

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF INDIANA-AMERICAN WATER)
COMPANY, INC. FOR (1) APPROVAL OF ITS PLAN)
FOR PROPOSED SERVICE ENHANCEMENT)
IMPROVEMENTS PURSUANT TO IND. CODE CH. 8-)
1-31.7, (2) AUTHORITY TO TIMELY RECOVER 80%)
OF THE SERVICE ENHANCEMENT IMPROVEMENT)
COSTS THROUGH A PERIODIC RATE)
ADJUSTMENT MECHANISM, (3) AUTHORITY TO)
CREATE REGULATORY ASSETS TO RECORD (A))
20% OF THE SERVICE ENHANCEMENT)
IMPROVEMENT COSTS AND (B) POST-IN-SERVICE)
CARRYING COSTS, COMPOUNDED MONTHLY)
AND BASED ON THE OVERALL COST OF CAPITAL)
MOST RECENTLY APPROVED BY THE)
COMMISSION AND DEFERRED DEPRECIATION,)
UNTIL SUCH COSTS ARE REFLECTED IN RATES,)
AND (4) APPROVAL OF OTHER RELATED)
RATEMAKING RELIEF AND TARIFF PROPOSALS)
CONSISTENT WITH IND. CODE CH. 8-1-31.7,)
INCLUDING A NEW SERVICE ENHANCEMENT)
IMPROVEMENT (“SEI”) RIDER)**

CAUSE NO. 45609

APPROVED: MAR 16 2022

ORDER OF THE COMMISSION

Presiding Officers:

David L. Ober, Commissioner

Jennifer L. Schuster, Administrative Law Judge

On September 3, 2021, Indiana American Water Company, Inc. (“Indiana American” or “Petitioner”) filed its Verified Petition, together with its verified direct testimony, attachments, and workpapers, seeking approval of its service enhancement improvement (“SEI”) plan pursuant to Ind. Code ch. 8-1-31.7 and certain related relief described below. Petitioner’s witnesses Gregory D. Shimansky, Director, Rates & Regulatory; Stacy S. Hoffman, Director of Engineering; and Ezat Nayeri, Engineering Manager, provided testimony in support of its case-in-chief.

On November 22, 2021, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the testimony of Scott A. Bell, Director of the OUCC’s Water Division, constituting its case-in-chief. Indiana American filed supplemental testimony of Mr. Nayeri on December 10, 2021 and did not file rebuttal testimony.

The Commission held an evidentiary hearing in this Cause at 9:30 a.m. on January 4, 2022 in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Indiana

American and the OUCC appeared and participated in the hearing, and the evidence of both parties was admitted into the record without objection.

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

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

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

3. **Relief Requested.** Indiana American requests the Commission approve its SEI plan and find that the public convenience and necessity require the proposed service enhancement improvements to allow Indiana American to comply directly or indirectly with one or more “requirements” within the meaning of Code § 8-1-31.7-6. Indiana American also requests that the Commission find that the proposed service enhancement improvements are reasonable and appropriate to further health, safety, or environmental protection for its customers, employees, or the public. Indiana American also asks the Commission to make findings on each of the factors set forth in Ind. Code § 8-1-31.7-10 and issue an order authorizing Indiana American: (1) to timely recover 80% of its approved SEI costs incurred for eligible additions through Indiana American’s proposed SEI Rider pursuant to Ind. Code § 8-1-31.7-9(f)(1); (2) to create a regulatory asset to record 20% of the approved service enhancement improvement costs incurred for eligible additions until such costs are reflected in Petitioner’s rates for water service pursuant to Ind. Code § 8-1-31.7-9(f)(2); (3) to accrue post-in-service carrying costs (“PISCC”), both debt and equity, related to the eligible additions after their respective in-service dates using the overall cost of capital approved in Indiana American’s last base rate case; and (4) to defer depreciation expense relating to the eligible additions until such expenses are recovered through either a rate adjustment mechanism or in base rates. Indiana American also seeks approval of its proposed form of SEI Rider.

