that Citizens' billings do not contain enough information
4 for a customer to make informed decisions regarding their water and wastewater
5 consumption.

6 **Q: What information is currently included in customer billings?**

7 A: A combined CEG billing provides the total amount for gas, water, and wastewater
8 charges as well as the corresponding sales taxes charged for each utility service.

9 **Q: What additional information does the OUCC consider necessary?**

10 A: For each utility service, the amount of fixed and volumetric charges should be
11 clearly identified. Further, any surcharges or credits should also be provided, such
12 as system integrity adjustments, distribution system improvement charges, low-
13 income assistance charges, etc.

14 **Q: Is detailed billing information available for CEG customers?**

15 A: Yes. However, the default is to provide summary billing information unless the
16 customer changes their billing preferences and requests a detailed billing.

17 **Q: What does the OUCC recommend regarding customer billing?**

18 A: The OUCC recommends that CEG provide a detailed billing to customers unless
19 the customer requests a summary bill.

VIII. RECOMMENDATIONS

20 **Q: Please summarize your recommendations.**

21 A: I recommend the Commission approve an overall rate increase of 16.34% to
22 produce a total increase in wastewater revenues of \$45,253,805 per year. I further

1 recommend the Commission approve a modification to CWA's balanced billing
2 mechanism to bill customers the lower of their average winter consumption or
3 actual consumption. I recommend the Commission require the detailed customer
4 billing be the default bill provided to customers. I recommend the Commission
5 include SIA 2 revenues in *pro forma* operating revenues for purposes of
6 determining the appropriate rate increase in this case. I also recommend the
7 Commission approve the following operating and maintenance expense
8 adjustments:

- 9 ▪ \$569,503 reduction to the amount of CEG executive compensation
10 allocated to CWA based on the results of CWA's municipal-only
11 compensation study;
- 12 ▪ \$30,000 increase to reflect additional maintenance expenses related to the
13 grinder pumps included in the low pressure sewer systems being installed
14 for STEP customers; and
- 15 ▪ \$38,612 decrease to payroll tax expense related to the reduction to CEG
16 executive compensation allocated to CWA.

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

18 **A:** Yes.

APPENDIX A – QUALIFICATIONS

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. I have also attended several NARUC Sub-Committee on Accounting
18 and Finance Spring and Fall conferences. I have participated in the National
19 Association of State Utility Consumer Advocates (“NASUCA”) Water Committee
20 and the NASUCA Tax and Accounting Committee. In March 2016 I was appointed
21 chair of the NASUCA Tax and Accounting Committee.

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

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

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

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

**CWA AUTHORITY
CAUSE NUMBER 45151**

**Comparison of Petitioner's and OUCC's
Overall Revenue Requirement**

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>Sch Ref</u>	<u>OUCC More (Less)</u>
Operating Expenses	\$ 77,897,012	\$ 77,061,858	4	\$ (835,154)
Taxes other than Income	1,733,128	1,694,516	4	(38,612)
Extensions and Replacements	80,000,000	70,000,000	ERK	(10,000,000)
Payment in Lieu of Taxes	28,945,720	28,945,720	PET	-
Debt Service	<u>155,210,405</u>	<u>155,748,111</u>	ERK	<u>537,706</u>
Total Revenue Requirements	343,786,265	333,450,205		(10,336,060)
Revenue Requirement Offsets				
Interest Income	(2,069,372)	(2,069,372)	3	-
Other Income	(110,877)	(110,877)	PET	-
Other Wastewater Revenues	(1,228,481)	(1,228,481)	4	-
Late Fees	(1,144,664)	-		1,144,664
Connection Fees	<u>(8,121,088)</u>	<u>(8,121,088)</u>	PET	<u>-</u>
<i>Pro forma</i> Net Revenue Requirements	331,111,783	321,920,387		(9,191,396)
Less: Revenues at current rates subject to increase	<u>(265,964,885)</u>	<u>(276,969,782)</u>	4	<u>(11,004,897)</u>
Net Revenue Increase Required	65,146,898	44,950,605		(20,196,293)
Additional Bad Debt Expense	<u>439,429</u>	<u>303,200</u>		<u>(136,229)</u>
Recommended Increase	<u>\$ 65,586,327</u>	<u>\$ 45,253,805</u>		<u>\$ (20,332,522)</u>
Recommended Percentage Revenue Increase	<u>24.44%</u>	<u>16.27%</u>		<u>-8.17%</u>
Recommended Percentage Rate Increase	<u>24.66%</u>	<u>16.34%</u>		<u>-8.32%</u>
<u>Total Operating Revenues:</u>				
Total Wastewater Revenues	\$ 265,964,885	\$ 275,825,118		\$ 9,860,233
Late Fees	1,144,664	1,144,664		-
Other Wastewater Revenues	1,228,481	1,228,481		-
Total Operating Revenues	<u>\$ 268,338,030</u>	<u>\$ 278,198,263</u>		<u>\$ 9,860,233</u>
<u>Revenues Subject to Increase:</u>				
Total Wastewater Revenues	\$ 265,964,885	\$ 275,825,118		\$ 9,860,233
Late Fees	-	1,144,664		1,144,664
Total Operating Revenues	<u>\$ 265,964,885</u>	<u>\$ 276,969,782</u>		<u>\$ 11,004,897</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Comparison of Petitioner's and OUC's
Phased Revenue Requirement

