STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF AQUA INDIANA, INC. FOR A NEW SCHEDULE OF RATES AND CHARGES.	))))	**CAUSE NO. 45308-U**

OUCC's REPORT

In accordance with 170 IAC 14-1-4(a), the Indiana Office of Utility Consumer Counselor ("OUCC"), by counsel, hereby submits its Report consisting of the testimonies of Carla Sullivan and Carl Seals including attachments, which are marked as Public's Exhibit Nos. 1 and 2 respectively.

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Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

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

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC's REPORT*** has been provided to the following individuals by electronic service on January 16, 2020.

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TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 45308-U
AQUA INDIANA, INC. - WHITE OAK WASTEWATER DIVISION

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Carla F. Sullivan, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst II in the Water/Wastewater Division. My qualifications and experience are set forth in Appendix "A" attached to this testimony.

Q: What is the purpose of your testimony?

A: White Oak Wastewater Division of Aqua Indiana, Inc. ("White Oak" or "Applicant") filed an application with the Indiana Utility Regulatory Commission ("Commission" or "IURC") under 170 IAC 14-1-1 et al, the small utility rate filing statute (IC 8-1-2-61.5). In its application, White Oak requests an overall rate increase of 35.72% to be implemented in two phases. My testimony presents the OUCC's recommended revenue requirement and explains why the OUCC accepts White Oak's proposed rate increase and phase-in of rates. My testimony also discusses the OUCC's position regarding the various non-recurring fees White Oak proposes to add to its authorized tariff. The OUCC accepts all of the proposed non-recurring fees except for the tap inspection fee.

Q: What did you do to prepare your testimony?

A: I reviewed Applicant's schedules and workpapers. I reviewed White Oak's 2017 and 2018 annual reports filed with the IURC. Finally, I assisted in preparing discovery requests and reviewed Applicant's responses.

Q: Do you sponsor any schedules?

A: Yes. I sponsor the following schedules:

Schedule 1 – Comparison of Overall Revenue Requirements (page 1)
Comparison of Gross Revenue Conversion Factor (page 2)
Comparison of Income Statement Adjustments (page 3)

Schedule 2 – Comparative Balance Sheet as of March 31, 2019 and December 31, 2017 and 2018

Schedule 3 – Comparative Income Statement for the twelve months ended March 31, 2019 and December 31, 2017 and 2018

Schedule 4 – *Pro Forma* Net Operating Income Statement

Schedule 5 – Operating Expense Adjustments

Schedule 6 – Original Cost Rate Base

Schedule 7 – *Pro forma* Capital Structure

II. RATEMAKING FOR AN INVESTOR-OWNED UTILITY

Q: Please describe how rates are determined for an investor-owned utility such as White Oak Wastewater Division.

A: Rates for an investor-owned utility are designed to allow the utility an opportunity to earn a reasonable return for its shareholders on its investment in utility plant. The actual earned return for a utility can and will vary depending upon factors both within a utility's control (e.g., effective utility management, etc.) and outside of a utility's control (e.g., weather, environmental laws, etc.). A utility's revenue requirement is the amount of net income necessary to provide this reasonable

return. The revenue requirement for an investor-owned utility is equal to its investment in utility plant multiplied by its weighted average cost of capital.

Q: What is the first step in determining investor-owned utility rates?

A: The first step in setting rates for an investor-owned utility is to determine the utility's investment in used and useful utility plant or "rate base." A utility's rate base includes the value of utility plant used to provide utility service to customers, (e.g. treatment plant, mains, lift stations, pumps, vehicles, and other equipment), net of accumulated depreciation and contributions-in-aid of construction. Rate base also includes investments in inventory and working capital. Finally, rate base may include IURC approved acquisition adjustments and regulatory assets.

Contributions-in-aid of construction include cash payments to the utility as well as contributions in-kind from developers and other customers. Cash contributions generally include system development charges and connection fees. Contributions in-kind for a wastewater utility generally include customer service lines, collection mains, and lift stations. Contributions-in-aid of construction reduce the amount of utility plant included in rate base and for which an investor-owned utility may earn a return.

Q: What is the next step in determining investor-owned utility rates?

A: The next step in the rate-making process is to determine the utility's weighted average cost of capital. The weighted average cost of capital is based on the utility's capital structure and consists of all sources of capital for a utility's investments, including equity, long-term debt, customer deposits, and deferred income taxes. The cost of each capital source is weighted by that source's *pro rata* share of total

capital. While the cost of most sources of capital is fairly straight forward, the cost of equity is often a contested issue.

Q: Once the net income necessary for a utility to earn a reasonable return on its investment is determined, how is the rate increase determined?

A: In order to determine the rate increase necessary to provide the reasonable return, the current net operating income being earned by the utility needs to be calculated. This amount is determined based on the utility's current rates and the test year chosen by the utility. Test year revenues and expenses are then adjusted to include changes that are fixed within the time period (12 months from the end of the test year), known to occur, and measurable in amount. Subtracting this adjusted net operating income from the income necessary to earn a reasonable return on rate base (as discussed above), yields the dollar amount of the increase (or decrease) needed. This increase (or decrease) is then "grossed up" to include additional taxes and fees related to the increased (or decreased) revenue. This process is illustrated on OUCC Schedule 1, page 1, attached to this testimony. Finally, the dollar increase (or decrease) determined above is allocated to each customer class to determine the rates to be charged. This allocation may be accomplished through a class cost of service study that determines the costs to serve each customer class or as simple as an across-the-board rate increase wherein the overall percentage increase necessary is applied to all customer classes equally.

III. WHITE OAK'S PROPOSAL

Q: Please describe the characteristics of White Oak Wastewater Division.

A: White Oak currently provides wastewater utility service to forty-one (41) residential and three (3) commercial customers in Liberty Township in Crawford County, Indiana. The collection system consists of manholes and gravity sewers. Sewage is treated at the wastewater treatment plant, which is a Class I, 25,000 GPD extended aeration facility equipped with a bar screen, aeration tank, secondary clarifier, aerobic digester, post-aeration tank and equipment for chlorination and de-chlorination.[1] Aqua Indiana operates White Oak from its Floyd County Division, which serves approximately 750 customers and has a work force of five individuals, who support Aqua Indiana's operations in its Floyd County and White Oak Divisions.

Q: What rate relief does White Oak seek in this Cause?

A: White Oak presented rate schedules indicating an across-the-board 59.73% rate increase (a $14,448 revenue increase) would be required to allow White Oak to recover its *pro forma* operating expenses and provide White Oak the opportunity to earn an expected return (WACC) on rate base of 7.365%. However, White Oak only proposes an overall rate increase of 35.72% ($8,640). White Oak proposes this increase be implemented in two phases.

Q: Why does White Oak propose to limit or cap its revenue increase?

A: White Oak explained in its application that it is limiting its request because of "the

[1] Small Utility Rate Filing for White Oak Wastewater Division, p.1

1 economic status of its customer base."[2] This requested increase would allow White
2 Oak to recover all operating expenses and provide an opportunity to earn an
3 expected return on rate base of 3.439%. (See Attachment CFS-1.)

4 **Q: How does White Oak propose to phase-in its proposed rate increase?**
5 A: White Oak proposes a Phase 1 operating revenue increase of $4,838, which
6 represents a 20.0% rate increase. White Oak then proposes a Phase 2 operating
7 revenue increase of $3,802, which represents an additional 13.10% rate increase
8 over Phase 1 rates. White Oak's requested Phase 1 rate increase of 20.0%
9 represents an increase of $9.00 to the existing residential flat fee (from $45.00 to
10 $54.00 per month) and a $10.00 increase to the existing commercial flat fee (from
11 $50.00 to $60.00 per month). White Oak's additional requested Phase 2 rate
12 increase of 13.10% represents an additional $7.07 increase to the residential flat
13 rate (from $54.00 to $61.07 per month) and an additional $7.86 rate increase to the
14 commercial flat fee (from $60.00 to $67.86 per month).

15 **Q: Is White Oak requesting any other relief?**
16 A: Yes. White Oak also requests authority to establish a System Development Charge
17 and several non-recurring fees -- a tap inspection fee, a shut-off valve installation
18 fee, a reconnection fee, and a return check fee.