4. **Indiana American’s Case-in-Chief.**

A. **SEI Plan.** Mr. Hoffman discussed Petitioner’s SEI plan improvements for which it requests approval under Ind. Code ch. 8-1-31.7 (the “SEI Statute”). He testified about Indiana American’s plan for expenditures to complete the following: (1) Charlestown filtration additions (“Charlestown Improvements”), (2) Mooresville filtration additions (“Mooresville Improvements”), (3) southern filter backwash residuals management additions (“Southern Indiana Improvements”), and (4) Northwest Borman Park chlorine and chemical storage additions

(“Northwest Borman Park Improvements”). Mr. Nayeri testified about Indiana American’s plan for expenditures to complete Mecca east pressure zone replacements (“Mecca Improvements”). Mr. Hoffman and Mr. Nayeri identified the reasons for the expenditures to implement these additions and explained why each of these additions is an eligible addition for purposes of the SEI Statute.

i. Charlestown Improvements. Mr. Hoffman stated that the plan includes construction of a new filtration treatment facility for the Charlestown operations to remove manganese from the raw water to below Environmental Protection Agency (“EPA”) secondary maximum contaminant levels (“SMCLs”) and to below EPA health advisory levels (“HALs”) prior to delivery to customers. The plan includes a new treatment facility with pressure filtration, chemical storage and feed systems, high service pumping equipment, and a filter backwash tank and equipment for treatment and removal of manganese and delivery of treated water to customers. The new filtration facility will also include liquid sodium hypochlorite treatment for disinfection in lieu of chlorine gas to further employee and public safety. Petitioner is designing the Charlestown plant to enable the addition of a per- and polyfluoroalkyl substances (“PFAS”) removal process in the future. The Charlestown additions are estimated to be placed in service by June 30, 2022.

Mr. Hoffman testified that the improvements address a “requirement” as defined in Ind. Code § 8-1-31.7-6 and are new plant or equipment that furthers health, safety, or environmental protection for Petitioner’s customers, employees, or the public. He testified the Charlestown Improvements will allow Petitioner to meet, either directly or indirectly, the Safe Drinking Water Act (“SDWA”) requirements of certain water quality standards. He opined that, because manganese will be removed, lowering its concentration to less than 0.02 mg/L (also below the HAL and SMCL of 0.05 mg/L), the improvements further the health of the public and of Petitioner’s customers. He noted that replacing the chlorine gas disinfection system with a liquid sodium hypochlorite disinfection system will eliminate chlorine gas at the plant and thereby eliminate the potential for the release of toxic chlorine gas into the atmosphere, furthering the safety of Petitioner’s employees and the public.

Mr. Hoffman described alternative plans for compliance with requirements or for furthering or maintaining the health, safety, or environmental protection for Petitioner’s customers, employees, or the public and why Petitioner considered its SEI plan to be the preferred approach. He stated that he is not aware of any economic or viable alternatives for removing manganese from the water other than through the filtration treatment additions noted.

ii. Mooresville Improvements. Mr. Hoffman described the planned Mooresville Improvements as including construction of a new filtration treatment facility for the Mooresville operations to remove iron and manganese from the raw water to below EPA SMCLs and the HAL for manganese prior to delivery to customers. The plan includes a new treatment facility with iron and manganese oxidation, pressure filtration, chemical storage and feed systems, clearwell, high service pumping equipment, emergency backup generator, and filter backwash recycling for treatment and removal of manganese and delivery of treated water to customers. Like the existing treatment facility, the new treatment facility will also include liquid sodium hypochlorite treatment for disinfection in lieu of chlorine gas for purposes of employee and public

safety. Petitioner’s design for the Mooresville plant will enable the addition of a PFAS removal process in the future. The Mooresville additions are estimated to be placed in service by April 30, 2022.

Mr. Hoffman testified that the Mooresville Improvements also address a “requirement” as defined in Ind. Code § 8-1-31.7-6 and are new plant or equipment that furthers health, safety, or environmental protection for Petitioner’s customers, employees, or the public. He explained that the improvements are necessary to meet, either directly or indirectly, the SDWA requirements of meeting water quality standards. Petitioner’s plan is to implement treatment to remove contaminants from the water to below the HAL and SMCLs because they are standards that are of concern to the public.