	Phase 1				Phase 2				Phase 3			
	Per Petitioner	Per OUC	Sch Ref	OUC More (Less)	Per Petitioner	Per OUC	Sch Ref	OUC More (Less)	Per Petitioner	Per OUC	Sch Ref	OUC More (Less)
Operating Expenses	\$ 77,897,012	\$ 77,061,858	4	\$ (835,154)	\$ 78,161,945	\$ 77,202,157	4	\$ (959,788)	\$ 78,260,530	\$ 77,300,510	4	\$ (960,020)
Taxes Other than Income	1,733,128	1,694,516	4	(38,612)	1,733,128	1,694,516	4	(38,612)	1,733,128	1,694,516	4	(38,612)
Extensions and Replacements	72,000,000	64,000,000	ERK	(8,000,000)	76,000,000	68,000,000	ERK	(8,000,000)	80,000,000	70,000,000	ERK	(10,000,000)
Payment in Lieu of Taxes	26,777,712	26,777,712	PET	-	28,323,727	28,323,727	PET	-	28,945,720	28,945,720	PET	-
Debt Service	139,508,616	139,765,505	ERK	256,889	148,578,144	148,800,673	ERK	222,529	155,210,405	155,748,111	ERK	537,706
Total Revenue Requirements	317,916,468	309,299,591		(8,616,877)	332,796,944	324,021,073		(8,775,871)	344,149,783	333,688,857		(10,460,926)
Less Revenue Requirement Offsets:												
Interest Income	(2,069,372)	(2,069,372)	3	-	(2,069,372)	(2,069,372)	3	-	(2,069,372)	(2,069,372)	3	-
Other Income	(110,877)	(110,877)	PET	-	(110,877)	(110,877)	PET	-	(110,877)	(110,877)	PET	-
Other Wastewater Revenues	(1,228,481)	(1,228,481)	4	-	(1,228,481)	(1,228,481)	4	-	(1,228,481)	(1,228,481)	4	-
Late Fees	(1,144,664)	-		1,144,664	(1,144,664)	-		1,144,664	(1,144,664)	-		1,144,664
Connection Fees	(8,121,088)	(8,121,088)	PET	-	(8,121,088)	(8,121,088)	PET	-	(8,121,088)	(8,121,088)	PET	-
Net Revenue Requirements	305,241,986	297,769,773		(7,472,213)	320,068,783	312,491,255		(7,631,207)	331,421,622	322,159,039		(9,316,262)
Less: Rev at current rates subj to increase	(265,964,885)	(276,969,782)	4	(11,004,897)	(305,453,240)	(297,910,072)	4	7,543,168	(320,167,368)	(312,589,608)	4	7,577,760
Net Revenue Increase Required	39,277,101	20,799,991		(18,477,110)	14,615,543	14,581,183		(88,039)	11,254,254	9,569,431		(1,738,502)
Additional Bad Debt Expense (0.67%)	264,932	140,299		(124,633)	98,585	98,353		(232)	75,912	64,548		(11,364)
Recommended Revenue increase	39,542,033	20,940,290		(18,601,743)	14,714,128	14,679,536		(88,039)	11,330,166	9,633,979		(1,727,138)
Recommended Percentage Revenue Increase	14.74%	7.53%		-7.21%	4.78%	4.91%		0.13%	3.51%	3.07%		-0.44%
Recommended Percentage Rate Increase	14.87%	7.56%		-7.31%	4.82%	4.93%		0.11%	3.54%	3.08%		-0.46%
Total Operating Revenues:												
Total Wastewater Revenues	\$ 265,964,885	\$ 275,825,118		\$ 9,860,233	\$ 305,453,240	\$ 296,678,866		\$ (8,774,374)	\$ 320,167,368	\$ 311,297,734		\$ (8,869,634)
Late Fees	1,144,664	1,144,664		-	1,144,664	1,231,206		86,542	1,228,127	1,291,874		63,747
Other Wastewater Revenues	1,228,481	1,228,481		-	1,228,481	1,228,481		-	1,198,697	1,228,481		29,784
Total Operating Revenues	\$ 268,338,030	\$ 278,198,263		\$ 9,860,233	\$ 307,826,385	\$ 299,138,553		\$ (8,687,832)	\$ 322,594,192	\$ 313,818,089		\$ (8,776,103)
Revenues Subject to Increase:												
Total Wastewater Revenues	\$ 265,964,885	\$ 275,825,118		\$ 9,860,233	\$ 305,453,240	\$ 296,678,866		\$ (8,774,374)	\$ 320,167,368	\$ 311,297,734		\$ (8,869,634)
Late Fees	-	1,144,664		1,144,664	-	1,231,206		1,231,206	-	1,291,874		1,291,874
Total Operating Revenues	\$ 265,964,885	\$ 276,969,782		\$ 11,004,897	\$ 305,453,240	\$ 297,910,072		\$ (7,543,168)	\$ 320,167,368	\$ 312,589,608		\$ (7,577,760)

CWA AUTHORITY
CAUSE NUMBER 45151

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates - Phase 1

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues			
Residential	\$ 1,321,564	\$ 1,321,564	\$ -
Commercial	642,019	642,019	-
Multi-Family	(39,952)	(39,952)	-
Industrial	1,204,318	1,204,318	-
Satellite	126,152	126,152	-
System Integrity Adjustment	(12,774,424)	(2,914,191)	9,860,233
Late Fees	(83,463)	(83,463)	-
Other Wastewater Revenues	29,784	29,784	-
	<u>(9,574,002)</u>	<u>286,231</u>	<u>9,860,233</u>
O&M Expense			
Salaries and Wages	1,554,407	984,905	(569,502)
Employee Pensions & Benefits	816,338	816,338	-
Purchased Power	431,735	431,735	-
Chemicals	(603,210)	(603,210)	-
Materials and Supplies	(153,963)	(123,963)	30,000
Contractual Services			
Accounting	(69,098)	(69,098)	-
Legal	147,616	147,616	-
Other	572,915	468,296	(104,619)
Rents - Property & Equipment	(3,785)	(3,785)	-
Transportation	(27,161)	(27,161)	-
Insurance - General Liability	60,799	60,799	-
Rate Case Expense	15,498	(142,465)	(157,963)
Bad Debt Expense	767,833	767,833	-
Miscellaneous Expense	(142,131)	(175,202)	(33,071)
Amortization Expense	302,656	302,656	-
Taxes Other than Income			
Payroll Taxes	105,368	66,756	(38,612)
Property Taxes	2,832,630	2,832,630	-
Other Taxes	(1,205)	(1,205)	-
	<u>6,607,242</u>	<u>5,733,475</u>	<u>(873,767)</u>
Net Operating Income	<u>\$ (16,181,244)</u>	<u>\$ (5,447,244)</u>	<u>\$ 10,734,000</u>

CWA AUTHORITY
CAUSE NUMBER 45151

COMPARATIVE BALANCE SHEET
As of May 31,

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Utility Plant:</u>		
Utility Plant in Service	\$ 3,177,320,127	\$ 2,653,848,915
Construction Work in Progress	287,548,189	610,784,813
Le Less: Accumulated Depreciation	<u>(1,639,852,580)</u>	<u>(1,568,476,171)</u>
Net Utility Plant in Service	1,825,015,736	1,696,157,557
Utility Plant Acquisition Adjustment (net)	<u>(943,158)</u>	<u>(1,520,096)</u>
Net Utility Plant	<u>1,824,072,578</u>	<u>1,694,637,461</u>
<u>Restricted Assets:</u>		
Debt Service Reserve	110,539,545	101,152,479
Bond Principal	127,738,878	32,624,154
Bond - Special Deposits Interest	16,530,009	14,020,400
Collateral Trust Agreement - Escrow	<u>1,903,006</u>	<u>1,550,192</u>
Total Restricted Assets	<u>256,711,438</u>	<u>149,347,225</u>
<u>Current Assets:</u>		
Cash	37,127,586	87,572,258
Accounts Receivable - Customers	26,783,936	23,691,665
Less: Provision for Uncollectible Accounts	(1,112,656)	(1,810,390)
Other Customer Accounts Receivable	10,637	37,218
Unbilled Revenue	10,850,078	12,113,398
Materials and Supplies	3,733,914	3,327,270
Prepayments	<u>3,308,373</u>	<u>3,343,572</u>
Total Current Assets	<u>80,701,868</u>	<u>128,274,991</u>
<u>Deferred Debits</u>		
Unamortized Bond Issuance Costs	9,892,441	10,473,963
Deferred System Integrity Adj. Revenues	10,081,114	-
Transaction Costs	3,867,097	4,141,378
Deferred Rate Case Expense	288,328	223,837
Other Miscellaneous Deferred Debits	<u>830,911</u>	<u>702,384</u>
Total Deferred Debits	<u>24,959,891</u>	<u>15,541,562</u>
Total Assets	<u>\$ 2,186,445,775</u>	<u>\$ 1,987,801,239</u>