[2] Small Utility Rate Filing for White Oak Wastewater Division, p.1

IV. OUCC PROPOSAL

Q: What rate relief does the OUCC recommend in this Cause?

A: Based on the OUCC's recommended revenue requirement, the OUCC calculates an across-the-board rate increase of 59.22% ($14,325) is required to allow White Oak to recover its *pro forma* operating expenses and provide White Oak the opportunity to earn an expected return on rate base of 7.365%. However, the OUCC accepts White Oak's proposal to limit the rate increase in this Cause and, therefore, recommends an overall rate increase of 35.72% ($8,640).

Q: Does the OUCC accept White Oak's proposal to phase-in this overall rate increase?

A: Yes. The OUCC accepts White Oak's proposal to implement the rate increase in two phases.

Q: Does the OUCC accept White Oak's proposal to implement various non-recurring charges including a system development charge?

A: The OUCC accepts the $800 system development charge proposed by White Oak. The OUCC also accepts the additional non-recurring charges proposed by White Oak with the exception of the tap inspection fee. The OUCC recommends the tap inspection fee charged in other Aqua Indiana operations should be implemented for White Oak rather than the $175 charge proposed by White Oak.

Table CFS-1: Revenue Requirement Comparison

	Per White Oak	Per OUCC	OUCC More (Less)
Original Cost rate Base	$ 107,974	$ 108,447	$ 473
Times: Weighted Cost of Capital	7.365%	7.365%	0.00%
Net Operating Income Required for Return on Original Cost Rate base	7,952	7,987	35
Less: Adjusted Net Operating income	(2,591)	(2,457)	134
Net Revenue Increase Required	10,543	10,444	(99)
Gross Revenue Conversion Factor	137.0487%	137.1595%	0.110800%
Revenue Increase Required	$ 14,448	$ 14,325	$ (123)
Revenue Percentage Increase	59.73%	59.22%	-0.51%
Revenue Increase Proposed - Phase 1	$ 4,838		
Revenue Percentage Increase - Phase 1	20.00%		
Revenue Increase Proposed - Phase 2	$ 3,802		
Revenue Percentage Increase - Phase 2	13.10%		
Revenue Increase Proposed - Overall	$ 8,640		
Revenue Percentage Increase - Overall	35.72%		

V. RATE BASE

Q: What original cost rate base value did White Oak propose?

A: White Oak proposes the Commission find it has an original cost rate base of $107,974, including $2,213 of working capital.

Q: Do you accept White Oak's proposed original cost rate base?

A: No. I recommend the Commission find White Oak has an original cost rate base of $108,447, including $2,510 of working capital.

Q: What is the difference between White Oak's proposed rate base and the rate base you recommend?

A: The difference is related to the determination of White Oak's working capital investment to be included in rate base. This is partly due to the differences in

various *pro forma* operating expenses proposed by each party and partly due to my inclusion of certain operating expenses in the calculation, including payroll taxes and rate case expense.

Table CFS-2: Rate Base Comparison

Utility Plant in Service at 3/31/2019		105,849	105,849	-
Less:	Accumulated Depreciation	(88)	(88)	-
	Contributions in Aid of Construction	-	-	-
Add:	Amortization of CIAC	-	-	-
Net Utility Plant in Service		105,937	105,937	-
Add:	Materials & Supplies	-	-	-
	Working Capital (see below)	2,213	2,510	297
Total Original Cost Rate Base		107,974	108,447	297
Working Capital Calculation				
Operation & Maintenance Expense		$ 21,946	$ 22,947	$ 1,001
Less:	Purchased Water	-	-	-
	Purchased Power	(4,246)	(4,246)	-
Add:	Payroll Tax Expense	-	1,377	1,377
Adjusted Operation & Maintenance Expense		17,700	20,078	2,378
Times:	45-Day Factor	12.5%	12.5%	
Working Capital Requirement		$ 2,213	$ 2,510	$ 297

Q: Why is accumulated depreciation an addition to rate base?

A: For utilities like White Oak that use the composite depreciation method, accumulated depreciation is not maintained for each asset but only for utility plant in total. When an asset is retired, the asset is assumed to be fully depreciated regardless how long the asset has been in service. The original cost of the retired asset is removed from both utility plant in service (UPIS) and accumulated

depreciation. In the two years Aqua Indiana has owned the White Oak facility, it has recorded more in asset retirements than it has recorded in accumulated depreciation expense. Therefore, accumulated depreciation has a debit balance of $88 as of March 31, 2019 and is added to utility plant in service rather than being subtracted from it.

Q: Why did you include payroll taxes in the determination of working capital?

A: Generally, taxes are paid in arrears and are excluded from the determination of working capital. "Paid in arrears" means the expense (taxes) are paid after the utility has collected revenues from its customers. Because the utility has collected the expense through customer revenues, there is no working capital investment required. However, payroll taxes are different from other taxes in that they are paid on a current basis. Therefore, I included payroll taxes in my determination of White Oak's working capital investment.

Q: Why is there no adjustment for accumulated deferred income taxes included in your calculation of rate base?

A: The rates currently in effect for White Oak do not include any income tax expense. Therefore, any accumulated deferred income taxes ("ADIT") recorded by White Oak were not funded by customers and should not be included as a reduction to rate base or as a zero cost source of capital. The rates being set in this Cause will include income taxes and, therefore, in White Oak's next rate case there will be an adjustment for customer funded ADIT, either as a reduction to rate base or the weighted cost of capital.

VI. WEIGHTED COST OF CAPITAL

Q: What weighted average cost of capital does White Oak propose?

A: White Oak proposes a weighted cost of capital of 7.365%, which is based on a 9.8% cost of equity and a 4.93% cost of debt. White Oak's proposal is based on its parent company's capital structure, which consists of 50.0% equity and 50.0% long-term debt as of March 31, 2019.

Q: Do you accept White Oak's proposed weighted cost of capital?

A: Yes. While I do not necessarily agree with White Oak's proposed 9.8% cost of equity, I can accept it since White Oak's requested rate increase (35.72%) is less than the calculated rate increase (59.73%). White Oak's proposed rate increase equates to a 3.439% return on investment. The OUCC's proposed rate increase yields a 3.543% return on investment. (See Attachment CFS-1.) Therefore, the cost of equity determination does not have an effect on the rates to be approved in this case.

VII. OPERATING REVENUES

Q: What revenue adjustments does White Oak propose?

A: White Oak proposes a test year customer growth adjustment for both its residential and commercial customer classes to reflect a full year of revenue from each customer connected to its system as of March 31, 2019. As of March 31, 2019, White Oak had 41 residential customers. Annualizing the revenue from 41 residential customers yields *pro forma* wastewater revenue of $22,138 (41 x 12 months x $45), which is an increase of $1,027 over test year residential revenues. White Oak also had three (3) commercial customers as of March 31, 2019.

1 Annualizing the revenue from these three commercial customers yields *pro forma*
2 wastewater revenue of $1,802, a decrease of $3 from test year commercial
3 revenues. White Oak proposes *pro forma* operating revenues at present rates of
4 $24,190, which is an increase of $1,024 over test year operating revenues of
5 $23,166. The OUCC accepts White Oak's proposed revenue adjustments.

VIII. OPERATING EXPENSES

6 **Q: What operating expense adjustments does White Oak propose?**
7 A: White Oak proposes adjustments to the following operating expenses: (1) $126
8 increase to salaries and wages to reflect a 3% wage increase; (2) a $1,000 increase
9 to reflect the amortization of rate case expense over three years; (3) a $29 increase
10 to IURC fees; (4) a $409 increase to depreciation expense; (5) $604 increase to
11 property tax expense; (6) $14 increase to utility receipts tax expense; and (7) a $228
12 decrease to income tax expense. In total, White Oak proposes a $1,954 increase to
13 test year operating expenses of $24,827, yielding *pro forma* operating expenses of
14 $25,382.

15 **Q: Does the OUCC accept any of White Oak's proposed operating expenses**
16 **adjustments?**
17 A: Yes. The OUCC accepts White Oak's proposed adjustments to salaries and wages,
18 rate case expense, and utility receipts tax expense. But the OUCC proposes its own
19 operating expense adjustments for depreciation expense, IURC fees, property taxes,
20 and income taxes.