Mr. Hoffman discussed various interconnection alternatives and concluded that Petitioner’s selected approach is the best solution to deliver quality water and meet EPA standards and Mooresville customer demands.

iii. Southern Indiana Improvements. Mr. Hoffman explained the planned Southern Indiana Improvements, which include the construction of two new earthen lagoons, piping, valves, controls, and related improvements at Petitioner’s Southern Indiana Operations treatment facility. These improvements will operate in conjunction with existing backwash residuals tanks to effectively manage filter backwash residuals so that discharge to the Ohio River will reliably meet the Indiana Department of Environmental Management’s (“IDEM”) National Pollution Discharge Elimination System (“NPDES”) permit clear color requirement.

Mr. Hoffman explained that the Southern Indiana Improvements are new plant and equipment that address another “requirement” under Ind. Code § 8-1-31.7-6: provisions of the federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*, that address permitted discharges from a point source to navigable waters, as administered by IDEM.

Mr. Hoffman described the three alternative plans Indiana American considered with respect to the Southern Indiana Improvements and testified that, of the three alternatives, Petitioner selected the one with the lowest net present value—the construction of earthen lagoon storage and periodic removal of residuals for offsite disposal or land application.

iv. Northwest Borman Park Improvements. Mr. Hoffman testified that the SEI plan also includes construction of a new bulk sodium hypochlorite storage and feed facility for the Northwest Borman Park operations. Sodium hypochlorite will be used to control zebra mussels and to disinfect the water in lieu of the existing chlorine gas facilities, and the new bulk sodium hypochlorite storage and feed facilities will be housed in a new building constructed adjacent to the existing treatment facility site. The Northwest Borman Park Improvements also include expenditures for piping from the new sodium hypochlorite building to the existing chlorine application points and a chemical unloading containment area to serve the new sodium hypochlorite facility as well as the plant’s existing aqua ammonia, fluoride, and coagulant systems. This section of the plan also includes improvements to controls and electrical system modifications as required for the new sodium hypochlorite facility; removal of the existing chlorine gas feed systems; site improvements, including a stormwater detention pond, access road, fencing, and

grading; and the replacement of nearly 20-year-old polyethylene ammonia and fluoride bulk chemical storage tanks which are at the end of their useful life and have inadequate venting for pneumatic chemical delivery. The Northwest Borman Park additions are estimated to be placed in service by June 30, 2022.

Finally, Mr. Hoffman described Petitioner's evaluation of alternatives for the Northwest Borman Park Improvements and why Petitioner considered these service enhancement improvements to be the preferred approach.

v. **Mecca Improvements.** Mr. Nayeri explained that the Mecca improvements include expenditures for construction of a replacement booster station and approximately 8,450 feet of main replacement to improve pressure to Mecca's east pressure zone. The new booster station will be situated at a lower elevation where it will be able to provide more flow to the east pressure zone while maintaining a suction side static pressure of about 51 pounds per square inch ("psi"). Approximately 3,150 feet of 3-inch main and 5,300 feet of 2-inch main will be replaced with 8-inch main. He explained that the larger diameter main reduces the head loss by at least 30 psi during peak hours, enabling the system to maintain pressures greater than 35 psi during peak hours. He said that the Mecca replacements are estimated to be placed in service by June 30, 2023.

He testified that the Mecca east pressure zone replacements are replacement plant and equipment that maintains health and safety of Petitioner's customers. He explained the improvements are needed to comply with 327 IAC 8-3.2-11(b) requiring that normal operating pressure in a main not be less than 20 psi under all conditions of flow at the ground level at all points in the main. He noted that Section 8.2.1 of the Ten State Standards establishes that a system must be designed to maintain a minimum pressure of 20 psi at ground level at all points in the distribution system under all conditions of flow and that the normal working pressure in the distribution system must not be less than 35 psi unless otherwise approved by the reviewing authority.