CWA AUTHORITY
CAUSE NUMBER 45151

COMPARATIVE BALANCE SHEET
As of May 31,

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES & EQUITY</u>		
<u>Equity</u>		
Retained Earnings	\$ 32,464,676	\$ (5,900,590)
Accumulated Other Comprehensive Income	(765,845)	-
	<u>31,698,831</u>	<u>(5,900,590)</u>
Contributions in Aid of Construction	72,263,197	63,365,322
<u>Long-term Liabilities</u>		
Bonds - Series 2011A	600,760,000	614,370,000
Bonds - Series 2011B	243,020,000	248,520,000
Bonds - Series 2012A	174,510,000	178,345,000
Bonds - Series 2014A	221,460,000	225,595,000
Bonds - Series 2015A	151,055,000	153,740,000
Bonds - Series 2016A	187,310,000	190,320,000
Bonds - Series 2016B	41,940,000	42,755,000
Bonds - Series 2016C (SRF)	11,575,000	12,105,000
Bonds - Series 2017A (SRF)	160,182,389	-
Settlements Payable	1,424,728	1,478,521
Total Long-term Debt	<u>1,793,237,117</u>	<u>1,667,228,521</u>
<u>Current Liabilities</u>		
Accounts Payable	14,464,579	12,329,926
Accounts Payable - Intercompany	515,735	2,092,592
Credit Balance in Accounts Receivable	1,781,722	-
Current Portion of Long-term Debt	37,464,450	39,958,000
JP Morgan Line of Credit	20,000,000	-
Customer Deposits	6,191,762	4,467,809
Accrued Taxes	33,621,321	29,193,720
Accrued Interest	16,490,047	14,512,588
Accrued Payroll and Benefits	1,666,937	1,542,921
Misc Current and Accrued Liabilities	16,966,081	14,623,078
Other Current Liabilities	<u>149,162,634</u>	<u>118,720,634</u>
<u>Deferred Credits</u>		
Unamortized Bond Premium	136,360,162	143,175,879
Advances for Construction	2,714,031	1,208,957
Retirement Benefits (Pension & OPEB)	1,009,803	2,516
Total Deferred Credits	<u>140,083,996</u>	<u>144,387,352</u>
Total Liabilities and Equity	<u>\$ 2,186,445,775</u>	<u>\$ 1,987,801,239</u>

**CWA AUTHORITY
CAUSE NUMBER 45151**

**COMPARATIVE INCOME STATEMENT
For the Twelve Months Ended May 31,**

	<u>2018</u>	<u>2017</u>
<u>Operating Revenues:</u>		
Metered Water Sales		
Residential	\$ 131,637,709	\$ 122,328,066
Commercial	71,199,178	68,462,607
Industrial	35,682,138	36,943,562
Public Authority	-	135
Multi-Family	16,897,532	15,132,041
Satellite	6,332,851	6,267,533
Interdepartmental	961,376	697,159
System Integrity Adjustment	12,774,424	-
Late Fees	1,228,127	1,200,723
Other Wastewater Revenues	1,198,697	1,224,652
Total Operating Revenues	<u>277,912,032</u>	<u>252,256,478</u>
<u>Operating Expenses:</u>		
Salaries & Wages	19,578,788	14,875,465
Employee Pensions & Benefits	9,665,497	4,501,364
Purchased Power	11,391,739	12,150,667
Chemicals	3,475,030	2,002,495
Materials & Supplies	4,651,862	2,659,571
Contractual Services		
Accounting	249,459	170,483
Legal	376,837	707,184
Testing	13,666	-
Other	16,551,081	31,688,583
Rents - Property and Equipment	152,588	140,020
Transportation	455,512	322,077
Insurance - General Liability	2,354,822	3,161,019
Advertising Expense	143,296	90,282
Rate Case Expense	387,465	118,141
Bad Debt Expense	1,030,032	2,132,344
Miscellaneous	4,051,546	3,023,243
Total O&M Expense	<u>\$ 74,529,220</u>	<u>\$ 77,742,938</u>

**CWA AUTHORITY
CAUSE NUMBER 45151**

**COMPARATIVE INCOME STATEMENT
For the Twelve Months Ended December 31,**

	<u>2018</u>	<u>2017</u>
<u>Operating Expenses (continued)</u>		
Depreciation Expense	\$ 75,261,357	\$ 69,527,933
Amortization of Acquisition Adjustment	(576,938)	(576,938)
Amortization of Transactional Costs	274,282	293,774
Taxes Other than Income		
Payroll Taxes	1,498,578	978,799
Payment in Lieu of Taxes	23,945,082	21,030,968
Other Property Taxes	127,947	-
Other	2,440	2,162
Total Operating Expenses	<u>175,061,968</u>	<u>168,999,636</u>
Net Operating Income	102,850,064	83,256,842
<u>Other Income (Expense)</u>		
Interest Income	2,069,372	182,828
Excluded Rate Case Expenses	329,994	(329,994)
Other Income	186,537	28,369
Interest Expense	(87,698,704)	(81,708,858)
Amortization of Bond Financing	6,151,924	5,214,045
Allowance for Funds Used During Construction	14,810,585	18,112,091
Other Interest Expense, net	(334,506)	(377,866)
Total Other Income (Expense)	<u>(64,484,798)</u>	<u>(58,879,385)</u>
Net Income	<u>\$ 38,365,266</u>	<u>\$ 24,377,457</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Phase 1
Pro-forma Net Operating Income Statement

	Test Year Ended 05/31/2018	Adjustments	Sch Ref	<i>Pro forma</i> Present Rates	Adjustments	Sch Ref	Phase 1 <i>Pro forma</i> Proposed Rates
Operating Revenues							
Residential	\$ 131,637,709	\$ 1,321,564	PET	\$ 132,959,273			
Commercial	71,199,178	642,019	PET	71,841,197			
Multi-Family	16,897,532	(39,952)	PET	16,857,580			
Industrial	35,682,138	1,204,318	PET	36,886,456			
Satellite	6,332,851	126,152	PET	6,459,003			
Interdepartmental	961,376	-		961,376			
System Integrity Adjustment	12,774,424	(2,914,191)	5-1	9,860,233			
Late Fees	1,228,127	(83,463)	PET	1,144,664			
Total Wastewater Revenues	276,713,335	256,447		276,969,782	20,940,290	1	297,910,072
Other Wastewater Revenues	1,198,697	29,784		1,228,481	-		1,228,481
Total Operating Revenues	277,912,032	286,231		278,198,263	20,940,290		299,138,553
					21,022,006		
O&M Expense							
Salaries & Wages	19,578,788	984,905	6-1	20,563,693			20,563,693
Employee Pensions & Benefits	9,665,497	816,338	6-2	10,481,835			10,481,835
Purchased Power	11,391,739	431,735	6-3	11,823,474			11,823,474
Chemicals	3,475,030	(603,210)	6-4	2,871,820			2,871,820
Materials & Supplies	4,651,862	(123,963)	6-5	4,527,899			4,527,899
Contractual Services							
Accounting	249,459	(69,098)	6-6	180,361			180,361
Legal	376,837	147,616	6-7	524,453			524,453
Testing	13,666	-		13,666			13,666
Other	16,551,081	468,296	6-8	17,019,377			17,019,377
Rents - Property and Equipment	152,588	(3,785)	6-9	148,803			148,803
Transportation	455,512	(27,161)	6-10	428,351			428,351
Insurance - General Liability	2,354,822	60,799	6-11	2,415,621			2,415,621
Advertising Expense	143,296	-		143,296			143,296
Rate Case Expense	387,465	(142,465)	6-12	245,000			245,000
Bad Debt Expense	1,030,032	767,833	PET	1,797,865	140,299	1	1,938,164
Miscellaneous	4,051,546	(175,202)	6-13	3,876,344			3,876,344
Amortization Expense	(302,656)	302,656	PET	-			-
Taxes Other than Income							
Payroll Taxes	1,498,578	66,756	6-14	1,565,334			1,565,334
Payment in Lieu of Taxes	23,945,082	2,832,630	6-15	26,777,712			26,777,712
Other Property Taxes	127,947	-		127,947			127,947
Other Taxes	2,440	(1,205)	6-16	1,235			1,235
Total Operating Expenses	99,800,611	5,733,475		105,534,086	140,299		105,674,385
Net Operating Income	\$ 178,111,421	\$ (5,447,244)		\$ 172,664,177	\$ 20,799,991		\$ 193,464,168