TABLE CFS 3: Comparison of Operating Expense Adjustments

	Per White Oak	Per OUCC	OUCC More (Less)
Operating Revenues			
Unmetered Residential Wastewater Revenues	$ 1,027	$ 1,027	$ -
Unmetered Commercial Wastewater Revenues	(3)	(3)	-
Total Operating Revenues	1,024	1,024	-
O&M Expense			
Salaries and Wages	126	126	-
Rate Case Expense Amortization	1,000	1,000	-
IURC Fee	29	14	(15)
Depreciation Expense	409	372	(37)
Taxes Other than Income:			
Payroll Tax	-	-	-
Property Tax	604	449	(155)
Utility Receipts Tax	14	14	-
State Income Tax	9	40	31
Federal Income Tax	(237)	(195)	42
Total Operating Expenses	1,954	1,820	(134)
Net Operating Income	$ (930)	$ (796)	$ 134

A. Depreciation Expense

Q: What depreciation expense adjustment does the OUCC propose?

A: While White Oak proposes a $409 increase and *pro forma* depreciation expense of $2,646, the OUCC proposes a $372 increase and *pro forma* depreciation expense of $2,609.

Q: What is the difference between the two proposals?

A: White Oak included the value of land in depreciable utility plant in service. (White Oak's Schedule P-4, Analysis of Utility Plant in Service, line 3 reflects $1,500 of land added to utility plant in service in 2018.) In accordance with regulatory practice and U.S. GAAP, the OUCC eliminated land from the calculation of depreciation expense. (See OUCC Schedule 5, Adjustment No. 2.)

B. IURC Fee

Q: What IURC Fee adjustment does the OUCC propose?

A: While White Oak proposes a $29 increase and *pro forma* IURC fee expense of $46, the OUCC proposes a $14 increase and *pro forma* IURC fee expense of $31. (See OUCC Schedule 5, Adjustment No. 1.) Instead of the current 2019 IURC fee (0.1296408%), White Oak used the 2018 IURC fee rate (0.1202%). Also, White Oak did not subtract the amount of test year expense (which was already included in *pro forma* operating expenses) from its calculation of *pro forma* IURC fee, the

Table CFS-4: Calculation of *Pro forma* IURC Fees

	White Oak	OUCC	OUCC More (Less)
Present Rate Operating Revenues	$ 24,190	$ 24,190	$ -
Times: 2019 IURC Fee	0.1202000%	0.1296408%	0.0094408%
Pro Forma IURC Fee	29	31	2
Less: Test Year IURC Fee	-	(17)	(17)
IURC Fee Adjustment	$ 29	$ 14	$ (15)

Note: IURC Fee is recorded to Account 408101 - PUC Assessment

C. Property Tax Expense

Q: What property tax expense adjustment does the OUCC propose?

A: Test year property tax expense was $231. While White Oak proposes a $604 increase to test year property tax expense, the OUCC proposes a $449 increase to test year property tax expense. (See OUCC Schedule No. 5, Adjustment No. 3.) The OUCC disagrees with White Oak's inclusion of property tax expense on $5,000 of plant that will not have any property taxes due until after the end of the adjustment period in this case (March 31, 2020).

Q: Why doesn't the OUCC include any property taxes for the 2019 capital expenditures in its proposed *pro forma* property tax expense?

A: In Indiana, property taxes are paid two years in arrears. Property taxes for these 2019 expenditures, assuming they are placed in service by December 31, 2019, will not be assessed until 2020 and will not be due until 2021, well beyond the end of the adjustment period in this case. For these reasons, the OUCC did not include any property tax expense for the $5,000 of 2019 capital expenditures in its determination of *pro forma* property tax expense.

D. Income Tax Expense

Q: Did White Oak propose any adjustments to income tax expense?

A: Yes. White Oak proposed a $9 increase to state income tax expense and a $237 decrease to federal income tax expense.

Q: Do you accept White Oaks' proposed income tax expense adjustments?

A: No. I propose a $40 increase to state income tax expense and a $195 decrease to federal income tax expense (OUCC Schedule 5, Adjustment No. 4).

Q: How does your proposed adjustments differ from White Oak's adjustments?

A: Other than the differences in various proposed expense items, there is no difference between my calculation of income tax expense and White Oak's.

IX. SYSTEM DEVELOPMENT CHARGE

Q: How does the American Water Works Association ("AWWA") Principles of Water Rates, Fees, and Charges Seventh Edition ("Manual M1") describe a System Development Charge (SDC)?

A: The AWWA Manual M1 describes an SDC as:

> a one-time charge paid by a new water system customer for system capacity. It is also assessed to existing customers requiring increased system capacity. The receipts from this charge are used to finance the development of growth-related or capacity-related facilities and are an important funding/financing source for these facilities.[3]

Q: How is an SDC calculated?

A: According to AWWA M1 Manual (pages 329 – 330), an SDC can be calculated using one of three basic approaches: (1) the buy-in method, (2) the incremental cost method, or (3) the combined approach method.

Q: What dollar amount of SDC is White Oak requesting?

A: White Oak used the buy-in method to calculate its proposed SDC. While White Oak maintains it can support an SDC of $1,328, it is limiting its request to an SDC of $800 per EDU. The calculation of its proposed SDC is presented in its small utility filing and is included as Attachment CFS-2.

Q: Please explain the buy-in method.

A: The AWWA M1 Manual describes the buy-in method as:

> An approach to determining system development charges based on the value of the existing system's capacity. This method is typically used when the existing system has sufficient capacity to serve new development now and into the future.[4]

Under the buy-in methodology, new development "buys" a proportionate share of capacity based on the cost of the existing facilities. While this method is labeled "buy-in," payment of an SDC does not transfer or impart ownership of assets to the customer. There are three inputs into the determination of an SDC calculated under

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[3] American Water Works Association, *Principles of Water Rates, Fees, and Charges Seventh Edition*, page 321, Seventh Edition

[4] AWWA Manual M1, Definitions, Page 399

the buy-in method: (1) cost of existing facilities, (2) system capacity, and (3) capacity per equivalent dwelling unit ("EDU").

Q: How is the cost of existing facilities determined?

A: This cost of existing facilities can be based on various valuations, including: (1) original cost, (2) original cost less accumulated depreciation, (3) replacement cost new, and (4) replacement cost new less depreciation.[5] In this case, White Oak used the original cost less accumulated depreciation in its calculation.

Q: What system capacity did White Oak use in its calculation?

A: White Oak's wastewater treatment plant has a treatment capacity of 25,000 gallons per day. IDEM's wastewater treatment plant design standard of 310 gallons per EDU yields 81 EDUs of capacity (25,000 / 310 gallons).

Table CFS-5: System Development Charge Calculation

Utility Plant in Service at 03/31/2019	$ 113,852
Less: Accumualted Depreciation	6,766
Net Original Cost at 03/31/2019	107,086
Divided by Total Capacity	25,000
Cost per Gallon of Capcity	$ 4.2834
Times: 310 Gallons per EDU	310
System Development Charge per EDU	$ 1,328
Proposed System Development Charge	$ 800

[5] AWWA Manual M1, Page 332

1 **Q: Do you accept White Oak's use of the buy-in method?**
2 A: Yes. Currently White Oak has unused capacity at its wastewater treatment plant
3 and, based on the facts and circumstances of this case, the buy-in method is the
4 most appropriate method.

5 **Q: Do you accept White Oak's proposed system development charge of $800?**
6 A: Yes.

X. ADDITIONAL NON-RECURRING CHARGES

7 **Q: Does White Oak request the addition of any other non-recurring charges to its**
8 **authorized tariff?**
9 A: Yes. White Oak requests authority to add the following non-recurring charges to its
10 tariff: (1) a $175 tap inspection fee, (2) an $800 shut-off valve installation fee, (3)
11 a $32 reconnection fee, and (4) a $34 return check charge. With the exception of
12 the tap inspection fee, all of the non-recurring fees proposed are the same as the fee
13 currently being charged by Aqua Indiana's Aboite Division, which were approved
14 in Cause No. 44752 in 2017.

A. Tap Inspection Fee

15 **Q: What is a tap inspection fee?**
16 A: After a sewer line is connected to the main line but before the connection has been
17 covered over, utility personnel are sent to inspect the connection. The inspection
18 insures the tap was properly constructed according to the utility's standards.

1 **Q: What amount does White Oak propose for its tap inspection fee?**
2 A: White Oak suggests a fee of $175 based on one hour of inspection time, one hour
3 of office time, and two hours of travel time. The proposed fee is less than the
4 calculated amount of $181.46.

5 **Q: Do you accept White Oak's proposed tap inspection fee?**
6 A: No. The proposed tap inspection fee is higher than similar fees charged in other
7 Aqua Indiana service territories. White Oak is reducing its other proposed non-
8 recurring fees to the amount approved for Aqua Indiana's Aboite Division in Cause
9 No. 44752. The amount approved in that case for tap inspection fee was $32 during
10 regular business hours or $85 minimum charge for two-hours and $40 for each
11 additional hour for weekend or after hours tap inspections.

12 **Q: What tap inspection fee do you recommend?**
A: I recommend the tap fee approved for the Aboite Division in Cause No. 44752 be authorized for White Oak.

B. <u>Shut-off Valve Installation Fee</u>

13 **Q: What is a shut-off valve installation fee?**
14 A: In order to discontinue the sewer service of non-paying customers, a shut-off valve
15 must be installed.

16 **Q: Has the OUCC accept to the imposition of a shut-off valve installation fee in**
17 **prior cases?**
18 A: Yes. The settlement reached in Cause No. 44752 included an $800 shut-off valve
19 installation fee.

Q: How much does the installation of a shut-off valve cost?

A: White Oak presented a quote of $2,345 obtained in Aqua Indiana's Aboite Division (Attachment CFS-3).

Q: Would the cost vary greatly between the White Oak and Aboite areas?

A: No, not enough to justify a lower amount for the fee.

Q: Do you recommend the approval of the proposed shut-off valve installation fee?

A: Yes.

C. Reconnection Fee

Q: What amount does White Oak propose to charge for reconnection of sewer service?

A: White Oak supported a reconnection charge of $102.28. However, it is only proposing to charge a fee of $32, the same reconnection charge approved for Aqua Indiana's Aboite Division in Cause No. 44752.

Q: Do you recommend approval of the proposed reconnection fee?

A: Yes.

D. Returned Check Fee

Q: What fee does White Oak propose for a returned check?

A: White Oak proposes a return check fee of $34. White Oak can support a $50.32 fee but chooses to use the amount reflected on it Aqua Aboite's tariff.

Q: Do you recommend approval of the proposed return check fee?

A: Yes.

XI. RECOMMENDATIONS

Q: Please summarize your recommendations?

A: I recommend the Commission approve an overall rate increase of 35.72% to be implemented in two phases. I further recommend the Commission approve White Oak's request for a system development charge of $800. Finally, I recommend the following non-recurring fees be approved:

Tap Inspection Fee	$ 32
Shut-off Valve Installation Fee	$800
Reconnection Fee	$ 32
Returned check Fee	$ 34

Q: Does this conclude your testimony?

A: Yes.

APPENDIX A

Q: Please describe your educational background and experience.

A: I graduated from Lipscomb University in June 1989 and received a Bachelor of Science degree in business management. I earned a Master's degree in Business Administration from Phoenix University in 2011 and a Master's degree in Accounting and Financial Management from the Keller Graduate School in 2014. Beginning in 2014, I worked as a balance sheet and payroll accountant for the State of Wisconsin's Department of Health Services. In April of 2019, I joined the staff of the Indiana Office of Utility Consumer Counselor as a Utility Analyst II.

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

A: Yes.

AFFIRMATION

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

Carla Sullivan

By: Carla F. Sullivan
Cause No. 45308-U
Indiana Office of
Utility Consumer Counselor

1-16-2020

Date:

White Oak Watewater Division
CAUSE NUMBER 45308 - U

Comparison of Applicant's and OUCC's Overall Revenue Requirements

	Per White Oak	Per OUCC	Sch Ref	OUCC More (Less)
Original Cost rate Base	$ 107,974	$ 108,447	6	$ 473
Times: Weighted Cost of Capital	7.365%	7.365%	7	0.00%
Net Operating Income Required for Return on Original Cost Rate base	7,952	7,987		35
Less: Adjusted Net Operating income	(2,591)	(2,457)	4	134
Net Revenue Increase Required	10,543	10,444		(99)
Gross Revenue Conversion Factor	137.0487%	137.1595%	1	0.1108%
Gross Revenue Increase Required	$ 14,448	$ 14,325		$ (123)
Gross Revenue Percentage Increase	59.73%	59.22%		-0.51%
Proposed Phase 1 Revenue Increase	$ 4,838	$ 4,838		$ -
Proposed Phase 1 Percentage Increase	20.00%	20.00%		0.00%
Proposed Phase 2 Revenue Increase	$ 3,802	$ 3,802		$ -
Proposed Phase 2 Percentage Increase	13.10%	13.10%		0.00%
Proposed Overall Revenue Increase	$ 8,640	$ 8,640		$ -
Proposed Overall Percentage Increase	35.72%	35.72%		0.00%
Percentage of Required Increase Being Implemented	59.80%	60.31%		0.51%
Expected Weighted Cost of Capital Earned	3.439%	3.543%		0.104%

Unmetered Wastewater Rates	Current Rates	Proposed Phase 1 Rates	Proposed Phase 2 Rates
Residential	$ 45.00	$ 54.00	$ 61.07
Commercial	$ 50.00	$ 60.00	$ 67.86

White Oak Watewater Division
CAUSE NUMBER 45308 - U

Gross Revenue Conversion Factor

		Per White Oak	Per OUCC		
1	Gross revenue Change	100.0000%	100.0000%	$	8,640
2	Less: Bad Debt Rate	0.7412%	0.7412%		64
3	Sub-total	99.2588%	99.2588%		
4	Less: IURC Fee	0.1202041%	0.1286799%		11
5	Income Before State Income taxes	99.138595900%	99.130120%		
6	Less: State Income Tax (5.5% of Line 5)	5.4526%	5.4522%		471
7	Utility Receipts Tax (1.4% of Line 3)	1.3230%	1.3896%		120
8	Income before Federal income Taxes	92.362957740%	92.2883%		
9	Less: Federal income Tax (21% of Line 8)	19.3962%	19.3805%		1,674
10	Change in Operating Income	72.9668%	72.9078%		6,300
11	Gross Revenue Conversion Factor	137.0487%	137.1595%		

White Oak Watewater Division
CAUSE NUMBER 45308 - U

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

	Per White Oak	Per OUCC	OUCC More (Less)
Operating Revenues			
Unmetered Residential Wastewater Revenues	$ 1,027	$ 1,027	$ -
Unmetered Commercial Wastewater Revenues	(3)	(3)	-
Total Operating Revenues	1,024	1,024	-
O&M Expense			
Salaries and Wages	126	126	-
Bad Debt Expense	-	-	-
Rate Case Expense Amortization	1,000	1,000	-
Miscellaneous Expense	-	-	-
IURC Fee	29	14	(15)
Depreciation Expense	409	372	(37)
Amortization Expense	-	-	-
Taxes Other than Income:	-	-	-
Payroll Tax	-	-	-
Property Tax	604	449	(155)
Utility Receipts Tax	14	14	-
State Income Tax	9	40	31
Federal Income Tax	(237)	(195)	42
Total Operating Expenses	1,954	1,820	(134)
Net Operating Income	$ (930)	$ (796)	$ 134

White Oak Watewater Division
CAUSE NUMBER 45308 - U

COMPARATIVE BALANCE SHEET AS OF

ASSETS	March 31, 2019	December 31, 2018	December 31, 2017
Utility Plant:			
Utility Plant in Service	$ 105,849	$ 105,842	$ 74,319
Construction Work in Progress	5,516	-	-
Less: Accumulated Depreciation	(88)	550	(1,240)
Net Utility Plant in Service	111,277	106,392	73,079
Current Assets:			
Cash and Cash Equivalents	-	-	-
Accounts Receivable	3,136	3,347	3,679
Materials and Supplies			
Prepaids	543	40	117
Other Current Assets	254	195	121
Total Current Assets	3,933	3,582	3,917
Total Assets	$ 115,210	$ 109,974	$ 76,996
LIABILITIES			
Equity			
Retained Earnings	$ (6,057)	$ (4,617)	$ (1,701)
Paid in Capital			
Total Equity	(6,057)	(4,617)	(1,701)
Current Liabilities			
Accounts Payable	-	-	-
Intercompany Accounts Payable	123,011	116,015	78,690
Accrued Taxes	(3,486)	(3,211)	179
Other Current Liabilities	119,525	112,804	78,869
Accumulated Deferred Income Taxes			
Liberalized Depreciation	1,742	1,788	(150)
Accumulated Deferred Income taxes- Other	-	(1)	(22)
Accumulated Deferred Income Taxes	1,742	1,787	(172)
Total Liabilities	$ 115,210	$ 109,974	$ 76,996

White Oak Watewater Division
CAUSE NUMBER 45308 - U

COMPARATIVE INCOME STATEMENT
Twelve Months Ended

	March 2019	December 2018	December 2017
Operating Revenues			
Unmetered Waste Water Revenues			
Residential	$ 21,111	$ 20,753	$ 17,280
Commercial	1,805	1,805	1,510
Late Fees	250	285	188
Total Operating Revenues	23,166	22,843	18,978
Operating Expenses			
Salaries and Wages	4,188	3,854	4,972
Employee Benefits	1,355	1,337	1,409
Sludge Removal	600	600	2,815
Purchased Power	4,246	4,354	3,843
Chemicals	1,137	-	148
Materials and Supplies	373	772	250
Contractual Services	2,832	2,966	2,923
Transportation Expense	1,301	710	563
Insurance	-	-	-
Bad Debt Expense	172	172	174
Rate Case Expense Amortization	-	-	-
Miscellaneous Expense	5,617	5,618	2,133
Total O&M Expense	21,821	20,383	19,230
Depreciation Expense	2,237	1,841	1,314
Amortization Expense	-	-	-
Taxes Other than Income:			
Payroll Tax	1,377	1,243	625
Property Tax	231	209	676
IURC Fee	17	11	-
Utility Receipts Tax	321	315	200
Other Taxes and Licenses	379	438	(1,167)
Total Taxes other than Income	2,325	2,216	334
Total Operating Expenses	26,383	24,440	20,878
Income Taxes:			
Current - State Income Tax	(768)	(680)	(129)
Current - Federal Income Tax	(2,675)	(2,361)	(692)
Deferred - State income taxes	372	374	(22)
Deferred - Federal income taxes	1,515	1,525	(150)
Total Income Taxes	(1,556)	(1,142)	(993)
Net Operating Income	(1,661)	(455)	(907)
Other Income (Expense)			
Gain (Loss) on Sale of Assets	-	-	-
Other Income (Expense)	(1,581)	(1,592)	-
Interest Expense	-	-	-
Amortization of Debt Discount	(9)	(12)	-
Interest on associated company debt	(1,038)	(1,029)	(816)
AFUDC	165	172	21
Total Other Income (Expense)	(2,463)	(2,461)	(795)
Net Income	$ (4,124)	$ (2,916)	$ (1,702)

White Oak Watewater Division
CAUSE NUMBER 45308 - U

***Pro-forma* Net Operating Income Statement**

	Year Ended 3/31/2019	Adjustments	Sch Ref	*Adjusted* Present Rates	Adjustments	Sch Ref	Proposed Rates
Operating Revenues							
Unmetered Waste Water Revenues							
Residential	$ 21,111	$ 1,027	APP	$ 22,138	$ 7,907		$ 30,045
Commercial	1,805	(3)	APP	1,802	644		2,446
Late Fees	250			250	89		339
Total Operating Revenues	23,166	1,024		24,190	8,640		32,830
O&M Expense	0.32						
Salaries and wages	4,188	126	APP	4,314			4,314
Employee pension and benefits	1,355	-		1,355			1,355
Sludge removal	600	-		600			600
Purchased power	4,246	-		4,246			4,246
Chemicals	1,137	-		1,137			1,137
Materials and supplies	373	-		373			373
Contractual Service	2,832	-		2,832			2,832
Rent	-	-		-			-
Transportation expense	1,301	-		1,301			1,301
Insurance Expense	-	-		-			-
Rate Case Expense	-	1,000	APP	1,000			1,000
Bad debts expense	172			172	64	1	236
Miscellaneous expense	5,617			5,617			5,617
Depreciation Expense	2,237	372	5-2	2,609			2,609
Amortization Expense	-			-			-
Taxes Other than Income:							
Payroll Tax	1,377			1,377			1,377
Property Tax	231	449	5-3	680			680
Utility Receipts Tax	321	14	APP	335	120	1	455
IURC Fee	17	14	5-1	31	11	1	42
Other Taxes and Fees	379			379			379
Income Taxes:							
State Income Tax	(396)	40	5-4	(356)	471	1	115
Federal Income Tax	(1,160)	(195)	5-4	(1,355)	1,674	1	319
Total Operating Expenses	24,827	1,820		26,647	2,340		28,987
Net Operating Income	$ (1,661)	$ (796)		$ (2,457)	$ 6,300		$ 3,843

White Oak Watewater Division
CAUSE NUMBER 45308 - U

OUCC Expense Adjustments

(1)
IURC Fee

To reflect IURC fee associated with *pro forma* operating revenues.

Present Rate Operating Revenue	$ 24,190	
Times: 2019 IURC fee	0.1296408%	
Pro forma IURC fee	31	
Less: Test year IURC fee	(17)	
Adjustment Increase (Decrease)		$ 14

(2)
Depreciation Expense

To reflect *pro forma* depreciation expense on depreciable utility plant in service.

Utility Plant and Service at 3/31/2019	$ 105,849	
Less: Land and Land Rights	1,500	
Depreciable UPIS	104,349	
Times: Composite Depreciation Rate	2.5%	
Pro forma Depreciation Expense	2,609	
Less: Test year Depreciation Expense	2,237	
Adjustment Increase (Decrease)		$ 372

(3)
Property Tax Expense

To reflect *pro forma* property tax expense.

	Total Assessment	Tax Rate	Property Tax Due
13-07-24-202-001.000-006	9,812	3.0880	$ 303
13-006-07691-00	12,222	3.0880	377
Pro forma Property Tax Expense			680
Less: Test Year Property Tax Expense			231
Adjustment Increase (Decrease)			$ 449

White Oak Watewater Division
CAUSE NUMBER 45308 - U

OUCC Expense Adjustments

(4)
Income Tax Expense

To reflect *pro forma* income tax expense.

	Federal	State
Operating Revenue	$ 24,190	$ 24,190
O&M Expenses	22,947	22,947
Depreciation Expense	2,609	2,609
Payroll Taxes	1,377	1,377
Property Tax	680	680
Other Taxes	379	379
State Income Tax	(356)	
Subtotal	(3,446)	(3,802)
Less: Synchronized interest	2,673	2,673
Less: Utility Receipt Tax	335	-
Taxable Income	(6,454)	(6,475)
Taxes Rate	21.0%	5.5%
Tax at present Rate	(1,355)	(356)
Less Test year expense	(1,160)	(396)
	$ (195)	$ 40

Adjustment Increase (Decrease) $ (155)

White Oak Watewater Division
CAUSE NUMBER 45308 - U

Calculation of Original Cost Rate Base

	Per White Oak	Per OUCC	OUCC More (Less)
Utility Plant in Service at 3/31/2019	$ 105,849	$ 105,849	$ -
Less: Accumulated Depreciation	(88)	(88)	-
Contributions in Aid of Construction	-	-	-
Add: Amortization of CIAC	-	-	-
Net Utility Plant in Service	105,937	105,937	-
Add: Materials & Supplies	-	-	-
Working Capital (see below)	2,213	2,510	297
Total Original Cost Rate Base	$ 107,974	$ 108,447	$ 297

Working Capital Calculation

Operation & Maintenance Expense	$ 21,946	$ 22,947	$ 1,001
Less: Purchased Water	-	-	-
Purchased Power	(4,246)	(4,246)	-
Add: Payroll Tax Expense	-	1,377	1,377
Adjusted Operation & Maintenance Expense	17,700	20,078	2,378
Times: 45-Day Factor	12.5%	12.5%	
Working Capital Requirement	$ 2,213	$ 2,510	$ 297

White Oak Watewater Division
CAUSE NUMBER 45308 - U

***Pro forma* Capital Structure**
As of March 31, 2019

	Amount	Percent of Total	Cost	Weighted Cost
Common Equity	$ 53,987	50.00%	9.80%	4.900%
Long Term Debt	53,987	50.00%	4.93%	2.465%
Total	$ 107,974	100.00%		7.365%

Synchronized Interest Calculation

Total Original Cost Rate Base	$ 108,447
Times: Weighted Cost of Debt	2.4650%
Synchronized Interest Expense	$ 2,673

White Oak Watewater Division
CAUSE NUMBER 45308 - U

Calculation of Expected Retrun on Investment

	Per White Oak	Per OUCC	Sch Ref	OUCC More (Less)
Original Cost rate Base	$ 107,974	$ 108,447	6	$ 473
Expected Return on Investment	3.439%	3.543%	7	0.10%
Net Operating Income Required for Return on Original Cost Rate base	3,713	3,842		129
Less: Adjusted Net Operating income	(2,591)	(2,457)	4	134
Net Revenue Increase Required	6,304	6,299		(5)
Gross Revenue Conversion Factor	137.0487%	137.1595%	1	0.1108%
Revenue Increase Proposed	$ 8,640	$ 8,640		$ -
Revenue Percentage Increase Proposed	35.72%	35.72%		0.00%

Aqua Indiana - White Oak Wastewater Division
System Development Charge - Calculation

Data: Jan 2019 through Aug 2019

Plant in Service:	Original Cost	Additions	Accu Depreciation/ Retirments	Net Cost
353000-Land & Land Rights	1,500		-	1,500
354400-Structures & Improvements- T&D Plant	7,481			7,481
354700-Structures & Improvements - General	30,869			30,869
361200-Collection Sewers Gravity	25,678	16,804	(5,938)	36,544
363200-Services to Customers	-	2,300	-	2,300
380000-Treatment & Disposal Equipment	22,011	2,461	(828)	23,644
396700-Communication Equipment	4,748	-		4,748
				-
	92,287	21,565	(6,766)	107,086

Net Plant in Service	$	107,086
Divide by total system EDU capacity		81
Calculate System Development Charge (Total Capacity Buy-IN Method)	**$**	**1,328**
Proposed System Development Charge	**$**	**800**

System Capacity:	**Total Capacity** Gallons per day	**Used Capacity** Gallons per day
Total wastewater treatment plant capacity	25,000	13,000
Gallons per EDU (see attached Indiana code)	310	310
EDU capacity	81	42

To: Rob Krueger

From: Ryan Reuille, Crosby Excavating

Date: July 28, 2016

Re: Sewer Cleanout Installation Cost Estimate

	CLEANOUT INSTALLATION									
	SUPERVISOR	4	HOURS	$	43.15	$	172.60			
	OPERATOR	4	HOURS	$	37.03	$	148.12			
	LABOR	8	HOURS	$	29.95	$	239.60			
	MINI EXCAVATOR	4	HOURS	$	65.00	$	260.00			
	SKIDSTEER	4	HOURS	$	45.00	$	180.00			
	TRI-AXLE DUMP TRUCK	4	HOURS	$	89.00	$	356.00			
	MISC. HAND TOOLS	0.5	DAY	$	75.00	$	37.50			
	6" SDR 35 PIPE	14	LF	$	1.95	$	27.30			
	6" FERNCO	2	EACH	$	11.95	$	23.90			
	6" X 6" SDR 35 TEE WYE	1	EACH	$	32.85	$	32.85			
	6" SDR 35 FEMALE ADAPTER	1	EACH	$	12.50	$	12.50			
	6" SDR 35 CO CAP	1	EACH	$	9.50	$	9.50			
	NEENAH R-1976	1	EACH	$	126.00	$	126.00			
	#8 LIMESTONE	4	TON	$	15.00	$	60.00			
	#53 LIMESTONE	10	TON	$	13.00	$	130.00			
	RESTORATION	1	LS	$	500.00	$	500.00			
	TAX	0.07	LS	$	422.05	$	29.54			
				SUBTOTAL		$	2,345.41	$ 2,345.41	0%	$ 2,345.41

Thanks,

Ryan S. Reuille
Vice President
Crosby Excavating
1030 Osage Street
Fort Wayne, IN 46808
Phone (260) 447-1053
Fax (260) 447-6226

TESTIMONY OF CARL N. SEALS
CAUSE NO. 45308-U
AQUA INDIANA, INC. - WHITE OAK WASTEWATER DIVISION

Q: Please state your name and business address.

A: My name is Carl N. Seals, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, Indiana 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Water/Wastewater Division. My qualifications and experience are set forth in Appendix A.

Q: What is the purpose of your testimony?

A: I describe the White Oak Wastewater Division of Aqua Indiana Inc.'s ("White Oak," "Aqua Indiana" or "Utility") current operations and the capital improvements Aqua Indiana made since Aqua Indiana acquired White Oak in 2017. I recommend the Commission approve the addition to rate base of the capital improvements Aqua Indiana has made.

Q: What have you done to prepare your testimony?

A: I reviewed White Oak's Small Utility rate application and its 2017-2018 Indiana Utility Regulatory Commission ("IURC" or "Commission") Annual Reports. I prepared data requests and reviewed White Oak's responses. I reviewed the 2017 final order in Cause No. 44811, in which the Commission approved Aqua Indiana's acquisition of the White Oak assets, and the testimony filed in that cause. I reviewed White Oak's Monthly Reports of Operation and the Indiana Department of Environmental Management's ("IDEM") related National Pollutant Discharge Elimination System ("NPDES") Wastewater Facility

Inspection Reports, which are located on IDEM's Virtual File Cabinet.[1] On January 8, 2020, I met with Kieran Tansy, Area Manager – Operations, and Charlie Oakes, Facility Operator, who showed me the Utility's above-ground wastewater utility facilities and described its operations. I took pictures of those facilities, which I present as Attachment CNS-1 to this testimony.

Q: Please describe White Oak's characteristics.

A: Aqua Indiana's White Oak Wastewater Division currently provides sewage disposal service to 41 residential and 3 commercial customers in Liberty Township of Crawford County, Indiana. White Oak's system consists of approximately 3,500 feet[2] of six-inch or eight-inch vitreous clay pipe collection mains and a Class 1, 25,000 gallon-per-day ("GPD") extended aeration wastewater treatment facility. The treatment facility is equipped with a bar screen, aeration tank, secondary clarifier, aerobic digester, post-aeration tank and chlorination and de-chlorination equipment.[3] White Oak treated 3.862 million gallons of wastewater in 2018 -- an average of roughly 10,000 gallons of wastewater per day.

Q: How did Aqua Indiana come to own and operate the Utility?

A: Aqua Indiana, Inc. acquired the White Oak wastewater utility facilities in 2017 following approval of the Commission in Cause No. 44811. The previous owner, a resident of Marengo, Indiana, had acquired the utility system without regulatory approval. The owner experienced difficulty operating the system and managing the billing and customer service

[1] https://vfc.idem.in.gov/

[2] 2018 IURC Annual Report, page S-7

[3] See Attachment CNS-1 for pictures of White Oak's facilities.

components as well. Aqua Indiana was considered better able to meet these challenges by the IURC and the OUCC.

Q: How successfully has Aqua Indiana, Inc. been operating the White Oak system?

A: According to the November 1, 2019 NPDES Wastewater Facility Inspection Report prepared by IDEM, "Conditions evaluated were found to be satisfactory at the time of the inspection."[4] This showed improvement over a July 2018 Wastewater Facility Inspection Report, which noted problems. These problems included a lack of transfer switch for standby power, missing grates over the aeration tank and clarifier, hydraulic surges due to the collection system, and three self-reported violations of NPDES limits involving Total Suspended Solids and Ammonia Nitrogen.

Q: Has Aqua Indiana made any improvements to the White Oak system?

A: Yes. According to the small utility application, Aqua has completed the following capital improvements to the White Oak system:

- Televising, line cleaning, line repair and GIS mapping $23k,
- WWTP Blower 1 & 2 rebuild, new effluent flow meter, RAS system rebuild, SCADA system $23k,
- Improve main power supply to Wastewater Treatment Plant ("WWTP") $9k,
- Repair access drive to WWTP $8k.

Q: Did you verify that those improvements have been made?

A: Yes. During my January 8 visit to the White Oak system, I verified all of those improvements have been completed and placed in service.

Q: Did the OUCC receive any customer comments regarding White Oak's proposed rate increase?

A: No.

[4] See Attachment CNS-2, NPDES Wastewater Facility Inspection Report.

Q: Please summarize your recommendations:

A: I recommend that the Commission approve inclusion in rate base of the capital improvements Aqua Indiana – White Oak made.

Q: Does this conclude your testimony?

A: Yes.

I. APPENDIX A: QUALIFICATIONS

Q: Please describe your educational background and experience.

A: In 1981 I graduated from Purdue University, where I received a Bachelor of Science degree in Industrial Management with a minor in Engineering. I was recruited by the Union Pacific Railroad, where I served as mechanical and maintenance supervisor and industrial engineer in both local and corporate settings in St. Louis, Chicago, Little Rock and Beaumont, Texas. I then served as Industrial Engineer for a molded-rubber parts manufacturer in Shelbyville, Indiana before joining the Indiana Utility Regulatory Commission ("IURC") as Engineer, Supervisor and Analyst for more than ten years. It was during my tenure at the IURC that I earned my Master of Health Administration degree from Indiana University. After the IURC, I worked at Indiana-American Water Company, initially in their rates department, then managing their Shelbyville operations for eight years, and later served as Director of Regulatory Compliance and Contract Management for Veolia Water Indianapolis. I joined Citizens Energy Group as Rate & Regulatory Analyst following the October 2011 transfer of the Indianapolis water utility and joined the Office of Utility Consumer Counselor in April of 2016.

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

A: Yes, I have testified in both telecommunications and water utility cases before the Commission.

AFFIRMATION

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

Carl N Seals

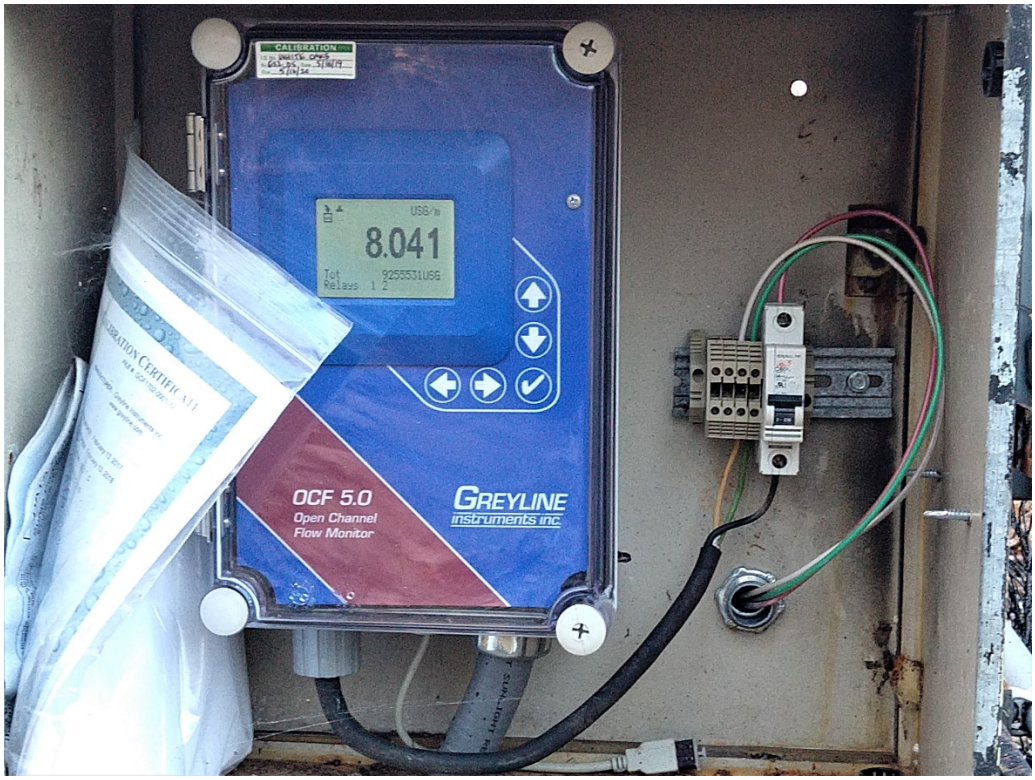
By: Carl N. Seals
Cause No. 45308-U
Indiana Office of
Utility Consumer Counselor

1/16/20
Date:

View of plant showing new PVC influent pipe (R), blower motor housings above tank (C) and existing outbuilding

New north blower motor – Aqua intends to move this and south blower from top of structure at later date

New south blower motor



New flow meter

View of new board, electrical control panel, electrical service now buried. New dialer at far right

View showing drive to plant, relocation of power supply from overhead service to buried

New concrete culvert installed to replace failing corrugated steel culvert

Existing corroded steel influent pipe was replaced with PVC

Existing outbuilding to be replaced

Indiana Department of Environmental Management
We Protect Hoosiers and Our Environment.

100 N. Senate Avenue ● Indianapolis, IN 46204
(800) 451-6027 ● (317) 232-8603 ● www.idem.IN.gov

Eric J. Holcomb
Governor

Bruno Pigott
Commissioner

November 01, 2019

Via Email to: kftansy@aquaamerica.com
Mr. Kieran Tansy, Southern Indiana Operations Manager
Aqua Indiana/White Oak Sewage Treatment Plant
5750 Castle Creek PKWY N.
Suite 314
Indianapolis, Indiana 46250

Dear Mr. Tansy:

Re: Inspection Summary Letter
White Oak Hill Subdivision
NPDES Permit No. IN0036200
Milltown, Crawford County

An inspection of the above-referenced facility or location was conducted by a representative of the Indiana Department of Environmental Management, Southeast Regional Office, pursuant to IC 13-18-3-9. A summary of the inspection is provided below:

Date(s) of Inspection:	October 30, 2019
Type of Inspection:	Compliance Evaluation Inspection
Inspection Results:	Conditions evaluated were found to be satisfactory at the time of the inspection.

A copy of the NPDES Wastewater Facility Inspection Report is enclosed for your records. Please direct any response to this letter and any questions to Kevin Hotz at 812-358-2027 ext 235 or by email to khotz@idem.IN.gov.

Sincerely,

Mark A. Amick

Mark A. Amick, Director
Southeast Regional Office

Enclosure

NPDES Wastewater Facility Inspection Report
INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

NPDES Permit Number:	Facility Type:		Facility Classification:	TEMPO AI ID
IN0036200	Mixed Ownership	Minor	I	3995

Date(s) of Inspection: October 30, 2019

Type of Inspection: Compliance Evaluation Inspection

Name and Location of Facility Inspected:			Receiving Waters:	Permit Expiration Date:
White Oak Hill Subdivision				5/31/2021
SPEED RD & S WHITE OAK DR		County:	unnamed tributary of Slick Run	Design Flow:
Milltown	IN 47145	Crawford		.025MGD

On Site Representative(s):

First Name	Last Name	Title	Email	Phone
Charles	Oakes	Operator	CJOakes@aquaamerica.com	812-620-1932

Was a verbal summary of findings presented to the on-site representative? **Yes**

Certified Operator:	Number:	Class:	Effective Date:	Expiration Date:	Email:
Charles J Oakes	20217	II	7-1-18	6-30-21	CJOakes@aquaamerica.com

Cyber Security Contact:

Name: Email:

Responsible Official:		
Mr. Kieran Tansy, Southern Indiana Operations Manager	Permittee:	Aqua Indiana/White Oak Sewage Treatment F
5750 Castle Creek PKWY N.	Email:	kftansy@aquaamerica.com
Suite 314	Phone: 317-750-2989	Contacted?
Indianapolis, Indiana 46250	Fax:	Yes

INSPECTION FINDINGS

- (●) Conditions evaluated were found to be satisfactory at the time of the inspection. (5)
- ( ) Violations were discovered but corrected during the inspection. (4)
- ( ) Potential problems were discovered or observed. (3)
- ( ) Violations were discovered and require a submittal from you and/or a follow-up inspection by IDEM. (2)
- ( ) Violations were discovered and may subject you to an appropriate enforcement response. (1)

AREAS EVALUATED DURING INSPECTION

(S = Satisfactory, M = Marginal, U = Unsatisfactory, N = Not Evaluated

S	Receiving Waters	S	Facility/Site	S	Self-Monitoring	N	Compliance Schedules
S	Effluent	S	Operation	S	Flow Measurement	N	Pretreatment
S	Permit	S	Maintenance	S	Laboratory	S	Effluent Limits Compliance
S	Collection System	S	Sludge	S	Records/Reports	N	Other:

DETAILED AREA EVALUATIONS

Receiving Waters:

S 1. The receiving stream was visibly free of excessive deposits of settled solids, floating debris, oil, scum, or billowy foam.

Comments:
The receiving stream was free of notable foam, algae or solids. The receiving stream is normally dry. It was raining at the time of the inspection.

Effluent:

S 1. Final effluent was free of excessive solids, floating debris, oil, scum, or billowy foam.

Comments:
The effluent was clear and free of color at the time of the inspection.

Permit:

S 1. Did the facility have a current copy of the permit available for reference?

N 2. If the permit expires within 180 days, has a renewal application been submitted?

S 3. Receiving waters and Facility Description in the permit reflect actual conditions at the facility.
N 4. The permit has been properly transferred if there is a new owner.

Comments:
The facility was found to have a valid permit and the facility description, including units of treatment and receiving stream, is accurate.

Collection System:

N 1. CSO's were found to be adequately monitored and maintained.
S 2. There were *no maintenance-related (clogged or blocked lines) overflow events in last 12 months.
S 3. There were *no hydraulic (I&I) overflow events in last 12 months.
N 4. Facility has met SSO and dry weather CSO reporting requirements
N 5. Any adverse impacts from SSO and CSO events have been properly mitigated.
N 6. Lift stations were found to be adequately inspected, cleaned, and maintained, with adequate documentation of activities.
N 7. Collection system maintenance activities appeared to be adequate.

Comments:
There were no reported maintenance-related or hydraulic-related sewer overflow events in the last 12 months.

Facility/Site:

S 1. The facility was found to have standby power or equivalent provision.
S 2. An adequate alarm or notification system for power or equipment failure was available for the treatment facility and lift stations.
S 3. Safe and adequate access was provided for inspection of all units and outfalls.
S 4. Facilities and equipment did not appear beyond their useful life.
5. List any safety concerns:

The facility has several missing gratings over the aeration tank and clarifier. Rock steps to the discharge point are not stable.

Comments:
The facility has installed a generator transfer switch. Aqua America owns several portable generators that could be used at the plant.

Operation:

S 1. All facilities and systems necessary for achieving compliance with the terms and conditions of the permit were operated efficiently, including a report for an anticipated bypass report for steps of treatment taken out of service.
S 2. An adequate, qualified operating staff was found to be provided to carry out the operation of the facility, including:
   a. Certified Operator's on-site attendance and/or qualified operations personnel attendance was adequate.
   b. Adequate documentation of operational activities, including system monitoring and cleaning.
   c. Adequate funding to ensure proper operation.
S 3. Solids handling procedures include.
   a. Sufficient solids wasted from the treatment system, in a timely manner, to maintain process efficiency.
   b. Wasting of solids based on appropriate operational targets and valid process control testing.
   c. Adequate documentation of solids removal, handling, or control was available for review.
S 4. The facility was found to be operated efficiently during wet weather events.

Comments:
All units of treatment appeared to be operating efficiently. Sludge is hauled as needed. Documentation of all sludge hauled is on file.

Maintenance:

S 1. A maintenance record system has been established and includes maintenance/repair history and preventative maintenance plan.
S 2. Facility maintenance activities appeared to be adequate.

Comments:
The plant is installing a new blower and they have installed a new flowmeter within the past year. Some old steel has been replaced with PVC lines. There is some minor rust damage on the wall between the mixed liquor and the digester at the head of the plant. Plans are being made to replace the existing storage building.

Sludge:

S 1. Sludges, screenings, and slurries were found to be handled and disposed of properly.

Comments:

A records review during the inspection showed adequate wasting, handling, and disposal of sludge.

Self-Monitoring:

S 1. Samples were found to be taken at pre-designated locations and were found to be representative.
N 2. Flow-proportioned samples were found to be obtained where needed.
S 3. The facility was found to conduct sampling of all waste streams, including type and frequency, as required in the permit.
S 4. Sample collection procedures, including automatic sampling, were found to include:
   a. Samples refrigerated during compositing.
   b. Proper preservation techniques used.
   c. Containers and holding times conformed to 40 CFR 136.3.
S 5. Sample documentation was found to be adequate and included:
   a. Dates, times, and locations of sampling.
   b. Name of individual performing sampling.
   c. Instantaneous flow for flow-weighted aliquots.
   d. Chain of Custody records.
N 6. NPDES Permit Whole Effluent Toxicity (WET) testing requirements were found to be met.

Comments:
The Self Monitoring Program was rated as satisfactory. All sampling practices, including raw and intermediate unit process testing, are conducted accurately and at the frequency required by the permit.

Flow Measurement:

S 1. Flow was found to be properly monitored as required by the permit.
S 2. Flow data and calibration records were available for review.

Comments:
The facility's flow measurement program, including all documentation, was found to be adequate and representative. A new Greyline flowmeter was installed in May 2019.

Laboratory:

The following laboratory records were reviewed:

Contract Lab Reports Chain-of-Custody

N 1. The laboratory practices and protocol reviewed were adequate, including:
   a. A written laboratory QA/QC manual was available.
   b. Samples were found to be properly stored.
   c. Approved analytical methods were found to be used.
   d. Calibration and maintenance of instruments was found to be adequate.
   e. QA/QC procedures were found to be adequate.
   f. Dates of analyses (and times where required) were recorded.
   g. Name of person performing analyses was recorded.

S 2. Review of lab records and/or on-site field testing equipment and protocols was found to be adequate.

Contract Lab Information

Astbury Water Technology	Clarksville, IN 47129
2500 Lincoln Drive	

Comments:
The bench sheets reviewed during the inspection appeared to be accurate and complete. The operator uses portable field equipment for monitoring pH, dissolve oxygen, and chlorine residual. The contract lab has participated in the latest DMR/QA studies.

Records/Reports:

The following records/reports were reviewed:
DMRs for the period of November 2018 to September 2019 were reviewed as part of the inspection.

N 1. All facility records for the period including the previous three years were available for review.
N 2. DMRs and MROs were found to be completed properly and accurately including:
   a. "No Ex" column was accurate.

b. Signatory requirements were met.
c. Reports were prepared by or under the direction of a certified operator.

N 3. Bypass and Noncompliance reporting were found to be adequate.

Comments:

Compliance Schedules:

N 1. The NPDES Permit Schedule of Compliance monitoring and reporting milestones have been met.
N 2. Agreed Order compliance milestones have been met.

Comments:

Pretreatment:

N 1. No evidence of interference from industrial or other sources of toxic substances was noted.
N 2. For both Delegated and Non-Delegated pretreatment programs:
a. Industrial or commercial dischargers were found to be regulated as required.
b. The permitee was found to enforce the Sewer Use Ordinance (SOU) and the Enforcement Response Plan (ERP).

N 3. If the non-delegated permittee accepts hauled waste:
a. Does the POTW provide written permission to haulers?
b. Does the POTW obtain samples from each hauled waste load and retain them for at least 48 hours?
c. Does the POTW retain records of each load?

Comments:

Effluent Limits Compliance:

Yes 1. Were DMRs reviewed as part of the inspection?

DMRs for the period of November 2018 to September 2019 were reviewed as part of the inspection.

No 2. Were violations noted during the review of DMRs?

Comments:
All records were available on site.

IDEM REPRESENTATIVE

Inspector Name:	Email:	Phone Number:
Kevin Hotz	khotz@idem.IN.gov	812-358-2027 ext 235

IDEM MANAGER REVIEW

IDEM Manager:	Date:
Mark A. Amick	10/31/2019