Mr. Nayeri said the alternative to the Mecca east pressure zone replacement is to not implement it, which would result in continued low pressures in the east pressure zone and the system will continue to be at risk of contamination from groundwater infiltration or backsiphonage of non-potable water.

B. Projected Expenditures. For the Charlestown Improvements, Mr. Hoffman stated that the projected expenditure total is \$15,480,194, with the projected cost of removal and retirements estimated to be \$100,000 and \$477,933, respectively. He provided a detailed estimate of costs for the Charlestown Improvements in Attachment SSH-10 to his direct testimony.

According to Mr. Hoffman, the projected total for the Mooresville Improvements is \$21,478,415. The total projected costs of removal and retirements are estimated to be \$47,801 and \$363,560, respectively. He provided a detailed estimate of costs for the Mooresville Improvements in Attachment SSH-22 to his direct testimony.

For the Southern Indiana Improvements, the projected expenditure total is \$2,316,969, with the total projected costs of removal and retirements estimated to be \$48,000 and \$137,000, respectively. Mr. Hoffman provided a detailed estimate of costs for the Southern Indiana Improvements in Attachment SSH-33 to his direct testimony.

Mr. Hoffman said that the projected total for the Northwest Borman Park Improvements is \$8,172,185, with the costs for removal and retirements estimated to be \$623,348 and \$160,905, respectively. He provided a detailed estimate of costs for the Northwest Borman Park Improvements in Attachment SSH-38 to his direct testimony.

Mr. Nayeri testified that the projected total for the Mecca Improvements is \$3,834,986, with the total projected costs of removal and retirements estimated to be \$65,000 and \$17,021, respectively. He provided a detailed estimate of costs for the Mecca Improvements in Attachment EON-2 to his direct testimony.

C. Accounting and Ratemaking. Mr. Shimansky explained Petitioner's proposal for the recovery of its revenue requirement and the costs included in calculating the revenue requirement. He testified that the recovery of the costs for SEI will be done through a rider on customer rates and will be based on a fixed meter charge based upon equivalent meter size. Mr. Shimansky explained the SEI Statute provides for recovery immediately of 80% of the revenue requirement amount via the SEI rider, and 20% of the revenue requirement, including depreciation, allowance for funds used during construction ("AFUDC"), and PISCC compounded monthly and based on the overall cost of capital most recently approved by the Commission, shall be deferred and recovered as part of Petitioner's next general rate case.

Mr. Shimansky noted that the revenue requirement is to be calculated for "eligible additions," which, for non-replacement improvements, include any new utility plant or equipment (1) that does not increase revenues by connecting to new customers, even though the plant or equipment may provide Petitioner with greater available capacity; and (2) that is used and useful, is procured, installed, or constructed by the public utility with expenditures that are service enhancement improvements, and was not included in rate base in Petitioner's most recent general rate case. Mr. Shimansky explained that, should the actual costs in the aggregate of the eligible additions exceed by more than 25% the projected costs for which approval is sought in this docket, Petitioner will seek specific approval by the Commission before including those costs in the next rate case, in accordance with Ind. Code § 8-1-31.7-9(f)(3). He said that Indiana American proposes to include the gross plant specific to the individual SEI-eligible additions after they have been placed in service. The costs for these new capital investments will include various direct and indirect costs and AFUDC.

Mr. Shimansky explained the depreciation expense, property tax expense, and pre-tax return on new capital investment calculations and said that Indiana American will include for recovery within the revenue requirement the depreciation expense associated with the new capital investments for the eligible additions. These investments will utilize a depreciation rate as approved in the latest Depreciation Study and implemented as part of Petitioner's most recent general rate case, Cause No. 45142.

Mr. Shimansky said property tax expense included for recovery will reflect an annualized level of expense related to the eligible addition based upon the first assessment date following its placement in service. The annualized property tax expenses will be calculated by multiplying the plant investment balances, net of depreciation, by the then-current or most recent tax rate for the projected period.

Mr. Shimansky explained that the pre-tax return on the new capital investment will be calculated by multiplying the pre-tax rate of return, based on the weighted average cost of capital (“WACC”), by total new capital investment related to the eligible additions. He explained the proposed WACC would be calculated in accordance with the SEI Statute, and Indiana American will use its actual regulatory capital structure and actual cost rates for long-term debt and its authorized return on equity of 9.80%, as determined in Cause No. 45142. The revenue requirement will be grossed up using then-current state and federal income tax rates, the utility receipts tax rate, and the public utility fee rate. Per the SEI Statute, the remaining 20% of eligible revenue requirement amounts shall be deferred for recovery as part of Petitioner’s next base rate case.

He testified that Indiana American proposes to defer depreciation expense on the eligible additions from each addition’s in-service date until depreciation expense is included for recovery in the SEI Rider. Commencing on the date each project is placed in service, the depreciation expense would be charged to Depreciation Expense with a corresponding credit to Accumulated Depreciation. The deferral of depreciation would be recorded to Account 186, Miscellaneous Deferred Debits, until the time when the assets are included for recovery in rates. He opined that this complies with generally accepted accounting principles (“GAAP”), National Association of Regulatory Utility Commissioners (“NARUC”) accounting, and has been approved by the Commission before, such as in Cause No. 45236. Indiana American proposes that the amortization of this account occur over the estimated remaining life of the improvements and be part of the revenue requirement included in the calculation of the SEI Rider and deferrals.

Mr. Shimansky testified that Petitioner proposes to accrue PISCC on all eligible additions beginning with the month after the investment is placed in service until the date that investment is included in rates for recovery. Under this proposal, the recovery of PISCC on the 20% that is deferred without including the full 20% deferred amount in rate base for ratemaking purposes is assured. In the month following placement in service and for the period prior to its inclusion for recovery, PISCC will be accrued by multiplying the applicable WACC by the original cost of the eligible addition. He said that this accrual will be recorded as a debit to Account No. 186, with corresponding credit to income under Account No. 420 for the equity specific component of the PISCC and Account No. 420 for the debt-specific component of the PISCC. He stated that Petitioner proposes to amortize the deferred balance accumulated in a regulatory asset over the life of the underlying assets, with the amortization beginning as part of the revenue requirement included in the calculation of the SEI rider and deferrals.

Pursuant to the SEI Statute, once the plans for expenditures in this Cause are approved and as the eligible additions are considered used and useful, Petitioner will file for the revenue to be included in the SEI Rider. He said Indiana American is not seeking to have such rates approved at this time.

Mr. Shimansky described Schedules 1 through 5 of Attachment GDS-1 to his direct testimony, consisting of sample worksheets and calculations to reflect the revenues and rates produced for the additions Petitioner anticipates from the plans submitted for approval in this Cause. He also discussed Schedule 1 of Attachment GDS-3, which illustrates the priority of recovery of the 80% SEI Rider in terms of accounting. He explained that this methodology is required to ensure Petitioner receives the return granted by the statutes on its investment in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 980.

Mr. Shimansky described how the net operating income level was grossed up for state and federal income taxes and said that the gross revenue conversion factor will be 136.5443%. Finally, he discussed the anticipated new tariff for Indiana American’s SEI Rider. He explained the new tariff will be included with a petition filed pursuant to Ind. Code § 8-1-31.7-12.

5. OUCC’s Evidence. Mr. Bell testified that Mr. Hoffman and Mr. Nayeri provided testimony describing how the proposed projects provide direct or indirect compliance with one or more requirements and are reasonable and appropriate to further health, safety, or environmental protection for the eligible utility’s customers, employees, or the public, as provided in Ind. Code § 8-1-31.7-7. He stated that the OUCC has reviewed the projects, taking into consideration the criteria for a “service enhancement improvement,” evaluating the direct or indirect compliance with the “requirements,” as defined in Ind. Code § 8-1-31.7-6, and the reasonableness to further health, safety, or environmental protection. The OUCC does not oppose approval of the SEI plan as requested by Indiana American.

6. Petitioner’s Supplemental Evidence. Mr. Nayeri offered supplemental testimony describing notification received by Petitioner from the Indiana Finance Authority subsequent to the filing of Petitioner’s case-in-chief that the Mecca East Pressure Zone Replacements are eligible for State Water Infrastructure Fund (“SWIF”) grant dollars in the amount of \$950,000. He explained that eligibility for the grant award is dependent on Indiana American co-funding the remainder of the project cost at an amount equal to or greater than \$2,850,000. He also described the conditions Indiana American must comply with under the grant agreement and provided a copy of the award letter in Attachment EON-3 to his supplemental testimony. He indicated that any grant funding received by Indiana American for the Mecca East Zone Pressure Replacements will reduce the amount Indiana American currently estimates to recover through the SEI Rider.

7. Commission Discussion and Findings.

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

“Service enhancement improvements” are defined as expenditures that meet one of the following criteria:

- (1) Made, or to be made, by an eligible utility and related to:
 - (A) direct or indirect compliance with one (1) or more requirements; or
 - (B) installation of new plant or equipment:
 - (i) that is not replacement of a plant or equipment; and
 - (ii) that the Commission determines is reasonable and appropriate to further health, safety, or environmental protection for the eligible utility’s customers, employees, or the public.
- (2) Replacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility’s customers, employees, or the public.

Ind. Code § 8-1-31.7-7. Except with respect to replacements within the meaning of Ind. Code § 8-1-31.7-7(2), before an eligible utility may seek to recover its SEI costs through a periodic rate adjustment, it must obtain preapproval from the Commission of its plan for the proposed service enhancement improvements. Ind. Code § 8-1-31.7-9(a).

Ind. Code § 8-1-31.7-10 states that “the commission shall approve the plan if the commission finds that the public convenience and necessity require the proposed service enhancement improvements to allow the eligible utility to comply directly or indirectly with one (1) or more requirements.” This section requires the Commission to examine:

- (1) The following factors, which must be set forth in the eligible utility’s case in chief filed in accordance with section 9 of this chapter:
 - (A) A description of the requirements, including any consent decrees related to the requirements, that the eligible utility seeks to comply with through the proposed service enhancement improvement.
 - (B) A description of the projected service enhancement improvement costs associated with the proposed service enhancement improvement.
 - (C) A description of how the proposed service enhancement improvement allows the eligible utility to comply with the requirements described by the eligible utility under clause (A).
 - (D) Alternative plans for compliance.
- (2) Any other factors the commission considers relevant.

Ind. Code § 8-1-31.7-6 defines a “requirement” as:

any decision or regulation imposed on an eligible utility by a unit (as defined in IC 36-1-2-23), a municipal corporation (as defined in IC 36-1-2-10), a state, or the federal government in connection with any of the following:

- (1) The federal Water Pollution Control Act (33 U.S.C. 1251 *et seq.*).
- (2) The federal Safe Drinking Water Act (42 U.S.C. 300f *et seq.*).
- (3) Any other law, order, or regulation administered by the United States Environmental Protection Agency, the United States Army Corps of Engineers, the United States Department of Transportation, the Indiana department of transportation, the Indiana department of environmental management, or the department of natural resources.
- (4) Regulation imposed by local government under IC 8-1-2-101, IC 36-9-2-14, IC 36-9-2-15, or IC 36-9-2-16.

B. Indiana American’s SEI Plan and Eligible Improvements. Indiana American’s SEI Plan consists of expenditures to be made in five of its current operations areas. Indiana American’s SEI Plan as presented in its case-in-chief describes the requirements Indiana American seeks to comply with, the expenditures that will be made, when the related plant or equipment will be installed, the projected service enhancement improvement costs, and how the proposed service enhancement improvements will allow Indiana American to comply with requirements. Alternative plans for compliance with respect to the improvements were also described in Petitioner’s case-in-chief. Thus, we find that the factors of Ind. Code § 8-1-31.7-10 have been met.

Indiana American provided sufficient evidence to support the SEI Plan on the basis that the proposed expenditures meet the statutory criteria to be considered “service enhancement improvements” under the SEI Statute. Thus, based on the evidence and our examination of the factors identified in Ind. Code § 8-1-31.7-10, we find that the expenditures described in Indiana American’s SEI Plan meet the criteria established by the SEI Statute and allow Petitioner to comply directly or indirectly with one or more requirements within the meaning of Ind. Code § 8-1-31.7-6. The Commission also finds the public convenience and necessity require the proposed service enhancement improvements to either address a “requirement” as defined in Ind. Code § 8-1-31.7-6, or they are reasonable and appropriate to further health, safety, or environmental protection for Petitioner’s customers, employees, or the public as explained in Ind. Code § 8-1-31.7-7(1)(B) and (2).

C. Accounting and Ratemaking. As summarized above, Indiana American requests Commission approval of the form of an adjustment mechanism (the SEI Rider) to recover 80% of service enhancement improvement costs and to defer 20% of the approved service enhancement improvement costs. Mr. Shimansky also described interim deferral authority to record PISCC (both debt and equity) and depreciation and property tax expenses associated with the projects until such costs are reflected in the SEI Rider rates or Indiana American’s base rates as explained in the summary of Mr. Shimansky’s testimony above. Indiana American also seeks authority to create regulatory assets for the deferral authority and interim deferral authority described by Mr. Shimansky.

Petitioner's requested accounting and ratemaking relief was not opposed by the OUCC. We find Indiana American's proposed accounting and ratemaking treatment aligns with the cost recovery provided in the SEI Statute, and such accounting and ratemaking treatment is reasonable and is therefore approved.

8. Conclusion. Indiana American's SEI plan is the first-ever proposed under the SEI Statute. We find that, as proposed herein, Indiana American's SEI Plan meets the requirements of the SEI Statute and should be approved.

9. Confidential Information. On September 3, 2021, Petitioner filed a Motion for Protection and Nondisclosure of Confidential and Proprietary Information ("Motion") in this Cause, which was supported by the Affidavit of Stacy S. Hoffman, showing that certain information to be submitted to the Commission contained trade secret information as defined by Ind. Code § 24-2-3-2 and/or critical infrastructure information that could potentially make Petitioner's system vulnerable to a terrorist attack. The Presiding Officers issued a docket entry on September 15, 2021 finding that this information should be held confidential on a preliminary basis, after which the information was submitted under seal. After reviewing the information, we find this information qualifies as confidential trade secret information and/or critical infrastructure information that could potentially make Petitioner's system vulnerable to a terrorist attack. This information shall be held as confidential and protected from public access and disclosure by the Commission pursuant to Ind. Code § 5-14-3-4 and is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

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

1. Petitioner's plan for proposed service enhancement improvements is approved.
2. Following the filing of a petition under Ind. Code § 8-1-31.7-12, Petitioner is authorized to timely recover 80% of its approved service enhancement improvement costs incurred for eligible additions through Petitioner's proposed SEI Rider pursuant to Ind. Code § 8-1-31.7-9(f).
3. Following the filing of a petition under Ind. Code § 8-1-31.7-12, Petitioner is authorized to create a regulatory asset to record 20% of the approved service enhancement improvement costs incurred for eligible additions until such costs are reflected in Petitioner's rates for water service pursuant to Ind. Code § 8-1-31.7-9(f).
4. Petitioner is authorized to accrue post-in-service carrying costs, both debt and equity, related to the eligible additions after their respective in-service dates and to defer depreciation using the overall cost of capital approved in Petitioner's last base rate case.
5. Petitioner is authorized to defer depreciation expense relating to the eligible additional until such expenses are recovered through either a rate adjustment mechanism or in base rates.

6. The information submitted under seal in this Cause pursuant to Petitioner's Motion is determined to be confidential trade secret information and/or critical infrastructure information that could potentially make Petitioner's system vulnerable to a terrorist attack. All such information shall continue to be held as confidential and exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29.

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

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

APPROVED: MAR 16 2022

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

Dana Kosco
Secretary of the Commission