CWA AUTHORITY
CAUSE NUMBER 45151

Phase 2
Pro-forma Net Operating Income Statement

	Phase 1 <i>Pro forma</i>		Sch	<i>Pro forma</i>		Sch	Phase 2 <i>Pro forma</i>
	Proposed Rates	Adjustments	Ref	Present Rates	Adjustments	Ref	Proposed Rates
Operating Revenues							
Wastewater Revenues	\$ 297,910,072			\$ 297,910,072	\$ 14,679,536	1	\$ 312,589,608
Other Wastewater Revenues	1,228,481			1,228,481			1,228,481
Total Operating Revenues	<u>299,138,553</u>	<u>-</u>		<u>299,138,553</u>	<u>14,679,536</u>		<u>313,818,089</u>
O&M Expense							
Salaries & Wages	20,563,693			20,563,693			20,563,693
Employee Pensions & Benefits	10,481,835			10,481,835			10,481,835
Purchased Power	11,823,474			11,823,474			11,823,474
Chemicals	2,871,820			2,871,820			2,871,820
Materials & Supplies	4,527,899			4,527,899			4,527,899
Contractual Services							
Accounting	180,361			180,361			180,361
Legal	524,453			524,453			524,453
Testing	13,666			13,666			13,666
Other	17,019,377			17,019,377			17,019,377
Rents - Property and Equipment	148,803			148,803			148,803
Transportation	428,351			428,351			428,351
Insurance - General Liability	2,415,621			2,415,621			2,415,621
Advertising Expense	143,296			143,296			143,296
Rate Case Expense	245,000			245,000			245,000
Bad Debt Expense	1,938,164			1,938,164	98,353	1	2,036,517
Miscellaneous	3,876,344			3,876,344			3,876,344
Amortization Expense	-			-			-
Taxes Other than Income							
Payroll Taxes	1,565,334			1,565,334			1,565,334
Payment in Lieu of Taxes	26,777,712	1,546,015	6-15	28,323,727			28,323,727
Other Property Taxes	127,947			127,947			127,947
Other Taxes	1,235			1,235			1,235
Total Operating Expenses	<u>105,674,385</u>	<u>1,546,015</u>		<u>107,220,400</u>	<u>98,353</u>		<u>107,318,753</u>
Net Operating Income	<u>\$ 193,464,168</u>	<u>\$ (1,546,015)</u>		<u>\$ 191,918,153</u>	<u>\$ 14,581,183</u>		<u>\$ 206,499,336</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Phase 3
Pro-forma Net Operating Income Statement

	Phase 2 <i>Pro forma</i>		Sch	<i>Pro forma</i>		Sch	Phase 3 <i>Pro forma</i>
	Proposed Rates	Adjustments	Ref	Present Rates	Adjustments	Ref	Proposed Rates
Operating Revenues							
Wastewater Revenues	\$ 312,589,608	\$ -		\$ 312,589,608	\$ 9,633,979	1	\$ 322,223,587
Other Wastewater Revenues	1,228,481			1,228,481			1,228,481
Total Operating Revenues	<u>313,818,089</u>	<u>-</u>		<u>313,818,089</u>	<u>9,633,979</u>		<u>323,452,068</u>
O&M Expense							
Salaries & Wages	20,563,693			20,563,693			20,563,693
Employee Pensions & Benefits	10,481,835			10,481,835			10,481,835
Purchased Power	11,823,474			11,823,474			11,823,474
Chemicals	2,871,820			2,871,820			2,871,820
Materials & Supplies	4,527,899			4,527,899			4,527,899
Contractual Services							
Accounting	180,361			180,361			180,361
Legal	524,453			524,453			524,453
Testing	13,666			13,666			13,666
Other	17,019,377			17,019,377			17,019,377
Rents - Property and Equipment	148,803			148,803			148,803
Transportation	428,351			428,351			428,351
Insurance - General Liability	2,415,621			2,415,621			2,415,621
Advertising Expense	143,296			143,296			143,296
Rate Case Expense	245,000			245,000			245,000
Bad Debt Expense	2,036,517			2,036,517	64,548	1	2,101,065
Miscellaneous	3,876,344			3,876,344			3,876,344
Amortization Expense	-			-			-
Taxes Other than Income							
Payroll Taxes	1,565,334			1,565,334			1,565,334
Payment in Lieu of Taxes	28,323,727	621,993	6-15	28,945,720			28,945,720
Other Property Taxes	127,947			127,947			127,947
Other Taxes	1,235			1,235			1,235
Total Operating Expenses	<u>107,318,753</u>	<u>621,993</u>		<u>107,940,746</u>	<u>64,548</u>		<u>108,005,294</u>
Net Operating Income	<u>\$ 206,499,336</u>	<u>\$ (621,993)</u>		<u>\$ 205,877,343</u>	<u>\$ 9,569,431</u>		<u>\$ 215,446,774</u>

**CWA AUTHORITY
CAUSE NUMBER 45151**

OUCC Revenue Adjustments

(1)

System Integrity Adjustment Revenues

To adjust operating revenues to reflect *pro forma* SIA2 revenues .

SIA2 Revenues per 12/27/18 Compliance Filing	\$ 9,860,233
Less: Test Year SIA Revenues	<u>(12,774,424)</u>

Adjustment Increase (Decrease) \$ (2,914,191)

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(1)

Salaries and Wages

To adjust "Operation and Maintenance Expenses" for *pro forma* increases to salaries and wages.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
<i>Pro forma</i> Increase to Base Payroll	wp 301, 302	1,311,075	1,311,075	-
<i>Pro forma</i> Increase to Overtime Pay	wp 303	83,500	83,500	-
<i>Pro forma</i> Increase to Supplemental Pay	wp 304	15,797	15,797	-
<i>Pro forma</i> Increase to Capitalized Labor	wp 305	(138,400)	(138,400)	-
<i>Pro forma</i> Increase to STIP	wp 306	38,767	38,767	-
<i>Pro forma</i> Decrease to Capitalized Variable Pay	wp 308	132,477	132,477	-
<i>Pro forma</i> Decrease to Capitalized Paid Absences	wp 309	111,192	111,192	-
<i>Pro forma</i> Decrease to reflect Municipal Labor Costs	Stull	-	(569,503)	(569,503)
		<u>\$ 1,554,408</u>	<u>\$ 984,905</u>	<u>\$ (569,503)</u>

Adjustment Increase (Decrease)

\$ 984,905

(2)

Employee Benefits

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* employee pensions and benefits.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Increase for health insurance expense	wp 351	\$ 685,276	\$ 685,276	\$ -
Increased pension expense	wp 352	641,899	641,899	-
Decreased OPEB expense	wp 353	(102,189)	(102,189)	-
Increased thrift plan expense	wp 354	43,745	43,745	-
Increased benefit labor loadings	wp 357	1,001,957	1,001,957	-
Increased benefit labor loading contra	wp 358	(1,430,139)	(1,430,139)	-
Decreased capitalization of benefits	wp 359	22,329	22,329	-
Decrease to remove out of period expenses	wp 413	(57,226)	(57,226)	-
Increase to remove non-recurring expenses	wp 431	10,686	10,686	-
		<u>\$ 816,338</u>	<u>\$ 816,338</u>	<u>\$ -</u>

