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 ALOW-INCOME CUSTOMER ASSISTANCE PROGRAM; AND (3) APPROVAL OF CERTAIN CHANGES TO ITS GENERAL TERMS AND CONDITIONS FOR WASTEWATER SERVICE.	)	**CAUSE NO. 45151**

OUCC's PROPOSED ORDER LANGUAGE
ON OWNERSHIP, MAINTENANCE AND REPLACEMENT OF GRINDER PUMPS
INSTALLED IN THE SEPTIC TANK ELIMINATION PROGRAM

The Office of Utility Consumer Counselor ("OUCC"), by counsel, hereby submits its proposed order language on ownership, maintenance and replacement of grinder pumps installed in the septic tank elimination program.

Respectfully Submitted,

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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** **APPROVED:**

ORDER OF THE COMMISSION

Presiding Officers:
James F. Huston, Chairman
David L. Ober, Commissioner
Lora L. Manion, Administrative Law Judge

12. Ownership, Maintenance and Replacement of Grinder Pumps installed in the Septic Tank Elimination Program

When CWA acquired the City of Indianapolis's sewer utility assets, it assumed the City's and the Sanitary District's responsibilities under the Septic Tank Elimination Program ("STEP"). (Final Order, Cause No. 43936, p. 9) The STEP was implemented to extend City Sewer service to property owners with failing private on-site wastewater disposal systems (septic systems) and eliminate potential and actual public health issues associated with failing septic systems. Public's Exhibit No. 4. Initially, CWA implemented the STEP as the City did by constructing gravity sewers in neighborhoods with septic systems, which could then be abandoned. In 2016, CWA abandoned the practice of installing gravity sewers to implement the STEP, electing instead to install low pressure systems requiring the installation of grinder pumps, which CWA installed on customer property. While the OUCC asserted gravity systems were generally superior to low pressure systems which require operation and maintenance of grinder pumps, the OUCC did not oppose CWA's practice of implementing the STEP through predominantly through low pressure systems, but the OUCC insisted that in such case, CWA should retain responsibility for emergency repairs, grinder pump maintenance and grinder pump replacement. CWA opposed that recommendation.

In this Cause, CWA and the OUCC were able to reach agreement on all other issues required to be addressed, except this issue, which we now address.

CWA's case-in-chief. CWA's witness Mr. Jacob noted that the STEP was originally approved by the Indianapolis City-County Council in 2006. He noted that Septic systems have a limited life or eventually fail due to ground conditions in the area, leaching human waste into groundwater, backyards and neighborhood ditches and streams. Mr. Jacob Mr. Jacob testified that through value engineering, CWA switched from constructing primarily gravity systems to predominantly low pressure systems, which it claimed lowered the average cost per home from $32,000 to $18,800. Mr. Jacob indicated that connection rates under the new low pressure system designs have increased from historical levels of approximately 50% to over 95%. Mr. Jacob noted that the Marion County Health Department, and not CWA, has the authority to force property owners to abandon their septic system and connect to the sanitary sewer system.

OUCC Testimony. OUCC witness James Parks discussed in his testimony CWA's recent decision to no longer install gravity sewers, electing instead to install only low pressure sewer systems ("LPSS"), which require individual grinder pumps at each house. Mr. Parks explained that homeowners must pay to power the pump through their electrical service and are responsible for annual grinder pump maintenance, all emergency repairs, and their monthly sewer bill. He noted CWA indicated that the annual power cost is $12 and the annual maintenance cost is $50 based on the manufacturer's information.[1] (Mr. Parks noted that CWA's website indicates that power costs would be $15 to $20 per year.) Mr. Parks said that homeowners are responsible for replacing the pump when the pump no longer functions properly.[2] Mr. Parks testified that according to information CWA publishes on its website, the new pump cost is $2,500.[3] On the same site, typical service life of the grinder pump is reported to be 20 years. Mr. Parks noted Petitioner did not provide a value engineering study comparing the capital and operating costs of gravity and low pressure systems. In response to discovery, Petitioner provided a Septic Tank Elimination Program Whitepaper prepared by Citizens' Underground Engineering & Construction group, but that was not a value engineering study.[4] He noted CWA's STEP Whitepaper only looks at CWA's capital costs; it does not include in its analysis operating, maintenance, and grinder pump replacement costs, all of which CWA makes the responsibility of the homeowners.

Mr. Parks explained that, based on CWA's reported costs that the homeowner's annual operating (power) and maintenance cost would be $62, an annual allowance of $50 for mainline maintenance, and an assumed $3,000 grinder pump replacement cost (present value), the present value of the low pressure system per single connection is $23,500.[5] Mr. Parks indicated there appeared to be some discrepancy about grinder pump replacement costs. CWA reports the cost at $2,500 on its website, but other information provided in response to OUCC Data Request 10-27

[1] *See* Attachment JTP-2 for Petitioner's responses to OUCC Data Requests regarding STEP. CWA's website providing information on STEP indicates that power costs would be $15 to $20 per year. *See* Attachment JTP-5.

[2] Grinder pumps are warranted for three years from the date of installation.

[3] *See* Attachment JTP-5 of Public's Exhibit No. 4 for CWA website information for STEP which states: "If properly maintained, the average life of a grinder pump is 20 years. Each pump comes with a standard two-year parts and labor warranty. On average, the cost to replace a grinder pump is around $2,500."

[4] *See* Attachment JTP-4 of Public's Exhibit No. 4.

[5] Calculated as $18,766 cost to construct and connect plus the present value of $62 per year for power and grinder pump maintenance and $50 per year for mainline maintenance ($1,746 present value based on 20 years at 2.5% interest rate) plus an assumed $3,000 present value for grinder pump replacement equals $23,500 (rounded).

shows the current cost for the E/One Extreme series pumps range from $2,928 (for standard and in-home installations) to $3,468 (for Floodway installations). Mr. Parks noted these are costs to CWA and do not reflect the price an individual homeowner would pay for emergency replacement of a grinder pump.) He noted this is substantially below CWA's reported $31,766 cost per home for conventional gravity sewers. He said savings are reduced from Petitioner's reported $13,000 but are still substantial at $8,266 ($31,766 - $23,500) per home. For his present value calculations, Mr. Parks said he looked at only a 20 year period. But then he noted that over a 60 to 100 year period, equal to the expected life of gravity sewers, the present value cost savings would shrink because of continued O&M costs and periodic grinder pump replacements (every 20 years). In addition, he noted the $50 per year grinder pump maintenance cost used by CWA is based on a more expensive E/One 2000 Series grinder pump and not the Extreme Series grinder pump that CWA is actually installing.

Mr. Parks testified that from the perspective of the homeowner, low pressure systems with grinder pumps are not less costly that conventional gravity sewers noting that, in addition to paying for wastewater services at the same rates as CWA's other customers, homeowners with grinder pumps will pay added electricity costs to power the pumps and need to budget for grinder pump maintenance and replacement. During pump malfunctions, homeowners will have to contract with a plumber and/or a pump repair company to troubleshoot and repair or replace the pump. If the grinder pump is not repairable, homeowners will have to replace the pump at their cost. Mr. Parks testified that, while CWA can leverage its buying power to obtain lower pump costs for initial installation, individual homeowners do not have this same buying power and can expect to pay substantially more to remove the old pump and purchase and install a replacement grinder pump, especially under unplanned outages. He noted that unlike gravity sewers which have no electrical or mechanical systems that fail (ignoring lift stations), if the grinder pump breaks down or power is lost, the homeowners can no longer discharge sewage as normal and must curtail toilet use, showering, dishwashing, and clothes washing until the grinder pump is repaired or replaced or risk raw sewage overflows onto their property. Homeowners would have to locate a repair service and schedule and pay for emergency repairs or replacement. Rebuild or replacement costs would be high for homeowners who would be limited to the original pump supplier. The danger from pump breakdowns is prolonged sewer outages and the possibility that raw sewage would overflow the grinder pump sump onto homeowners' properties which could then reach area streams. Mr. Parks suggested many homeowners may be unable to pay for an unexpected and unplanned high bill to rehabilitate or replace their grinder pumps.

Mr. Parks identified some other utilities that retain operational and financial responsibility for emergency breakdowns and replacements of the grinder pumps instead of homeowners.[6] When a grinder pump alarm activates, homeowners call their sewer utility who respond with maintenance personnel to troubleshoot the pump problem and restore sewer service. He said these utilities also rehabilitate and replace the grinder pumps at the utility's cost which is recovered through sewer rates. They have experienced and properly trained staff with the tools and equipment to quickly assess the pump problem and restore service. *See* Attachment JTP-6 for emergency repairs and replacement information for grinder Pump systems at other utilities.

[6] *See* Attachment JTP-6 of Public's Exhibit No. 4 for grinder pump repairs and replacement policies for Athens, TN, Brentwood, TN, First Utility District in Knox Co., TN, Leesburg, IN, and Kitsap Co., WA.

Mr. Parks said he did not oppose CWA's decision to install low pressure sewer systems with grinder pumps, but he believes gravity sewers remain the most reliable long term option for sewage disposal. He added that if CWA's value engineering studies indicate lower installation and maintenance costs without degradation of quality service, it would make sense for CWA to install low pressure systems instead of gravity sewers. However, he noted part of the cost CWA should consider in its value engineering analysis are not borne by CWA. He said CWA customers who receive low pressure systems bear part of the cost, and this is not a cost other CWA customers, who have received access to more costly gravity sewers, have to bear. Mr. Parks said that if the Commission approves CWA's switch to only installing low pressure systems with grinder pumps, the Commission should order CWA to be responsible for emergency repairs, pump maintenance and pump replacement. He said homeowners would still be responsible for the extra electrical cost to operate the pumps and would pay the same wastewater rates for sewer service as CWA's other customers are paying to construct the high costs Combined Sewer Overflow (CSO) control measures. Based on CWA's plan to replace 300 additional priority homes on septic tanks each year (and 3,000 homes in total by the end of 2025) with low pressure systems, Mr. Parks recommended CWA's annual revenue requirement be increased by $50 per year for annual grinder pump maintenance per home or $15,000 for 2019, $30,000 for 2020, and $45,000 for 2021.

The OUCC submitted comments from a dozen customers about the STEP. None of the customers supported the program, and commenters opposed having to pay to own, operate, and replace the grinder pumps. Customers asserted CWA's implementation of the STEP would cause a financial hardship to them and their neighbors. Customers expressed a preference for the gravity system, and asked CWA to reconsider its decision. Customers expressed that it was inequitable for them to pay the same high sewer rates as customers on gravity systems while being responsible for maintaining a grinder pump/low pressure system. Customers expressed that Citizens should be responsible for maintaining the grinder pump. Customers stated that a two year warranty on the grinder pump was inadequate protection. Customers objected to paying higher electrical charges as a result of being required to connect to the low pressure system. Customers noted the disparity between gravity systems and low pressure systems and the need to maintain the later and set aside money to replace the grinder pump, which will need to be replaced.

CWA Rebuttal. Petitioner's witness Mr. Jacob responded to Mr. Parks' recommendations regarding the STEP. Mr. Jacob testified that CWA was not requesting approval to switch to LPSS with grinder pumps in this proceeding and noted that he testified in Cause No. 44685 that Petitioner was switching to use LPSS. Mr. Jacob also noted Mr. Parks did not oppose CWA's decision to use LPSS with grinder pumps for future STEP projects. Mr. Jacob discussed Mr. Parks' recommendation that CWA be responsible for emergency repairs, maintenance, and replacement of grinder pumps. In disagreeing with Mr. Park's recommendation, Mr. Jacob attempted to dismiss Mr. Parks' contention that from a CWA customer perspective, LPSS are not less costly than conventional gravity sewers. Mr. Jacob repeated the estimate that LPSS customers may pay about $12 per year in electricity costs and about $50 per year for maintenance related to grinder pumps, but noted that LPSS STEP customers will not have to pay for an entire and complete sewer connection including cost of abandoning their septic system, which was required in the past. Mr. Jacob compared the costs of sewer connection incurred by past customers to those of LPSS STEP customers as follows:

- Prior to 2005, under the Barrett Law, the costs to each customer to connect to the sewer system were almost $17,000;
- From 2005 to 2016, under STEP, the total cost to each homeowner averaged almost $7,000, including lateral connection to the main line sewer, abandoning the existing septic system, and the connection fee; and
- Starting in 2016, LPSS STEP customers pay only the $2,766 connection fee, provided they connect within 60 days, as CWA has assumed responsibility for all of the other costs identified above.

Thus, Mr. Jacob asserted that even assuming a customer must pay for a grinder pump replacement in 20 years at a cost of $3,000, the typical STEP LPSS customer pays significantly less than most customers who paid for a sewer connection. Mr. Jacob also testified that after CWA completes the high priority STEP program (planned to occur by 2025), CWA does not plan to approach septic tank eliminations in the same manner. Therefore, while CWA has staff proficient in installing and replacing grinder pumps, that may not be the case upon completion of the current program.

Mr. Jacob also discussed the measures in place to protect customers from the potential consequences of a grinder pump failure. In terms of the grinder pumps themselves, he stated that they are equipped with: valves that keep backflow from entering the home; sensors that trigger an alarm; extra storage capacity for continued use during power outages; and a receptacle to allow for generator connection during extended outages. In terms of customer service, he stated that grinder pump customer service representatives are: available 24 hours a day and 7 days a week; based in Indianapolis; and committed to responding in less than four hours. Mr. Jacob also noted that grinder pumps come with a standard 2-year warranty with an option to purchase additional service protections.

Further, Mr. Jacob testified that the LPSS program has been in place for quite some time and it is not appropriate to change the terms of the program mid-stream. He expressed concern that implementation of Mr. Parks' recommendation would create two or more customer classes and could expose Petitioner to cost liabilities, including for maintenance of previously installed grinder pumps and repairs that have already been made and increased and unplanned costs from improper grinder pump maintenance by homeowners.

Finally, Mr. Jacob recommended rejection of Mr. Parks' recommendations to revise the reporting requirements of Petitioner's STEP report and Petitioner's capital project information for rate cases because the STEP report revisions seek data that CWA does not have and the additional capital project information being requested is not consistent with the intent of and would require modification to the Settlement Agreement in Cause No. 44685.

Commission Discussion and Finding: In Cause No. 43936, CWA asked the Commission to find that it had "the legal, financial, technical, and managerial ability to own and operate the Wastewater System" then owned and operated by the Sanitary District of the City of Indianapolis, and the Commission found that it did. (Cause No. 43936, Final Approved Order, p. 21-22). In that order, we authorized CWA to acquire the sewer system assets of the City of Indianapolis, and the Authority assumed the liabilities of the City and Sanitary District relating to the Wastewater System, including "those related to the Sanitary District's Septic Tank Elimination Program ("STEP")." (July 13, 2011, Final Order, Cause No. 43936, p. 9)

The STEP was initiated to extend City Sewer service to property owners with failing private on-site wastewater disposal systems (septic systems) and eliminate potential and actual public health issues associated with failing septic systems. Public's Exhibit No. 4. In every rate case since the acquisition (Cause Nos. 44305 and 44685) we have authorized revenue requirement funding for continuation of the STEP. Initially, CWA implemented the STEP, as the City did, by installing gravity systems in neighborhoods with septic systems that could then be abandoned. In 2016, CWA abandoned the practice of installing gravity sewers to implement the STEP, electing instead to install low pressure systems requiring the installation of grinder pumps, which CWA installed on customer property. The OUCC's witness Mr. Parks indicated he does not oppose this change, though he testified that gravity sewers remain the most reliable long term option for sewage disposal. Mr. Parks clarified in his testimony that if CWA's value engineering studies indicate lower installation and maintenance costs without degradation of quality service, it would make sense for CWA to install low pressure systems instead of gravity sewers. But the OUCC does oppose CWA's practice of making the new STEP customer responsible for maintaining, repairing, and replacing the grinder pump when it fails.

The OUCC maintains that certain aspects of low pressure systems make it a less desirable service to a customer than a conventional gravity system. These include the disruption of service in the event of a power outage, or malfunction or breakdown of the individual customer's grinder pump. A gravity system, conversely, has no moving parts and requires no power allowing customers to continue to receive water and wastewater service in the event of a power failure. In addition, the STEP customers that CWA has connected to its low pressure system must pay the electrical costs associated with operating the grinder pump. Further, according to CWA, STEP customers on low pressure systems must maintain, repair and replace the grinder pump CWA selected and installed on their property. CWA represented that the grinder pumps it has installed may be expected to last 20 years, though source information indicates shorter life spans (e.g 16-20 years). Hr. Tr. 51-5.

The Commission also heard from customers who have been connected to the STEP program. None of the comments supported the program, and all commenters opposed having to pay to own, operate, and replace the grinder pumps. Specifically, among other complaints, commenters stated that they are on fixed incomes and oppose the increased costs of maintaining the grinder pumps, are concerned with the cost of having to replace grinder pumps, and protested that they are paying the same as customers with gravity systems but also incur the costs of the grinder pump maintenance.

In its May 6, 2019 docket entry, the Commission asked CWA to support its rationale and decision-making process for installing gravity sewers or low pressure systems. We also asked for CWA's engineering or cost studies performed to consider whether to revert to low pressure systems to implement the STEP. While the studies CWA provided in response to this request were completed after its decision, CWA's *post hoc* reliance on them suggests that CWA evaluated only upfront installation costs and not costs that will be incurred by the customer. CWA's Sewer Cost Analysis table graphically illustrates that "life cycle" costs (i.e. the costs STEP customers will experience after installation) were not part of CWA's "Sewer Cost Analysis." Maintenance, electricity, and pump replacement costs, which must be incurred by the individual customer, are not graphically represented.

Based on CWA's representations as to relative capital costs, by electing to build only low pressure systems with grinder pumps CWA itself saved $9,000 per STEP connection (compared to the asserted upfront savings of $4,000 STEP customers receive because of CWA paying for septic tank abandonment). However, this decision, which CWA indicated was based on Value Engineering, ignored all future operation, maintenance and replacement costs to be borne by STEP customers. Previously, STEP customers received a more expensive gravity sewer, which is simpler for the customer to use, more reliable and does not require power, maintenance and grinder pump replacement costs. CWA's decision to install a low pressure system saddles new STEP customers with annual electrical and maintenance costs and future grinder pump replacement costs every 16 - 20 years. Hr. Tr. 51-52.

The 60 year life cycle cost analysis included in OUCC's CX 2[7] shows that the long term operation, maintenance, and replacement costs to be borne by STEP customers with grinder pumps outweighs the $4,000 of upfront savings. These additional costs include annual power costs ranging from $12 (CWA estimate) to $66 (WERF estimate), annual maintenance costs ranging between $50 (CWA estimate) to $216 (if customers purchase the manufacturer's Service Performance Plan)[8], emergency repairs (unspecified), and especially the inevitable pump replacement cost ($2,500- in 2018 dollars). Using the same 60 year life cycle period on the power and annual maintenance costs estimated by CWA at the lower amounts $12 and $50 respectively would total $3,720. Adding in two $2,500 pump replacements at year 20 and year 40 raises the life cycle cost to $8,720. Following Mr. Jacobs' advice to professionally contract for pump maintenance would raise the life cycle cost further to $18,860 which is more than 4.5 times greater than the initial $4,000 savings.

In response to the Commission Mr. Jacobs listed considerations that might cause it to switch back to gravity systems in its STEP program. One of those is the need to employ a workforce or engage to take on maintenance and repair responsibilities. Mr. Jacob suggested that it may be inequitable for CWA to employ a workforce to take on repair and maintenance responsibilities or contract a vendor because the cost of installing grinder pumps, electrical wiring and abandonment of the septic tank was paid for with revenues derived from ratepayers.

We disagree. That the cost of abandoning the septic tank may have been paid for by revenues provided through rates does not support Mr. Jacob's assertion that there is an inequity caused by its bearing the cost of abandoning septic systems where it has connected STEP customers to low pressure systems. In Petitioner's last rate case (Cause No. 44685), CWA was afforded $12,000,000 per year in its revenue requirement to accomplish STEP connections, and CWA has stayed within that budget. (See Table 7 of Mr. Parks' Testimony.) Consequently, CWA's expenditure of funds on such assets should not be considered an additional, inequitable burden on CWA's other customers. Moreover, each new STEP customer pay CWA's $2,530 system development charge, which by agreement approved by the Commission in Cause No. 43936 "shall be used for growth related capital purposes including constructing facilities related

[7] Water Environment Research Foundation (:WERF") Fact Sheet C2 for Pressure Sewer Systems included in CWA's response to OUCC DR 10-20

[8] Petitioner's witness Jacob testified it would be prudent for a customer to buy a warranty or maintenance plan Hearing Transcript, page 86, lines 13-25.

to system growth," including capital costs related to the Septic Tank Elimination Program." (Settlement Agreement Cause No. 43936, p. 9.)

Also, it is simply irrelevant that CWA's new STEP customers on low pressure systems received the free abandonment of their septic tanks, and CWA's gravity system STEP customers did not. The question suggested by Mr. Jacob is whether it is inequitable to the STEP customers who were connected to gravity systems for CWA to repair and replace other STEP customers' grinder pumps. Those customers who received a reliable gravity sewer connection without the drawbacks of a low pressure system, are not harmed by CWA maintaining grinder pumps of new STEP customers. Those other STEP customers have no grinder pumps to maintain. Moreover, although CWA paid the cost of abandoning the customer's septic tank, CWA's installation costs for those STEP customers were much less. (The earlier STEP connecters received a gravity system that according to CWA cost it $25,000 in capital costs, whereas the grinder pump STEP customers received a low pressure system that cost CWA only $16,000, or $9,000 less.)

It is not inequitable for CWA to take on repair and maintenance responsibilities of grinder pumps. In fact, requiring CWA to maintain the grinder pumps it has installed mitigates the inequity of residents being forced to connect to a low pressure system while paying the same rates as residents who were not forced to connect low pressure systems. Rather, we note the obvious sanitary advantage STEP customers connected gravity systems have – they may stay in their homes during power outages because they can use their bathroom facilities and water service without limitation. We find that in abandoning conventional gravity systems in favor of low pressure systems, CWA has created a disparity that can and should be mitigated by CWA being responsible to maintain, repair and replace the grinder pumps it selected and has installed on customer property as part of its STEP program.

In Cause No. 43936, we found CWA had the legal, financial, technical, and managerial ability to own and operate the Wastewater System. (Cause No. 43936, Final Approved Order, p. 21-22) Whether they are considered to be owned and operated by the customers or CWA, the grinder pumps CWA selected and installed are a necessary component of the low pressure system CWA decided to install as part of its STEP. It is consistent with our finding that CWA continue to maintain the system it selected to save construction costs without unduly burdening those individuals who happen to live in areas CWA slated for this technology. CWA has the technical, financial, and managerial ability to operate the equipment it selected and that is necessary for the operation of the sewer utility it has constructed.

For the foregoing reasons, it is not inequitable for CWA to be responsible to maintain, repair and replace its grinder pumps it has installed on customer property as part of its STEP program. Nor is it impractical.

In response to the Commission Mr. Jacob listed considerations that might cause CWA to switch back to gravity systems in implementing its STEP. Although the considerations are given for the purpose of explaining why CWA might switch back to constructing gravity sewers in the STEP, implicitly they suggest obstacles to CWA being able to be responsible for maintaining, repairing, and replacing the grinder pumps CWA installed on customer property. The reasons include (a) a suggested prohibition by 170 IAC 8.5-3-7; (b) a need for an easement on customer property, (c) a need to adopt a rule to compel access to customer property, (d) the lack of incentive

for customers to properly operate their systems, and (e) the need to employ a workforce to take on maintenance and repair responsibilities. None of these are significant obstacles to CWA maintaining and replacing grinder pumps when necessary.

(a) a suggested prohibition in 170 IAC 8.5-3-7. This administrative code provision which addresses utility responsibility for service pipe connections does not prohibit the IURC from directing CWA to maintain and replace grinder pumps. First, the provision, which was first created in 1981, seemingly deals with service pipes in gravity systems not low pressure systems. Second, and more to the point, a grinder pump is not a service pipe.

(b) a need for an easement on customer property. Through an agreement, CWA received a license from the customer to enter onto the customer's property to install a grinder pump and associated plant. CWA should be able to procure a similar license from the customer in exchange for the customer receiving maintenance, repair, and replacement of the grinder pump.

(c) need to adopt a rule to compel access to customer property. To the extent a rule is necessary to allow such access, CWA may adopt a rule subject to approval of the Commission. We note the Commission is approving rule changes proposed by CWA in this very Cause.

(d) the lack of incentive for customers to properly operate their systems. A customer uses their sewage disposal system every day. Avoiding even temporary loss of service and the need to contact CWA to schedule a repair should be sufficient incentive for a customer to properly operate their individual sewage disposal service. Moreover, CWA can draft appropriate rules to place requirements on the operation of low pressure systems and grinder pumps CWA maintains. Such rules can establish appropriate incentives.

Importantly, through rates, CWA has a mechanism to recover all appropriate O&M and capital costs of operating and maintaining the low pressure systems it has constructed. CWA's STEP customers do not. The expense such customers must inevitably incur to replace a several thousand dollar grinder pump may be out of reach. Moreover, to implement operation of its STEP, as a not-for-profit CWA may be able to acquire grant money or low interest loans, which are likewise not available to its STEP customers. Further, CWA has power in the market place to procure lower unit costs through bulk purchases. Conversely, in the event of a grinder pump failure, CWA's LPSS STEP customers will have very little leverage to procure goods and services at good prices. Thus, CWA is better able to both manage and bear the costs of regular maintenance and replacement of grinder pumps than individual STEP customers.

There is another reason CWA should be responsible for the maintenance, repair and replacement of the grinder pumps. CWA doing so will assure the goals of the Septic Tank Elimination Program are accomplished. The purpose of the Septic Tank Elimination Program is to prevent and mitigate the water quality issues within our streams caused by the percolation of wastewater on the ground that may then flow into streams. Hr. Tr. 34-35. As in the case of a failing septic system, a failed grinder pump can result in the pooling of wastewater on the ground. Hr. Tr. 37. Presumably, CWA has installed grinder pumps with the same useful life in the same neighborhoods at about the same time. This would create clusters of pumps that may fail about the same time. If CWA does not take up the task of maintaining and replacing these grinder pumps, this neighborhood could someday be plagued by failed grinder pumps. It may be precisely the situation the STEP was created to avoid,

a neighborhood with failed systems and raw sewage on the ground. Mr. Jacob testified in his case-in-chief that "Many homeowners in high priority areas are not able to afford the cost of eliminating their septic system and connecting to the wastewater system absent STEP funds." (p 19.) How will these same homeowners be able to afford to replace a grinder pump at a cost of several thousand dollars? Will such customers vacate their homes or will they allow sewage to pool in their yards until they can afford to restore operation of their system. The Commission can avoid this potentiality by requiring CWA to monitor, maintain, and replace grinder pumps through a reasonable and well planned schedule. As the entity with the technical and managerial capacity to own and operate its wastewater system, CWA can and should use its operational experience and engineering knowledge to determine the best replacement pump option to assure quality wastewater service and accomplishment of the goals of the STEP.

For the foregoing reasons, we find CWA should be responsible to maintain, operate, repair, and replace the grinder pumps it has installed as part of its low pressure systems in STEP areas. And we so order. As part of this order, we encourage CWA to engage in appropriate revision to its rules to properly manage and assist customers in the use of their low pressure system connections.

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

1. In accordance with the provisions above in section 12, CWA shall be responsible for the maintenance, repair, emergency repair, and replacement of all grinder pump it has installed in installations constructed as part of its Septic Tank Elimination Program.

2. To fund the cost of maintenance, we find CWA's annual revenue requirement should be increased by $15,000 for 2019, $30,000 for 2020, and $45,000 for 2021.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***Office of Utility Consumer Counselor's Proposed Order Language*** has been served upon the following parties of record in the captioned proceeding by electronic service on May 24, 2019.

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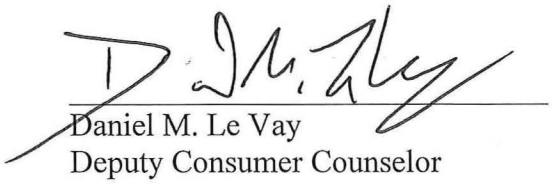

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