STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN WATER COMPANY, INC. FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER UTILITY SERVICE, (2) REVIEW OF ITS RATES AND CHARGES FOR WASTEWATER UTILITY SERVICE, (3) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE TO WATER AND WASTEWATER UTILITY SERVICE, AND (4) AUTHORITY TO IMPLEMENT A LOW INCOME PILOT PROGRAM

CAUSE NO. 45142

PETITION FOR GENERAL RATE INCREASE AND ASSOCIATED RELIEF UNDER IND. CODE § 8-1-2-42.7, NOTICE OF PROVISION OF INFORMATION IN ACCORDANCE WITH THE MINIMUM STANDARD FILING REQUIREMENTS AND REQUEST FOR ADMINISTRATIVE NOTICE

INDIANA-AMERICAN WATER COMPANY, INC. (“Petitioner” or “Indiana American”) respectfully requests authority to (i) increase its rates and charges for water service rendered by it, and (ii) implement a low income pilot program. Petitioner also requests a review of its rates and charges for wastewater utility service and approval of new schedules of rates and charges applicable to water and wastewater utility service. Petitioner also requests that administrative notice be taken of certain Order of the Indiana Utility Regulatory Commission (the “Commission”) that are pertinent to this case, as identified herein. In support of this request, Petitioner shows the Commission:

Petitioner’s Corporate and Regulated Status

1. Petitioner is a public utility incorporated under the laws of the State of Indiana with its principal office address located at 153 North Emerson Avenue, Greenwood, Indiana. Petitioner is a “public utility” as defined in Ind. Code § 8-1-2-1 and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the laws of the State of Indiana.
Petitioner’s Operations

2. Petitioner is engaged in the provision of water utility service to the public in and around numerous communities and counties throughout the State of Indiana. Petitioner also provides sewer utility service in Wabash and Delaware Counties. Petitioner renders such water and sewer utility service by means of utility plant, property, equipment and related facilities owned, leased, operated, managed and controlled by it (collectively referred to as the “Utility Properties”) which are used and useful for the convenience of the public in the production, treatment, transmission, distribution and sale of water for residential, commercial, industrial, public authority, and sale for resale purposes, for the provision of public and private fire service, and for the provision of sewer service. Petitioner provides water service to approximately 302,000 customers and wastewater service to approximately 500 customers. Petitioner is also in the process of acquiring the City of Charlestown water system (approval granted in Cause No. 44976, appeal pending) and the Town of Sheridan water and wastewater systems (approval granted in Cause No. 45050). Completion of these acquisitions will add over 4,000 additional water customers and approximately 1,230 wastewater customers.

Petitioner’s Utility Properties

3. Petitioner has maintained, and continues to maintain, its Utility Properties in a good state of operating condition, complying with all state and federal regulatory requirements and standards for potable water utility operations or applicable to wastewater utility operations, as the case may be. The original cost of Petitioner’s utility plant in service at April 30, 2019, as adjusted, is projected to be approximately $1,793,987,388, exclusive of acquisition adjustments. After adjustment for accumulated depreciation of approximately $516,006,768 and other adjustments, the net original cost of Petitioner’s rate base is projected to be approximately $1,065,478,370 at the same date. The original cost of Petitioner’s utility plant in service at April 30, 2020, as adjusted, is projected to be approximately $1,981,476,240, exclusive of acquisition adjustments. After adjustment for accumulated depreciation of
approximately $538,735,548 and other adjustments, the net original cost of Petitioner’s rate base is projected to be approximately $1,222,170,152 at the same date. The fair value of the Utility Properties is and will continue to be substantially in excess of the original cost thereof. Furthermore, in order to properly serve the public located in its service area and to discharge its duties as a public utility, Petitioner is continuing to make numerous additions, replacements and improvements to its utility systems.

**Petitioner’s Existing Rates**

4. Petitioner’s existing rates and charges for water and wastewater utility service were established in its compliance filing, effective as of August 1, 2018, pursuant to the Commission’s Order dated July 31, 2018 in Cause No. 45032 S4, which reduced -- to give effect to certain impacts of the Tax Cuts and Jobs Act of 2017 (“TCJA”) -- Petitioner’s existing rates and charges from those previously established in its Step 2 compliance filing, effective as of January 29, 2016, pursuant to the Commission’s Order dated January 28, 2015, in Cause No. 44450. Petitioner also has implemented a distribution system improvement charge (“DSIC”) pursuant to the Commission’s Orders in Cause Nos. 42351 DSIC-9, -10 and -11. More than fifteen (15) months have passed since the filing date of Petitioner’s last request for a general increase in its basic rates and charges.

**Petitioner’s Operating Results Under Existing Rates**

5. Since its basic rates and charges for utility service were last established, Petitioner has continued and will continue to make significant capital expenditures for additions, replacements and improvements to its Utility Properties. Also, the fair value of Petitioner’s Utility Properties has materially increased. At the same time, some expenses and other costs have increased. As a result, Petitioner’s return upon its Utility Properties will be below the level required to permit Petitioner to earn a fair return upon the fair value of its Utility Properties; to provide revenues which will enable it to
continue to attract capital required for additions, replacements and improvements to its Utility Properties at a reasonable cost; to maintain and support Petitioner's credit; to assure confidence in Petitioner’s financial soundness; and to earn a return on the value of its Utility Properties equal to that available on other investments of comparable risk. As a consequence, Petitioner’s existing rates and charges now are and will continue to be insufficient to provide revenues adequate to cover its necessary and reasonable operating expenses and provide the opportunity to earn the fair return to which Petitioner is lawfully entitled. The existing rates of Petitioner, therefore, are unjust, unreasonable, insufficient and confiscatory and should be increased.

**Petitioner’s Proposed Rates and Charges**

6. Petitioner requests that new rates and charges be authorized which will enable Petitioner to realize a proper and adequate utility operating income, maintain and support its credit, adequately service its outstanding securities, assure confidence in its financial soundness, allow Petitioner to earn a return equal to that available on other investments of comparable risk, and raise on fair and reasonable terms such amounts of additional capital as will be required to enable Petitioner to render safe, adequate and continuous water and sewer service to the public. As will be explained in the direct testimony of Charles B. Rea, Petitioner proposes a review of wastewater rates but does not propose to increase such rates at this time; instead, Petitioner proposes that costs allocated to wastewater service be reallocated to water service in order to maintain the existing wastewater service rates. Petitioner proposes to cancel its existing rate schedules governing the utility service rendered by it and to file with the Commission in lieu thereof new schedules of rates and charges. The proposed rate schedules are set forth in the attachments to direct testimony of Charles B. Rea, which Petitioner is filing herewith and will offer as evidence in this proceeding.
In accordance with the guidance provided by the Commission’s General Administrative Order 2013-5 (Rate Case Standard Procedural Schedule and Recommended Best Practices for Rate Cases Submitted under Ind. Code § 8-1-2-42.7) (“GAO 2013-5”), Indiana American provided its Notice of Intent to File Rate Case to the Commission on July 2, 2018. This Notice was provided at least 30 days prior the date of filing this Petition. Indiana American also reached out to the Indiana Office of Utility Consumer Counselor (“OUCC”) and other stakeholders to discuss the filing.

**Test Year and Rate Base Procedures**

Pursuant to Ind. Code § 8-1-2-42.7(d), Petitioner proposes and requests that a forward-looking test year be used in this proceeding on the basis of projected data for the twelve (12)-month period ending April 30, 2020 (“Test Year”). The historic base period utilized by Petitioner in this proceeding is the twelve (12) months ending December 31, 2017. The reasons for utilizing a base period that does not mirror the Test Year are discussed in the direct testimony of Gregory D. Shimanksy.

Petitioner is utilizing the Test Year end, April 30, 2020, as the general rate base cutoff date. Among the capital additions included in this Cause, there are three “major projects” (as that phrase is used in the MSFRs) for which the estimated capital investment exceeds 1% of Petitioner’s rate base in this Cause: (1) the Richmond Middle Fork Water Treatment Facility Improvements project, (2) the Muncie Plant Improvements Phase 2 project, and (3) the Noblesville Allisonville Road Water Treatment Facility project. Projected in-service amounts for these projects are $41.1 million, $22.7 million, and $17.1 million, respectively. Each of the major projects is described in greater detail in the direct testimony of Stacy S. Hoffman.
10. As described in the pre-filed direct testimony of Gregory D. Shimanksy, Petitioner proposes to implement the requested rate increase in steps to reasonably reflect the utility property that is used and useful at the time rates are placed into effect.

Submission of Case in Chief and Other Supporting Documentation

11. Petitioner is filing its case-in-chief, including the information required by subsection (b) of Ind. Code § 8-1-2-42.7 ("Section 42.7"), contemporaneous with this Petition. As recognized in the GAO 2013-5, a future test year does not align with all of the Commission’s pre-existing Minimum Standard Filing Requirements ("MSFRs") (170 IAC 1-5-1 et seq.). Indiana American has used the MSFRs as guidance as to the categories of information that are appropriate for inclusion as working papers and has provided supporting documentation in line with the Commission’s MSFRs, modified where appropriate to conform with the forward-looking test year authorized by Section 42.7.

12. Petitioner is herewith submitting the workpapers and other information that would be required by 170 IAC 1-5, as modified in accordance with the statements above. Petitioner’s workpapers and supporting documentation are provided electronically and/or on CD (in Excel format where appropriate), including the supporting workpapers for all forward-looking proposed adjustments, the cost of service study and the proposed cost of equity and fair rate of return.

Confidential Information

13. Pursuant to 170 IAC 1-5-15(e)(2), the electronic copy of the cost of service study is to be treated as confidential and protected from disclosure to the public under Ind. Code § 5-14-3-4 and Ind. Code § 8-1-2-29.

14. Contemporaneous with this filing, Petitioner is filing a Motion for Protection of Confidential Information in accordance with 170 IAC 1-1.1-4 and to otherwise comply with 170 IAC 1-
5-3. The filing of this motion is necessary and appropriate to protect confidential information included in Petitioner’s filing. The confidential information will be submitted once the Commission has issued an order preliminarily granting Petitioner’s Motion. Petitioner will work with the OUCC and other intervenors to negotiate an acceptable nondisclosure agreement to facilitate the production of confidential information as appropriate.

**Low Income Pilot Program**

15. Petitioner is proposing a low income pilot program in its Muncie and Terre Haute service territories for low income customers to receive an 80% discount on their monthly meter charge. Petitioner is filing in its case-in-chief a proposed tariff sheet providing the proposed rules and regulations to govern the low income pilot program and setting forth the discounts available to participating customers. Eligibility for the program will be based on meeting the low-income guidelines for the Low-Income Home Energy Assistance Program (LIHEAP). Petitioner is proposing to cap the program at 930 customers, which equates to approximately $200,000 in annual discounts for the pilot program.

**Effects of TCJA on Excess ADIT**

16. On April 12, 2018, a subdocket (Cause No. 45032 S4) was created in the Commission’s investigation into the effects of the Tax Cuts and Jobs Act of 2017 (“TCJA”) to address, among other things, (1) Petitioner’s amount and amortization of normalized and non-normalized excess accumulated deferred income taxes (“ADIT”) as a result of the TCJA and (2) the timing and method for how these benefits will be realized by Petitioner’s customers, whether directly or indirectly. Indiana American has sought to have those questions determined, instead, in the context of this general rate case proceeding. The subdocket remains pending as of the date of filing of Petitioner’s case-in-chief in this Cause. As described in the direct testimony of John R. Wilde included in Petitioner’s case-in-chief in this Cause,
the actual impact of the TCJA on the amount of excess ADIT included in Petitioner’s proposed revenue requirement in this Cause will not be known until Indiana American has implemented the necessary computer software changes to compute the appropriate period over which the excess ADIT can be refunded pursuant to the Average Rate Assumption Method (“ARAM”). Petitioner anticipates this implementation to be completed around the end of the first quarter of 2019. As described by witness Wilde in his direct testimony in this Cause, Petitioner is proposing to include amortization of excess ADIT balances in the rates set in the proposed first step rate increase in this Cause if an adequate estimate of Indiana American’s remeasured ADIT balances and applicable amortization periods can be produced by that time. However, if Petitioner is unable to produce an adequate estimate of remeasured ADIT balances and applicable amortization periods, Petitioner is requesting that it be permitted to include amortization of excess ADIT balances in its proposed second step rate increase, in the second quarter of 2020.

**Request for Administrative Notice**

17. Pursuant to 170 IAC 1-1.1-21, Petitioner requests administrative notice to be taken of the following Commission Orders: Cause No. 45050, dated September 12, 2018; Cause No. 45043, dated July 25, 2018; Cause No. 44992, dated May 30, 2018; Cause No. 44976, dated March 14, 2018; Cause No. 44915, dated October 11, 2017; Cause No. 44022, dated June 6, 2012; Cause No. 43680, dated April 30, 2010; Cause No. 43187, dated October 10, 2007; Cause No. 42520, dated November 18, 2004; Cause No. 42029, dated November 6, 2002; Cause No. 40703, dated December 11, 1997; and Cause No. 40103, dated May 30, 1996. Cause Nos. 44022, 43680, 43187, 42520, 42029, 40703, 40103 are relevant to this Petition because they contain findings on Petitioner’s fair value increment calculation as included in the request in this case. Cause No. 45043 approved Petitioner’s plan for lead service line replacements pursuant to Ind. Code ch. 8-1-31.6, which sets forth the ratemaking treatment for which customer owned lead service line replacements are eligible. Cause No. 44992 established the
depreciation rates included in this case. Cause Nos. 45050, 44976 and 44915 approved the acquisitions of Sheridan, Charlestown and Georgetown, respectively, which are included in this case. Copies of these orders are being submitted contemporaneous with this Petition.

Prehearing Conference and Preliminary Hearing Requested

18. Pursuant to the best practices set forth in the Commission’s GAO 2013-5 (July 3, 2013), Petitioner is reaching out to the OUCC and other potential intervenors and will endeavor to file a proposed agreed procedural schedule for this case based on Petitioner’s discussions with those parties. Pursuant to 170 IAC 1-1.1-15(b) of the Commission’s Rules of Practice and Procedure, Petitioner requests that a date be promptly fixed for a prehearing conference and preliminary hearing for the purpose of fixing a procedural schedule in this proceeding and considering other procedural matters.

Customer Notification

19. In accordance with Ind. Code § 8-1-2-61(a), Petitioner will publish notice of the filing of this Petition in a newspaper of general circulation in each Indiana county in which Petitioner renders service. Petitioner will provide its customers with a notice summarizing the nature and extent of the proposed changes as required by the Commission's rules. This notice will be late-filed as an attachment to the direct testimony of Deborah D. Dewey.

Applicable Statutory Provisions

20. Petitioner considers that the provisions of Ind. Code §§ 8-1-2-4, -6, -7, -10, -19, -23, -39, -42, -42.7, -61, -68 and -71, among others, are applicable to the subject matter of this Petition.

Attorneys for Petitioner

21. The names and addresses of Indiana American’s duly authorized representatives, to whom all correspondence and communications concerning this Petition should be sent, are as follows:
WHEREFORE, Petitioner respectfully prays that the Commission promptly conduct a prehearing conference and preliminary hearing in this proceeding; make such investigation and hold such hearings as are necessary or advisable; and thereafter, issue an Order in this Cause in accordance with the timeframe established in Section 42.7 and GAO 2013-5:

(a) Finding that Petitioner’s existing rates for water and wastewater service are unjust, unreasonable, insufficient, confiscatory and inadequate to provide the opportunity to earn a fair return on the fair value of Petitioner’s Utility Properties used and useful for the convenience of the public in rendering water and wastewater utility service;

(b) Determining, and by order fixing, increased water service rates and charges to be imposed, observed and followed in the future by Petitioner in lieu of those found to be unjust, unreasonable, insufficient and confiscatory;

(c) Authorizing and approving the filing by Petitioner of new schedules of increased rates and charges applicable to the water and wastewater utility service rendered by Petitioner so as to provide just, reasonable, sufficient and nonconfiscatory rates;
(d) Authorizing and approving implementation by Petitioner of a low income pilot program as described herein and in Petitioner's case-in-chief; and

(e) Granting to Petitioner such other and further relief as may be appropriate and proper.

DATED this 14th day of September, 2018.

Respectfully submitted,

[Signature]

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served electronically upon:

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