Adjustment Increase (Decrease)

\$ 816,338

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(3)

Purchased Power

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* purchased power expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
IPL rate increase	wp 401-S2	\$ 210,086	\$ 210,086	\$ -
Increased purchased power usage by new assets	wp 401-S3	267,771	267,771	-
Increase to capitalized purchased power	wp 401-S1	(10,164)	(10,164)	-
Decrease to remove out of period expenses	wp 413	(35,958)	(35,958)	-
		<u>\$ 431,735</u>	<u>\$ 431,735</u>	<u>\$ -</u>
Adjustment Increase (Decrease)				<u>\$ 431,735</u>

(4)

Chemical Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* chemical expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Decreased chemic prices	wp 403-S1	\$ (418,124)	\$ (418,124)	\$ -
Decreased capitalized chemical expense	wp 403-S1	13,862	13,862	-
Decrease to remove out of period expenses	wp 413	(198,948)	-198948	-
		<u>\$ (603,210)</u>	<u>\$ (603,210)</u>	<u>\$ -</u>
Adjustment Increase (Decrease)				<u>\$ (603,210)</u>

(5)

Materials and Supplies

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* materials and supplies expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Decrease to remove out of period expenses	wp 413	\$ (63,812)	\$ (63,812)	\$ -
Decrease to remove non-recurring expenses	wp 431	(90,151)	(90,151)	-
Maintenance costs of grinder pumps	Stull	-	30,000	30,000
		<u>\$ (153,963)</u>	<u>\$ (123,963)</u>	<u>\$ 30,000</u>
Adjustment Increase (Decrease)				<u>\$ (123,963)</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(6)

Contractual Services - Accounting

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* contractual services - accounting fees.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Normalization of auditing fees	wp 411-S3	\$ (69,098)	\$ (69,098)	\$ -
Adjustment Increase (Decrease)				<u>\$ (69,098)</u>

(7)

Contractual Services - Legal Fees

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* contractual services - legal fees.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Increase to remove out of period expenses	wp 413	\$ 4,834	\$ 4,834	\$ -
Increase to remove non-recurring expenses	wp 431	142,782	142,782	-
				<u>\$ -</u>
Adjustment Increase (Decrease)				<u>\$ 147,616</u>

(8)

Contractual Services - Other Fees

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* contractual services - other fees.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Normalization of multi-year contracts	wp 411-S2	\$ (2,588)	\$ (2,588)	\$ -
Increase to remove out of period expenses	wp 413	673,160	673,160	-
Increase to remove non-recurring expenses	wp 431	(73,199)	(73,199)	-
Decrease to remove non-allowed expenses	wp 433	(24,458)	(24,458)	-
Decrease to remove storm water repairs	Corey	-	(104,619)	-
				<u>\$ -</u>
Adjustment Increase (Decrease)				<u>\$ 468,296</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(9)

Rent Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* rent expense.

		<u>Petitioner</u>	<u>OUC</u>	<u>OUC More (Less)</u>
Increase to remove out of period expenses	wp 413	\$ (3,785)	\$ (3,785)	\$ -
Adjustment Increase (Decrease)				<u>\$ (3,785)</u>

(10)

Transportation Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* transportation expense.

		<u>Petitioner</u>	<u>OUC</u>	<u>OUC More (Less)</u>
Increase to remove out of period expenses	wp 413	\$ (27,161)	\$ (27,161)	\$ -
Adjustment Increase (Decrease)				<u>\$ (27,161)</u>

(11)

Liability Insurance Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* liability insurance expense.

		<u>Petitioner</u>	<u>OUC</u>	<u>OUC More (Less)</u>
Normalization of vehicle insurance	wp 411-S1	\$ 51,254	\$ 51,254	\$ -
Normalization of excess liability insurance	wp 411-S1	27,829	27,829	-
Normalization of workers' comp insurance	wp 411-S1	43,074	43,074	-
Normalization of other insurance	wp 411-S1	(61,358)	(61,358)	-
		<u>\$ 60,799</u>	<u>\$ 60,799</u>	<u>\$ -</u>
Adjustment Increase (Decrease)				<u>\$ 60,799</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(12)

Rate Case Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* rate case expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Cost of Service Consultant Fees	wp S640-2	\$ 308,639	\$ 115,000	\$ (193,639)
OUCC/IURC Fees	wp S640-2	150,000	100,000	(50,000)
Compensation Consultant Fees	wp S640-2	87,966	-	(87,966)
Capital Financing Plan & Water Affordability Consultant Fees	wp S640-2	60,000	-	(60,000)
Outside Legal Fees	wp S640-2	602,284	520,000	(82,284)
Total Rate Case Costs		\$ 1,208,889	\$ 735,000	\$ (473,889)
Divide by 3-year Amortization Period		3	3	
Pro forma Rate Case Expense		402,963	245,000	(157,963)
Less: Test Year Rate Case Expense		387,465	387,465	-
Rate Case Expense Adjustment		\$ 15,498	\$ (142,465)	\$ (157,963)
Adjustment Increase (Decrease)				\$ (142,465)

(13)

Miscellaneous Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* miscellaneous expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Normalization of multi-year contracts	wp 411-SX	\$ (41,383)	\$ (41,383)	\$ -
Increase to remove out of period expenses	wp 413	(50,884)	(50,884)	-
Increase to remove non-recurring expenses	wp 431	(46,111)	(46,111)	-
Decrease to remove non-allowed expenses	wp 433	(3,753)	(3,753)	-
Decrease to remove IDEM penalties	Corey	-	(7,000)	(7,000)
Decrease to remove excessive employee membership fees	Corey	-	(26,071)	(26,071)
		\$ (142,131)	\$ (175,202)	\$ (33,071)
Adjustment Increase (Decrease)				\$ (175,202)

(14)

Payroll Tax Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* payroll tax expense.

		<u>Petitioner</u>	<u>OUCC</u>	<u>OUCC More (Less)</u>
Increase related to increase in salary and wage expense	wp 350	\$ 105,368	\$ 105,368	\$ -
Decrease related to executive compensation adjustment	Stull	-	(38,612)	(38,612)
		\$ 105,368	\$ 66,756	\$ (38,612)
Adjustment Increase (Decrease)				\$ 66,756

Executive Compensation Adjustment	\$ (569,503)
Times: Shared Services Payroll Tax Rate	6.78% (see wp 350)
Payroll Tax Expense Adjustment	<u>\$ (38,612)</u>

CWA AUTHORITY
CAUSE NUMBER 45151

Operating Expense Adjustments

(15)

Property Tax Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* property tax expense.

		<u>Petitioner</u>	<u>OUC</u>	<u>OUC More (Less)</u>
Phase 1	wp 451	\$ 2,832,630	\$ 2,832,630	\$ -
Phase 2	wp 451	1,546,015	1,546,015	-
Phase 3	wp 451	621,993	\$ 621,993	-
Phase 1 Adjustment Increase (Decrease)				<u>\$ 2,832,630</u>

(16)

Other Tax Expense

To adjust "Operation and Maintenance Expenses" to reflect *pro forma* other tax expense.

		<u>Petitioner</u>	<u>OUC</u>	<u>OUC More (Less)</u>
Decrease to remove non-recurring expenses	wp 431	\$ (1,205)	\$ (1,205)	\$ -
Phase 1 Adjustment Increase (Decrease)				<u>\$ (1,205)</u>

STATE OF INDIANA



INDIANA UTILITY REGULATORY COMMISSION
101 W. WASHINGTON STREET, SUITE 1500E
INDIANAPOLIS, INDIANA 46204-3407

<http://www.in.gov/iurc>
Office: (317) 232-2701
Facsimile: (317) 232-6758

June 24, 2015

Jennett Hill
Senior Vice President & General Counsel
Citizens Energy Group / CWA Authority, Inc.
2020 North Meridian Street
Indianapolis, IN 46202

Re: CWA Authority, Inc.
Summer Billing Method for Wastewater Services

Dear Ms. Hill:

In reviewing a complaint to the Consumer Affairs Division ("CAD") of the Indiana Utility Regulatory Commission ("IURC" or "Commission"), as well as two other customer accounts, it appears that CWA Authority, Inc. ("CWA") may be using the incorrect summer billing method. The CWA tariff *Sewer Rate No. 1 for Nonindustrial Sewage Disposal Service* explains that the HBC value "shall be based upon the monthly average of the water used or delivered for the previous months December through March." (Underline added.) However, it appears that the summer billing amounts are being based on the amounts billed in December through March, which would actually be the November through February usage.

Please review the CWA tariff and check with your billing staff (our contact has been Susan Mikels, Business Contact Center Supervisor) regarding the method being used to calculate summer bills. Then please contact me regarding how summer bills are being calculated and whether we are understanding the tariff and bills correctly.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Beth Krogel Roads".

Beth Krogel Roads
General Counsel
Indiana Utility Regulatory Commission

cc: Chetrice Mosley, Executive Director, External Affairs
Kenya McMillan, Consumer Affairs Division Director
Curt Gassert, Water/Sewer Division Director
Dana Lynn, Water/Sewer Division Principal Analyst



Jennett M. Hill
Senior Vice President & General Counsel
Office: (317) 927-6471 | Cell: (317) 590-6948
JHill@citizensenergygroup.com

2020 North Meridian St. | Indianapolis | IN 46202
CitizensEnergyGroup.com

July 21, 2015

Beth Krogel Roads
General Counsel
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500E
Indianapolis, IN 46204-3407

Dear Ms. Roads:

Thank you for sharing your concern with respect to the summer billing methods employed by CWA Authority, Inc. ("CWA"). (A copy of your letter is included for your convenience.) Our billing staff has reviewed the tariff and methodology employed for summer billing for CWA and the results of this review are explained below.

CWA's summer billing is based on the usage *billed* in the winter months (December through March). However, the usage indicated on a customer's bill is not necessarily the November through February actual usage, as described in your letter.

CWA uses a cycle billing approach to invoice its customers (and, as you know, a cycle bill month does not necessarily equate to a calendar month). In doing so, it has developed twenty-one (21) cycles that are billed at different points during a month. Because of this approach, a bill cycle may include days from different, consecutive months. In cases of cycles billed at the very beginning of a month, the actual usage may be entirely from the preceding month. Similarly, for those cycles billed at the end of a month, the usage may be entirely from the current month.

Because meters are read on a cycle basis through the course of a month, the billing system cannot distinguish the water used during a specific calendar month. The billing system correlates the usage billed in a given period with the actual usage for that month. Thus, when the system calculates the average winter usage, it applies the usage billed for the months of December through March, which, as explained above, may not always be the actual usage for those calendar months.

Beth Krogel Roads

- 2 -

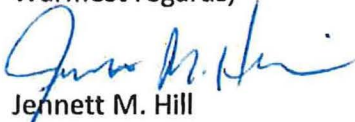
July 21, 2015

To address and hopefully minimize the confusion the tariff may have created for some customers, CWA proposes to modify its tariff via the 30-day filing process as follows:

In the case of one-, two- or multi-family residences, the monthly billing for Sewage Disposal Service for the Months of May through November shall be based upon the monthly average of the water ~~billed during used or delivered for~~ the previous Months December through March. In the event the monthly average of the water ~~Billed during used or delivered for~~ such previous Months December through March is less than 3,000 gallons (4 CCF), the Customer will pay the Monthly Minimum Charge reflected in the above table. This would apply to new customers that ~~do~~ did not have usage billed in any or all of the Months December through March. CCF refers to 100 cubic feet and is approximately equivalent to 750 gallons.

Again, thank you for bringing this to our attention. I hope this explanation and solution addresses your concerns. Please let me know if you or someone on your staff would like to discuss this more thoroughly with our team.

Warmest regards,

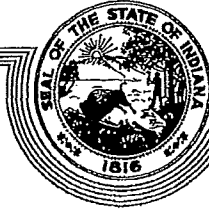


Jennett M. Hill
Sr. Vice President & General Counsel

Enclosure (Letter, dated June 24, 2014)

cc: Jeffrey A. Harrison, President and CEO
Mike Strohl, Sr. Vice President, Chief Customer Officer
LaTona Prentice, Vice President, Regulatory and External Affairs
Korlon Kilpatrick, Director, Regulatory Affairs
Joe Sutherland, Director, Government & External Affairs

STATE OF INDIANA



INDIANA UTILITY REGULATORY COMMISSION
101 W. WASHINGTON STREET, SUITE 1500E
INDIANAPOLIS, INDIANA 46204-3407

<http://www.in.gov/iurc>
Office: (317) 232-2701
Facsimile: (317) 232-6758

August 10, 2015

Jennett Hill
Senior Vice President & General Counsel
Citizens Energy Group / CWA Authority, Inc.
2020 North Meridian Street
Indianapolis, Indiana 46202

Re: CWA Authority, Inc.
Summer Billing Method for Wastewater Services

Dear Ms. Hill:

Thank you for your response of July 21, 2015. The solution proposed by CWA Authority, Inc. ("CWA") resolves the issue I communicated to you in my June 24, 2015, letter. Indiana Utility Regulatory Commission ("IURC" or "Commission") staff hopes that this change can be combined with the other summer billing issue I mentioned to you in one 30-day filing.

As you know, the summer billing methodology exists to reflect that portion of water use that does not enter the wastewater system during summer months when customers irrigate lawns, wash cars, etc. Customers who have contacted the Commission's Consumer Affairs Division have highlighted a concern with regards to those customers whose actual summer usage is less than the winter average. These instances occur because some customers consume more water in the winter months than in the summer months. While it is not likely that these instances occur frequently, it is an event that creates an inequity that should be corrected. This concern did not exist prior to the Commission's most recent order. The prior tariff included the following:

In the event the monthly average of the water used or delivered for such previous twelve (12) Months is greater than the water used or delivered for the Months of May, June, July, August and September, then the billing for sewage service shall be computed on the actual water used in the Month for which the Sewage Disposal Service bill is being rendered. (Emphasis added)

Jennett Hill
August 10, 2015
Page 2

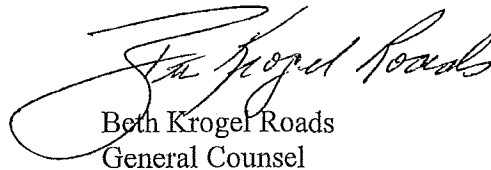
A similar statement added to the current tariff will correct this apparent inequity. IURC staff believes it was the Commission's intent to include a similar provision in the most recent order. It is simply an oversight not to include language necessary to convey that direction.

It appears that both of these tariff changes (i.e., changing from usage for the months of December through March to the billing for those months and adding back in a sentence regarding the circumstance when winter water usage is higher than summer usage) can be completed as one filing through the Commission's 30-day filing process.

Please provide a written response to this letter no later than Monday, August 24, 2015. If you have any questions, need any additional information, or would simply like to discuss this matter further, please contact me at (317) 232-2092 or by e-mail at bkroads@urc.in.gov.

Thank you for your prompt attention to this matter.

Sincerely,



Beth Krogel Roads
General Counsel

cc: Chetrice Mosley, Executive Director, External Affairs
Kenya McMillan, Consumer Affairs Division Director
Curt Gassert, Water/Wastewater Division Director
Dana Lynn, Water/Wastewater Division Principal Analyst



2020 North Meridian St. | Indianapolis | IN 46202
CitizensEnergyGroup.com

August 24, 2015

Beth Krogel Roads
General Counsel
Indiana Utility Regulatory Commission
101 W. Washington Street, Suite 1500E
Indianapolis, IN 46204-3407

Dear Ms. Roads:

Thank you for your letter dated August 10, 2015 that continues the discussion concerning the balanced billing method for wastewater services provided by CWA Authority, Inc. ("CWA"). We appreciate and respect the opinions of Indiana Utility Regulatory Commission ("IURC" or "Commission") staff on this matter, including their view that the language omitted from the Order issued by the Commission in Cause No. 44305 (CWA's most recent order) was simply an oversight and not representative of the Commission's actual intent. Unfortunately, the language used by the Commission in this Order (Cause No. 44305) was all CWA had to rely upon to determine its rates. Accordingly, important decisions were made based on that reliance – decisions that impact the recovery of CWA's authorized revenue requirement.

We can see how the proposed change to the tariff appears to be a simple change in that it would reflect a "lower of" balanced billing methodology (that is, bill the lesser of the winter average or actual volume). However, by our calculations, the proposed change would have a significant financial impact on CWA.

The Commission's proposed change impacts the billing determinants and will have an adverse effect on CWA's revenue. If this provision had been included in the IURC's Order in Cause No. 44305, CWA would have adjusted its billing determinants to reflect a lower billed volume and then filed rates commensurate with this lower billed volume. Based upon an analysis of 2014 billing determinants (on a calendar year basis), this change would have resulted in a 3.7 million ccf reduction in billed volumes, which corresponds to an approximate \$15 million reduction in revenue. I am sure you can appreciate that given this significant financial impact, unless CWA also files revised rates for the rest of its customers at the same time that the proposed tariff change is made, such a proposed tariff change would further hinder CWA's ability to achieve the authorized revenue requirements approved by the Commission in Cause No. 44305.

Although we recognize and appreciate the Commission's desire to address concerns raised by some customers, we believe the adverse financial impact of the Commission's proposed tariff change is significant enough to make a filing through the Commission's 30-day filing process problematic. In order to keep CWA whole with respect to its ability to achieve its authorized revenue requirement, increased

rates would also need to be filed. The increased rates likely would result in opposition from other parties, which would require CWA to withdraw its 30-day filing.

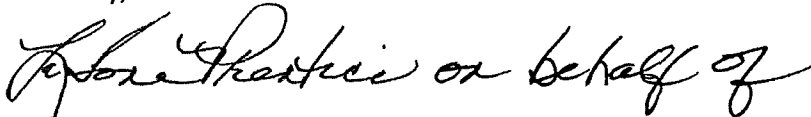
As you are likely now aware through CWA's recent letter to the Commission notifying it of CWA's intent to file a rate case in the next month or so, we believe the prudent and appropriate course of action is for the Commission to review evidence on the balanced billing method issue during the upcoming rate case. This will give all parties an opportunity to present their point of view and provide the Commission an opportunity to clarify its full intent relative to this tariff as it issues its final order in the upcoming case.

Accordingly, we respectfully request that the Commission accept CWA's proposed approach for addressing the balanced billing issue raised in your August 10, 2015 letter. We look forward to a response so that we might plan accordingly.

If you have any questions or concerns, please do not hesitate to contact me directly at (317) 927-6471 or via email at jhill@citizensenergygroup.com.

Thank you for your consideration of this matter, Beth.

Sincerely,

A handwritten signature in cursive script that reads "Jennett M. Hill on behalf of".

Jennett M. Hill
Senior Vice President and General Counsel

cc: Jeffrey A. Harrison
Michael D. Strohl
LaTona S. Prentice
Korlon L. Kilpatrick
Joe M. Sutherland

CWA AUTHORITY
CAUSE NUMBER 45151

OPERATING EXPENSE MATRIX

2018 Operating Expenses	Collection		Pumping		Treatment & Disposal		Customer Accounts	Admin & General	Total Operating Expenses
	Operations	Maintenance	Operations	Maintenance	Operations	Maintenance			
Salaries & Wages - Employees	\$ 1,575,487.56	\$ (18,408.29)	\$ 714,357.86	\$ 1,831.05	\$ 5,078,222.20	\$ 211.71	\$ 2,670,513.61	\$ 9,556,572.26	\$ 19,578,787.96
Employee Pensions & Benefits	888.59	-	267.01	-	7,917.38	-	329.87	9,656,093.76	9,665,496.61
Purchased Power	5,346.59	-	1,656,493.02	-	9,604,369.46	-	-	125,530.15	11,391,739.22
Chemicals	-	-	36,051.23	58,966.70	3,379,571.93	439.95	-	-	3,475,029.81
Materials and Supplies	1,365,721.99	29,225.34	35,198.67	258,848.05	248,174.94	1,017,108.40	30,791.61	1,666,792.84	4,651,861.84
Contractual Services	7,808,201.54	1,061,221.16	-	1,058,439.42	2,907,497.49	363,695.75	276,268.07	3,715,720.03	17,191,043.46
Rents - Property	-	-	-	-	-	-	-	-	-
Rents - Equipment	21,661.30	-	-	2,000.00	55,687.35	-	-	73,239.48	152,588.13
Transportation Expense	100,751.82	16,967.60	-	-	322,812.19	-	14,449.91	530.95	455,512.47
Insurance - General Liability	-	-	-	-	-	-	-	2,348,821.57	2,348,821.57
Advertising Expense	-	-	-	-	-	-	-	143,295.51	143,295.51
Rate Case Expense	-	-	-	-	-	-	-	393,464.76	393,464.76
Bad Debt Expense	-	-	-	-	-	-	1,030,032.00	-	1,030,032.00
Miscellaneous Expense	164,223.94	5,765.51	-	37,919.30	1,137,712.81	1,093.26	756,904.64	1,947,926.97	4,051,546.43
Total 2018 Operating Expenses	\$11,042,283.33	\$1,094,771.32	\$2,442,367.79	\$1,418,004.52	\$22,741,965.75	\$1,382,549.07	\$4,779,289.71	\$29,627,988.28	\$ 74,529,219.77

CWA AUTHORITY
CAUSE NUMBER 45151

OPERATING EXPENSE MATRIX

2017 Operating Expenses	Collection		Pumping		Treatment & Disposal		Customer Accounts	Admin & General	Total Operating Expenses
	Operations	Maintenance	Operations	Maintenance	Operations	Maintenance			
Salaries & Wages - Employees	\$ 424,044.39	\$ (66,090.41)	\$ 309,180.85	\$ -	\$ 2,566,573.46	\$ 520.18	\$ 2,730,823.05	\$ 8,910,413.68	\$ 14,875,465.20
Employee Pensions & Benefits	9,218.71	114.05	-	-	145,432.59	282.18	971,827.68	3,374,488.57	4,501,363.78
Purchased Power	1,380,296.79	-	1,217,219.58	-	9,446,938.59	-	-	106,211.83	12,150,666.79
Chemicals	1,105.49	-	-	2,704.80	1,930,976.24	67,708.25	-	-	2,002,494.78
Materials and Supplies	323,821.44	27,578.18	-	46,988.93	603,754.37	436,312.02	39,703.11	1,181,413.39	2,659,571.44
Contractual Services	3,496,769.06	1,181,818.76	11,527.01	218,627.71	23,550,175.34	41,168.64	223,287.30	3,842,876.10	32,566,249.92
Rents - Property	(13,018.47)								(13,018.47)
Rents - Equipment	3,858.25	-			51,751.92			97,428.14	153,038.31
Transportation Expense	170,037.07			233.83	148,633.21		1,318.80	1,853.86	322,076.77
Insurance - General Liability								3,161,019.58	3,161,019.58
Advertising Expense								90,281.82	90,281.82
Rate Case Expense								118,141.29	118,141.29
Bad Debt Expense							2,132,344.00		2,132,344.00
Miscellaneous Expense	163,170.94	(19,805.47)			529,949.82		757,416.01	1,592,511.48	3,023,242.78
Total 2017 Operating Expenses	\$ 5,959,303.67	\$ 1,123,615.11	\$ 1,537,927.44	\$ 268,555.27	\$ 38,974,185.54	\$ 545,991.27	\$ 6,856,719.95	\$ 22,476,639.74	\$ 77,742,937.99

FORT WAYNE MUNICIPAL WATER UTILITY
CAUSE NUMBER 45125

CWA Operating Expense Adjustment Matrix - Phase I

	Labor wp 300	Payroll Tax wp 330	Benefits wp 350	Purchased Power wp 401	Chemicals wp 403	Nrmalizaiton wp 411	Out of Period wp 413	Non-Recurring wp 431	Non-Allowed wp 433	PILT wp 451	Amort wp 471	Depr wp 473	KLK-1 (p. 10)	Total Operating Expenses
Salaries & Wages - Employees	1,554,407													1,554,407
Employee Pensions & Benefits			862,878				(57,226)	10,686						816,338
Purchased Power				467,693			(35,958)							431,735
Chemicals					(404,262)		(198,948)							(603,210)
Materials and Supplies							(63,812)	(90,151)						(153,963)
Contractual Services														
Accounting						(69,098)								(69,098)
Legal							4,834	142,782						147,616
Testing														-
Other						(2,588)	673,160	(73,199)	(24,458)					572,915
Rents - Property & Equipment							(3,785)							(3,785)
Transportation Expense							(27,161)							(27,161)
Insurance - General Liability						60,799								60,799
Advertising Expense														-
Rate Case Expense													15,498	15,498
Bad Debt Expense													767,833	767,833
Miscellaneous Expense						(41,383)	(50,884)	(46,111)	(3,753)					(142,131)
Sub-total Operating Expense Adjustments	1,554,407	-	862,878	467,693	(404,262)	(52,270)	240,220	(55,993)	(28,211)	-	-	-	783,331	3,367,793
Depreciation Expense												(19,203,713)		(19,203,713)
Amortization Expense										302,656				302,656
Taxes Other than Income:														
Payroll Taxes		105,368												105,368
Property Taxes (PILT)										2,832,630				2,832,630
Other								(1,205)						(1,205)
Total Taxes Other than Income	-	105,368	-	-	-	-	-	(1,205)	-	2,832,630	-	-	-	2,936,793
Total O&M Expense Adjustments	\$ 1,554,407	\$ 105,368	\$ 862,878	\$ 467,693	\$ (404,262)	\$ (52,270)	\$ 240,220	\$ (57,198)	\$ (28,211)	\$ 2,832,630	\$ 302,656	\$ (19,203,713)	\$ 783,331	(12,596,471)
Below the Line Expense Adjustment - Rate Case Expense								329,994						
								\$ 272,796						

CWA Authority, Inc.

Cause No. 45151

**Summary of Muniidipal-Only Compensation Study Data
and Deermination of Premium Paid CEG Executives**

CEG Current Compensation					Per Municipal Only Compensation Study					
CEG Employee	Position	Base (A)	TTC (B)	TTDC (C)	Base (D)	Premium (A-D)/D	TTC (E)	Premium (B-E)/E	TTDC (F)	Premium (C-F)/F
Harrison	President & CEO	\$ 659,167	\$ 889,875	\$ 889,875	\$ [REDACTED]	37%	\$ [REDACTED]	65%	\$ [REDACTED]	65%
Brehm	SVP & CFO	439,095	592,778	592,778	[REDACTED]	69%	[REDACTED]	116%	[REDACTED]	116%
Hill	SVP & General Counsel	386,822	522,210	522,210	[REDACTED]	38%	[REDACTED]	77%	[REDACTED]	77%
Strohl	SVP & CCO	368,368	497,297	497,297	[REDACTED]		[REDACTED]		[REDACTED]	
Willman	VP Water Operations	289,750	391,163	391,163	[REDACTED]		[REDACTED]		[REDACTED]	
Lucas	VP Information Tech	272,224	367,502	367,502	[REDACTED]	40%	[REDACTED]	67%	[REDACTED]	67%
Whitney	VP Human Resources	264,191	356,658	356,658	[REDACTED]	29%	[REDACTED]	70%	[REDACTED]	70%
Jacob	VP Capital Programs & Engineering	258,191	348,558	348,558	[REDACTED]	17%	[REDACTED]	58%	[REDACTED]	58%
Popp	VP Customer Operations	258,191	348,558	348,558	[REDACTED]		[REDACTED]		[REDACTED]	
Prentice	VP Regulatory & External Affairs	250,137	337,685	337,685	[REDACTED]		[REDACTED]		[REDACTED]	
Karner	VP Controller	223,258	301,398	301,398	[REDACTED]	21%	[REDACTED]	59%	[REDACTED]	59%
Total CEG Compensation		3,669,394	4,953,682	4,953,682						
Total of Postitions with Comparitable Market Data		\$ 2,502,948	\$ 3,378,979	\$ 3,378,979	\$ [REDACTED]	37%	\$ [REDACTED]	73%	\$ [REDACTED]	73%

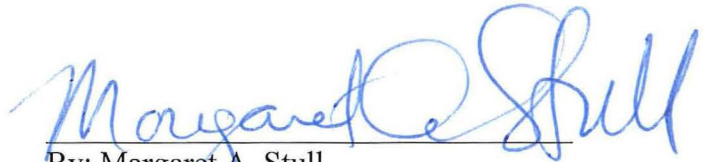
Postions Highlighted in Blue have Comparable Market Data in the "Municipal Only Benchmark Compliance Report

"Excluded from public access per A.R. 9(G)."

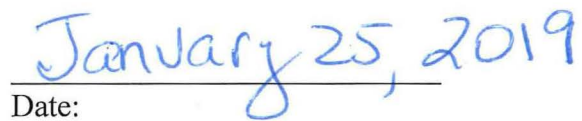
CONFIDENTIAL
OUCG ATTACHMENT MAS-4
CAUSE NO. 45151

AFFIRMATION

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.



By: Margaret A. Stull
Cause No. 45151
Indiana Office of
Utility Consumer Counselor


Date: