

BEFORE THE

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

**DIRECT TESTIMONY
of
JEFFREY A. HARRISON**

**On
Behalf of
Petitioner,
CWA Authority, Inc.**

Petitioner's Exhibit No. 1

1 **INTRODUCTION AND BACKGROUND**

2 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A1. My name is Jeffrey A. Harrison. My business address is 2020 North Meridian
4 Street, Indianapolis, Indiana 46202.

5 **Q2. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A2. I am employed by the Board of Directors for Utilities of the Department of Public
7 Utilities of the City of Indianapolis (the "Board of Directors" or "Board"), which
8 does business as Citizens Energy Group ("Citizens Energy Group" or "Citizens").
9 Citizens Energy Group is affiliated with CWA Authority, Inc. ("CWA Authority"
10 or "CWA"), which owns the wastewater utility that provides wastewater
11 collection and treatment utility services in Indianapolis and wastewater treatment
12 services to surrounding communities. Pursuant to a Management and Operating
13 Agreement approved by this Commission in Cause No. 43936, Citizens Energy
14 Group provides management and operational services for the wastewater utility
15 owned by CWA. CWA is the Petitioner in this proceeding. I serve as President,
16 Chief Executive Officer of both Citizens and CWA. I have broad responsibility
17 for developing, coordinating and managing the implementation of long-term
18 strategic objectives for Citizens and CWA.

19 **Q3. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
20 **BACKGROUND.**

21 A3. I received a Bachelor of Science degree in Electrical Engineering from Rose-
22 Hulman Institute of Technology in 1989 and a Master of Business Administration
23 Degree from Indiana University in 1996. I have 29 years' experience in the utility

1 industry, having spent the last 15 years working in leadership positions at Citizens
2 Energy Group. Prior to joining Citizens, I was employed by Indianapolis Power
3 & Light Company ("IPL") beginning in 1989. While at IPL, I held a variety of
4 positions in engineering, business development and corporate strategy.

5 I joined Citizens Energy Group in 2003, and since then have progressed
6 through numerous positions of increasing responsibility. In January 2013, I was
7 promoted to Senior Vice President, Engineering and Sustainability. In that
8 position, I led Citizens Energy Group's Environmental Stewardship and
9 Laboratory areas as well as its Capital Programs and Engineering Group, which is
10 responsible for the planning, design and construction of capital projects for all the
11 utilities managed and controlled by Citizens Energy Group. At that time, I also
12 assumed responsibility for leading Citizens Energy Group's sustainability
13 initiative. On September 24, 2014, the Board appointed me Executive Vice
14 President, Chief Operating Officer and following a transition period selected me
15 to serve as Citizens Energy Group's next President and Chief Executive Officer. I
16 began my tenure as President and Chief Executive Officer of both Citizens
17 Energy Group and CWA on July 1, 2015.

18 **Q4. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY AND**
19 **SHARE ANY INTRODUCTORY REMARKS YOU WOULD LIKE TO**
20 **MAKE.**

21 A4. My testimony addresses a variety of topics and provides information in support of
22 the relief requested by CWA in this proceeding.

1 Let me begin with a bit of history. Beginning in July 2009 and concluding
2 two years later with this Commission's order in Cause No. 43936, the public had
3 an opportunity to engage in a transparent and deliberative process carried out to
4 determine whether the water and wastewater utilities formerly owned by the City
5 of Indianapolis (the "City") should be transferred to Citizens Energy Group's
6 operational control. Dozens of public meetings with a diverse group of
7 stakeholders were held. There were four months of deliberation by the City-
8 County Council of Indianapolis and Marion County and a docketed Commission
9 proceeding with thousands of pages of testimony and exhibits and 10 days of
10 publicly noticed hearings. That process led to a bipartisan vote of approval by the
11 City-County Council in favor of transferring the utilities to Citizens Energy
12 Group. A number of stakeholders, including the Commission, agreed the
13 wastewater utility serving the City of Indianapolis and surrounding communities
14 should be transferred from the City's ownership and control to instead be owned
15 by CWA Authority and operated by Citizens Energy Group. The parties that
16 reached that consensus recognized the tremendous obligation CWA and Citizens
17 Energy Group would be taking on to complete a multi-billion-dollar capital
18 program prescribed by the federally mandated Consent Decree discussed later in
19 my testimony. The parties also understood the resulting rate increases that would
20 be required to fund the capital improvements necessitated by Consent Decree, as
21 well as significant improvements to the system's aging infrastructure.

22 This is the third rate case CWA has filed since the transfer of the
23 wastewater utility from the City to CWA was approved by the Commission. The

1 prior two cases resulted in settlement agreements and Commission orders that are
2 consistent with the consensus reached in Cause No. 43936 and which have
3 allowed CWA to fulfill its Consent Decree obligations thus far in a fiscally and
4 socially responsible manner. If the Commission approves the three-step rate
5 increase CWA seeks in this case, it will be the last increase of this size needed to
6 complete the federally mandated Consent Decree, which is scheduled for
7 completion in 2025. While we anticipate another smaller borrowing and
8 corresponding rate increase prior to 2025, those additional steps coupled with the
9 gradual approach CWA proposes in this case to establish the appropriate level of
10 revenue funded extensions and replacements should position the utility well to
11 finish the Consent Decree projects and continue to address its aging infrastructure.
12 I am hopeful the parties to this case will once again be able to achieve the
13 administrative efficiencies realized by reaching a settlement agreement. It is
14 critical to the success of CWA and the City that we stay the course charted by the
15 settling parties and Commission in Cause No. 43936 to ensure CWA has the
16 funding required to achieve the many benefits completion of the Consent Decree
17 projects will make possible and support the continued need for ongoing
18 extensions and replacements to the wastewater system's aging infrastructure, all
19 while maintaining the financial integrity of the utility.

20 **THE VERIFIED PETITION**

21 **Q5. PLEASE IDENTIFY ATTACHMENT JAH-1 TO YOUR TESTIMONY.**

22 A5. Attachment JAH-1 to my testimony is a true and correct copy of the Verified
23 Petition CWA filed initiating this proceeding.

1 **Q6. ARE YOU FAMILIAR WITH THE VERIFIED PETITION?**

2 A6. Yes. I have read the Verified Petition and am familiar with its contents.

3 **Q7. HAS THE BOARD OF DIRECTORS OF CWA (“CWA BOARD”)**
4 **AUTHORIZED THE FILING OF THE VERIFIED PETITION?**

5 A7. Yes. Under CWA’s governance structure, the CWA Board must approve changes
6 to CWA’s rates and charges and terms and conditions for service prior to those
7 changes being presented to the Commission for approval. On September 26,
8 2018, the CWA Board approved the proposed schedule of rates and charges and
9 terms and conditions of wastewater utility service submitted with our case-in-
10 chief testimony and authorized the filing of a petition seeking the Commission’s
11 approval of those rates and charges and terms and conditions. A certified copy of
12 the CWA Board resolution approving the proposed rates and charges and terms
13 and conditions of wastewater utility service is attached to my testimony and
14 identified as Attachment JAH-2.

15 Neither the CWA Board nor management take this or any request for a
16 rate increase lightly. We are keenly aware of the importance of balancing
17 affordability concerns with the need to seek rate relief necessary to continue
18 providing safe and reliable service and funding capital improvements, including
19 improvements necessary to replace aging utility infrastructure and maintain the
20 financial integrity of the utility.

1 **Q8. PLEASE DESCRIBE ATTACHMENT JAH-3 TO YOUR TESTIMONY.**

2 A8. Attachment JAH-3 to my testimony consists of the legal notice published and the
3 notice mailed to residential customers in connection with CWA's filing of the
4 Verified Petition in this Cause.

5 **ORGANIZATIONAL STRUCTURE AND GOVERNANCE OF CITIZENS ENERGY GROUP AND**
6 **CWA AUTHORITY**

7 **Q9. PLEASE DESCRIBE CITIZENS ENERGY GROUP.**

8 A9. Citizens Energy Group is a trade name through which the Board does business.
9 The Board was established by the Indiana General Assembly in 1929 to, among
10 other things, secure efficient and economical management and operation of
11 utilities serving the City and surrounding communities.

12 Citizens Energy Group's predecessor, the Citizens Gas Company of
13 Indianapolis was a privately owned company that was formed in 1906 to act as
14 trustee of a public charitable trust (the "Energy Trust") established to supply heat,
15 light and power to the City and its inhabitants and protect critical Indianapolis
16 utility infrastructure from private ownership and control or partisan political
17 governance. The concept of establishing a public charitable trust to fulfill those
18 purposes was conceived in the late 1890s by the Energy Trust's principal founder,
19 Alfred Potts, who described the public charitable trust as "an institution which
20 stands as a *successful substitute for municipal ownership.*"

21 Shortly after its creation by the General Assembly, the Board acquired all
22 the assets, including the gas utility assets, formerly owned by the Citizens Gas
23 Company of Indianapolis. Citizens Energy Group now owns and operates seven

1 regulated utilities that collectively serve hundreds of thousands of residential,
2 commercial, industrial and other customers in Indianapolis and surrounding
3 communities, including the State's third largest gas utility, the State's largest
4 water and wastewater utilities, the country's second largest steam utility and three
5 investor-owned utilities providing natural gas, water and wastewater utility
6 services in Westfield, Indiana.

7 **Q10. PLEASE DESCRIBE CWA'S CORPORATE GOVERNANCE AND**
8 **RELATIONSHIP TO CITIZENS ENERGY GROUP.**

9 A10. CWA is an Indiana nonprofit corporation created pursuant to an Interlocal
10 Cooperation Agreement between Citizens Energy Group and the City. CWA was
11 formed specifically to acquire ownership of the wastewater utility assets formerly
12 owned by the City. The Interlocal Cooperation Agreement, which was approved
13 by the Commission in Cause No. 43936, establishes the governance structure for
14 CWA and provides that members of the Citizens Energy Group Board also serve
15 as members of the CWA Board of Directors. Pursuant to the Management and
16 Operating Agreement I mentioned previously, Citizens Energy Group's
17 employees are responsible for managing and operating the wastewater utility that
18 is owned by CWA. Consequently, Citizens Energy Group's officers, who are all
19 subject to re-appointment annually by the Board, also serve as senior management
20 for CWA.

1 **Q11. HOW ARE CWA'S RATES AND CHARGES FOR WASTEWATER**
2 **UTILITY SERVICE ESTABLISHED AND REGULATED?**

3 A11. In the agreement pursuant to which CWA acquired the wastewater system assets,
4 Citizens Energy Group, CWA and the City recognized the importance of ensuring
5 the wastewater utility's rates and charges become and remain subject to
6 Commission regulation. Consequently, pursuant to the Interlocal Cooperation
7 Agreement, CWA's rates and charges for wastewater utility service must be
8 approved by the CWA Board and are regulated by the Commission in accordance
9 with Indiana Code Section 8-1-11.1-3(c)(9) and other applicable statutes.

10 **HISTORY OF CWA AND CITIZENS ENERGY GROUP'S ACQUISITION AND OPERATION OF**
11 **THE WASTEWATER UTILITY**

12 **Q12. WHAT LED TO CITIZENS ENERGY GROUP'S EXPANSION FROM AN**
13 **ENERGY BUSINESS AND ENTRY INTO THE WATER AND**
14 **WASTEWATER UTILITY BUSINESSES?**

15 A12. In July 2009, the City publicly announced it was exploring the possibility of
16 restructuring its water and wastewater utility systems, which at that time, were
17 owned and operated by the City. The City issued a Request for Expression of
18 Interest ("REI"), the express intent of which was to solicit responses regarding the
19 future operation of the City's water and wastewater utilities that would result in a
20 solution designed to "produce finished drinking water, process wastewater and
21 provide related infrastructure services in the most efficient and cost effective
22 manner and . . . satisfy the U.S. Environmental Protection Agency . . . and Court

1 mandated capital improvements in a manner that mitigates the [e]ffect on
2 ratepayers.”

3 Citizens Energy Group's fundamental purpose is to efficiently and
4 economically manage vital utilities serving the City and to protect and preserve
5 those utility assets for the long-term benefit of the City and its inhabitants. While
6 we viewed the City's REI with trepidation because of the enormous financial,
7 engineering, operational and public image challenges associated with fulfilling the
8 obligations of the Consent Decree, we also viewed the REI with a sense of
9 mission as a transformative opportunity to extend the benefits of Citizens Energy
10 Group's unique business model to the City's water and wastewater utilities and
11 the customers of those utilities. Ultimately, the sense of mission prevailed and
12 Citizens Energy Group responded to the REI by proposing to acquire the water
13 utility and wastewater utility systems and integrate them into the Citizens Energy
14 Group family of utilities.

15 **Q13. HOW DID THE CITY RESPOND TO CITIZENS ENERGY GROUP'S**
16 **ACQUISITION PROPOSAL?**

17 A13. After evaluating the 24 responses to the REI it received, the City concluded that
18 Citizens Energy Group's proposal would best serve the objectives set forth in the
19 REI. Months of negotiating and due diligence followed, which led to the City and
20 Citizens Energy Group entering into asset purchase agreements that contemplated
21 the creation of CWA, as well as two new public charitable trusts that were
22 modeled after the existing Energy Trust and the transfer of the City's water and
23 wastewater utility assets into those new trusts: one for the water utility assets and

1 the other for the wastewater utility assets (the "Wastewater Trust"). Recognizing
2 Citizens Energy Group's unique structure, the introduction of the asset purchase
3 agreement for the wastewater system states:

4 Citizens Energy Group's unique structure will ensure that local
5 control over critical Central Indiana utilities will continue with the
6 same invulnerability to takeover by distant companies and
7 investors that has protected the utilities held by Citizens Energy
8 Group in public charitable trust for over one hundred years and
9 will also ensure local reinvestment and community-based decision
10 making.

11 That asset purchase agreement and the transfer of the City's wastewater
12 utility to CWA, serving with the Board as trustee of the Wastewater Trust, were
13 approved by the Commission in Cause No. 43936.

14 **Q14. DID THE CITY EXPLICITLY RECOGNIZE THE BENEFITS OF**
15 **TRANSFERRING THE WASTEWATER UTILITY SYSTEM INTO A NEW**
16 **WASTEWATER TRUST MODELED AFTER THE ENERGY TRUST?**

17 A14. Yes. The ordinance passed by the City-County Council authorizing the transfer
18 of the wastewater utility stated:

19 it is in the best interest of . . . the proper serving of the
20 inhabitants of the City . . . for the assets of the Sanitary
21 District [the wastewater utility] to be held in a newly
22 created not-for-profit and designee of Citizens, CWA
23 Authority, Inc. ("CWA"), established to hold and operate
24 the assets of the Sanitary District with the Department of
25 Public Utilities, for the City of Indianapolis, acting by and
26 through the Board of Directors for Utilities, as trustee, in
27 furtherance of a public charitable trust for the Wastewater
28 System . . . for the exclusive benefit of the inhabitants of
29 the City.

30 The essence of what the City and Citizens Energy Group had proposed
31 was perhaps most succinctly articulated by Chris Cotterill, Chief of Staff for the

1 Mayor of Indianapolis (Mayor Ballard, at that time), who testified in Cause No.

2 43936:

3 Fundamentally, this proposed transaction is about removing
4 these vital utilities [the water and wastewater utilities] from
5 local, short-term focused political control and treating them
6 like the long term assets that they are. Utilities are better
7 managed by a utility company with continuity of
8 management and a longer term view of what is necessary to
9 efficiently operate utilities. (Cause No. 43936, Cotterill
10 Testimony at page 7)

11 **Q15. DID OTHER COMMUNITY STAKEHOLDERS RECOGNIZE THE**
12 **BENEFITS OF TRANSFERRING THE WASTEWATER UTILITY ASSETS**
13 **FROM THE CITY TO CITIZENS ENERGY GROUP?**

14 A15. Yes. There was consensus among several key stakeholders that removing the
15 wastewater utility from the City's municipal ownership and control and
16 transferring it to the operational control of Citizens Energy Group would be
17 beneficial to the wastewater utility and its customers. In addition to the scrutiny
18 the proposed transaction received in formal City-County Council hearings and the
19 Commission proceeding (Cause No. 43936), representatives from the City and
20 Citizens Energy Group participated in more than 60 public meetings. Throughout
21 that process, a broad range of stakeholders, including residential and business
22 customers, community groups, faith-based organizations, elected officials,
23 minority business advocates, environmental organizations and members of the
24 media, were engaged and had an opportunity to provide their input regarding the
25 proposed transaction. A number of those stakeholders, including the Board of
26 Public Works, Board of Waterworks, Builders Association of Greater

1 Indianapolis, Greater Indianapolis Chamber of Commerce, Greater Indianapolis
2 Progress Committee, Indianapolis Star, Indianapolis Business Journal,
3 Interdenominational Ministerial Alliance, Metropolitan Indianapolis Board of
4 REALTORS[®], the Near North Development Corporation and Local Initiatives
5 Support Corporation Indianapolis, publicly stated their support for the transfer of
6 the water and wastewater utilities to Citizens Energy Group's operational control.

7 **Q16. HOW WAS THE COMMISSION PROCEEDING REGARDING THE**
8 **PROPOSED TRANSFER OF THE CITY'S WATER AND WASTEWATER**
9 **UTILITIES TO CITIZENS AND CWA RESOLVED?**

10 A16. Ultimately, a settlement agreement (the "Settlement Agreement") was reached in
11 Cause No. 43936, in which the settling parties recommended Commission
12 approval of the proposal to transfer the City's water and wastewater utilities to
13 Citizens and CWA, respectively. The City, CWA, Citizens Energy Group, the
14 Indiana Office of Utility Consumer Counselor (the "OUCC") and certain large
15 water and wastewater utility customers (the "Industrial Group") were all parties to
16 the Settlement Agreement. The Industrial Group was comprised of Eli Lilly &
17 Company, National Starch, LLC, Rolls-Royce Corporation and Vertellus
18 Agriculture & Nutrition Specialties, Inc.

19 The Commission approved the Settlement Agreement explaining:

20 Inherent in the Settlement Agreement is the Settling
21 Parties' agreement that the Commission should approve the
22 acquisition of certain water utility assets by Citizens from
23 the City and the DOW and the acquisition of certain
24 Wastewater utility assets by [CWA] from the City and
25 Sanitary District as contemplated in the APAs. The
26 Settlement Agreement provides that: "[t]he Settling Parties

1 agree that the Commission's timely entry of an Order
2 approving this Settlement Agreement will assist in
3 facilitating achievement of the benefits of the proposed
4 acquisitions at the earliest opportunity.

* * *

5 Both Systems require a significant amount of capital
6 investment. This is particularly true with respect to the
7 Wastewater utility, which must comply with the terms of
8 the Consent Decree. Based upon the evidence presented in
9 this proceeding, we find that transferring control of the
10 Water and Wastewater Systems from the City to Citizens
11 and [CWA] will provide many benefits to the City's water,
12 wastewater, gas, and steam customers and is in the public
13 interest.

14 (Cause No. 43936 Order at page 18)

15 **Q17. WHAT IS THE CONSENT DECREE THAT THE COMMISSION STATED**
16 **THE WASTEWATER UTILITY MUST COMPLY WITH?**

17 A17. Prior to CWA acquiring the wastewater utility, the City entered into the 2006
18 Combined Sewer Overflow Consent Decree (the "Consent Decree") with the U.S.
19 Environmental Protection Agency and the Indiana Department of Environmental
20 Management ("IDEM"), which was approved by the U.S. District Court for the
21 Southern District of Indiana. The Consent Decree was entered into to address
22 combined sewer overflows that occur during certain rain events and result in raw
23 sewage being discharged into the White River and other area rivers and streams.
24 Currently, when as little as a quarter inch of rain falls, the combined sewer system
25 can reach capacity resulting in raw sewage flowing into local rivers and streams.
26 When CWA acquired the wastewater utility in 2011, it became a signatory to the
27 Consent Decree and assumed responsibility for fixing that problem by completing

1 the Combined Sewer Overflow Long Term Control Plan (the “Long Term Control
2 Plan”) set forth in the Consent Decree.

3 CWA is, among other things, designing and constructing a series of six
4 tunnels approximately 250 feet beneath the City (the “DigIndy Tunnel System”)
5 that will be capable of storing over 250 million gallons of wastewater until it can
6 be safely treated at our advanced wastewater treatment plants. When the DigIndy
7 Tunnel System and other Long Term Control Plan projects are completed by
8 2025, the White River and other area streams will be much cleaner, which will
9 have a significant economic and quality of life impact on the community.

10 Unlike other capital investment programs, the Long Term Control Plan
11 projects are mandated by the federal government through the Consent Decree.
12 The Consent Decree is prescriptive in how it is to be complied with, including
13 with respect to the projects that are to be completed and the time frame in which
14 they must be completed by CWA. While any capital program of a magnitude like
15 the Long Term Control Plan carries with it a tremendous amount of business risk,
16 the sense of obligation and urgency created by the Consent Decree intensifies the
17 business risk CWA has taken on to fix the City’s combined sewer overflow
18 problem. In Cause No. 43936, the Commission acknowledged the prescriptive
19 nature of the Consent Decree and resulting risk to CWA stating, “[s]imply put, the
20 terms of the Consent Decree must be complied with or [CWA] will be in violation
21 of the Clean Water Act and be subject to stipulated penalties.” (Cause No. 43936
22 Order at page 21)

1 **Q18. DID THE COMMISSION ADDRESS IN CAUSE NO. 43936 THE FUTURE**
2 **RATE INCREASES THAT WOULD BE REQUIRED TO FUND THE**
3 **“SIGNIFICANT AMOUNT OF CAPITAL INVESTMENT” CWA WOULD**
4 **BE REQUIRED TO MAKE AS A RESULT OF THE CONSENT DECREE?**

5 A18. Yes. The Commission's approval order in Cause No. 43936 stated: "We further
6 understand the unusual scope and magnitude of [CWA's] need to access the
7 capital markets on an ongoing and regular basis and its need for timely approval
8 of rates sufficient to support frequent future debt issuances." (Cause No. 43936
9 Order at page 24)

10 **Q19. HAS THE COMMISSION FOLLOWED THROUGH ON ITS**
11 **ACKNOWLEDGMENT IN THE CAUSE NO. 43936 ORDER THAT CWA**
12 **WOULD NEED FREQUENT RATE INCREASES TO COMPLY WITH**
13 **THE CONSENT DECREE?**

14 A19. Yes. The Commission has approved two base rate increases for CWA since it
15 acquired the wastewater utility. It also has approved CWA's implementation of a
16 System Integrity Adjustment ("SIA") to help ensure CWA's recovery of the
17 revenues authorized in its most recent rate case order. Those rate increases and
18 the SIA have been essential for CWA to be able to meet its obligations under the
19 Consent Decree and make other capital investments needed to provide safe,
20 adequate and reliable service.

21 The OUCC also has honored the acknowledgment of CWA's tremendous
22 capital funding needs in the Settlement Agreement approved in Cause No. 43936.
23 In both of CWA's first two rate cases, CWA reached settlement agreements with

1 the OUCC. We appreciated the Commission's and OUCC's support for CWA's
2 acquisition in Cause No. 43936, but more importantly, we appreciate the
3 Commission's and OUCC's continued recognition that the rate relief CWA has
4 sought is required to fund capital improvements imposed under a federal Consent
5 Decree, as well as extensions and replacements to the system's aging
6 infrastructure, which will result in significant environmental and economic
7 benefits for CWA's customers and the City as a whole.

8 **Q20. MR. HARRISON, EARLIER YOU MENTIONED THE NEED TO "STAY**
9 **THE COURSE CHARTED BY THE SETTLING PARTIES AND**
10 **COMMISSION IN CAUSE NO. 43936." PLEASE EXPAND ON WHAT**
11 **YOU MEAN BY THAT.**

12 A20. It means, in part, and as the Commission concluded in its final order in Cause No.
13 43936 (page 24), continued recognition of CWA's "need to access the capital
14 markets on an ongoing and regular basis and its need for timely approval of rates
15 sufficient to support frequent future debt issuances" to provide funding for the
16 Consent Decree. But it also means much more than that.

17 The transfer of the wastewater utility to be owned and operated by CWA
18 and Citizens Energy Group was based on a belief shared by key stakeholders,
19 including the Commission, that the wastewater utility needed to be transferred to
20 an organization staffed with an experienced, professional utility management
21 team. In its Order approving the transfer of the wastewater utility to Citizens and
22 CWA, the Commission explained:

1 The Commission was presented with evidence
2 demonstrating the significant challenges both the Water
3 and Wastewater Systems face in the upcoming years, which
4 underscores the need to ensure these critical utility assets
5 are under the operational control of a qualified and
6 experienced utility organization. (Cause No. 43936 Order
7 at page 18)

* * *

8 [T]he Commission finds that Citizens has extensive
9 experience operating public utilities based upon its
10 provision of natural gas, steam, and chilled water services.
11 With respect to the managerial capability to run the Water
12 and Wastewater Systems, we find this experience highly
13 relevant. Both the evidence presented and our own
14 experience with Citizens in other cases convinces us that
15 Citizens and [CWA] have the managerial capability to own
16 and operate the Water and Wastewater Systems. (Cause
17 No. 43936 Order at page 21)

18 Prior to the transfer of the wastewater system to Citizens and CWA, the
19 utility was managed in accordance with the City's municipal ownership model.
20 Over a century ago, Alfred Potts and the other founders of the original public
21 charitable trust concluded that model was not best suited for critical utility
22 operations serving the City of Indianapolis and instead opted to create an
23 organization designed to be a successful substitute for municipal ownership. A
24 century later, Mayor Ballard and the City-County Council affirmed Potts's belief,
25 by concluding that the public charitable trust model had in fact served as a
26 successful substitute for municipal ownership and choosing to transfer the
27 wastewater system to Citizens and CWA.

28 One fundamental problem that resulted from the City's municipal model
29 and led to concerns about continued City ownership of the water and wastewater

1 utilities was an inability to sustain “continuity of management,” as Mayor
2 Ballard’s Chief of Staff, Chris Cotterill, testified in Cause No. 43936. This
3 problem also was discussed in the water utility’s last rate case before the
4 acquisitions. In the Commission’s February 2, 2011 Order in Cause No. 43645
5 (the water utility’s last rate case before it was transferred from the City’s
6 Department of Waterworks (“DOW”) to Citizens), the Commission took note of
7 the testimony of a management consultant who was directed to review the
8 management structure charged with managing the water utility under the City’s
9 ownership. The management consultant concluded that the City “never
10 developed an internal institutional structure sufficient to maintain direct
11 accountability for the managerial, financial and technical capacity that is central
12 for long-term ownership and operation of a utility enterprise.” (Cause No. 43645,
13 Feb. 2, 2011 Order at page 7) The February 2, 2011 Order in Cause No. 43645
14 and the June 30, 2009 interim emergency order that preceded it indicate the DOW
15 continually had trouble recruiting and retaining employees for key positions,
16 including Executive Director and Chief Financial Officer, which I believe resulted
17 in an over-reliance on outsourcing of critical management functions. In my
18 opinion, the over-reliance on outsourcing that plagued the water utility also was
19 present at the wastewater utility under the City’s ownership.

20 To be sure, CWA appropriately utilizes qualified and experienced
21 professional services firms with specific expertise. However, upon closing the
22 acquisition of the water and wastewater utilities, we immediately insourced
23 critical management functions related to management of the Consent Decree

1 implementation that, under the City's ownership, had been performed by outside
2 service providers, at a higher cost and with less accountability to customers,
3 regulators and other stakeholders.

4 In other words, the model of utility management formerly in place under
5 the City's municipal ownership of the wastewater utility that in large part relied
6 on costly external consultants and other outside service providers to perform
7 critical executive management functions has been replaced with the Citizens
8 Energy Group model that relies on an executive management team made up of
9 experienced and highly qualified utility professionals.

10 **Q21. HOW DO THE ISSUES YOU JUST DISCUSSED RELATE TO THIS**
11 **CASE?**

12 A21. In order to attract and retain employees with the skills and experience needed to
13 sustain the benefits the Citizens Energy Group professional utility management
14 model has brought to the wastewater utility, as contemplated by the City when it
15 decided to transfer the utility to Citizens and CWA as well as the final order in
16 Cause No. 43936 approving that transfer, the Citizens Energy Group Board
17 believes it is critical that investor-owned utilities be included in the peer group
18 used to benchmark executive compensation, as was the Board's philosophy long
19 before the wastewater acquisition. In the final order in CWA's last rate case,
20 however, the Commission issued the following directive: "In its next rate case,
21 CWA shall include with its case-in-chief an updated compensation study of
22 executive salaries that includes only municipal utilities." (Cause No. 44685 Order
23 at page 24) The Cause No. 44685 Order states that the foregoing directive "also

1 extends to Citizens Energy Group's other regulated utilities.” We have complied
2 with that directive, but as stated above, the Board continues to believe, as was its
3 philosophy prior to the transfer of the wastewater utility to CWA, it should not
4 restrict its search for executive talent to municipal utilities and likewise should not
5 base executive compensation decisions on a study that compares the Citizens
6 organization to only municipal utilities.

7 **Q22. DO YOU BELIEVE CWA HAS SATISFIED THE COMMISSION’S**
8 **DIRECTIVE IN THE CAUSE NO. 44685 ORDER?**

9 A22. Yes. Our understanding of the directive in the Cause No. 44685 Order is that in
10 the next rate case after Cause No. 44685 filed by either CWA or one of the
11 Citizens Energy Group utilities (Citizens Gas, Citizens Water or the Citizens
12 Thermal steam utility), an “updated compensation study of executive salaries that
13 includes only municipal utilities” must be included with the utility’s case-in-chief.
14 This CWA rate case is the first rate case filed by CWA or one of the Citizens
15 Energy Group utilities after the Order in Cause No. 44685. As noted above,
16 CWA has included with its case-in-chief a municipal only compensation study,
17 but the Board does not believe a municipal-only peer group is appropriate for
18 assessing the compensation of Citizens Energy Group’s officers.

19 I believe the evidence presented in this proceeding, in particular the \$400
20 million of savings in Consent Decree costs to date, supports the Board’s position.
21 I am hopeful that based on that evidence, the Commission will appreciate the
22 benefits of the balance the Board has struck in discharging its statutory duties to
23 attract and retain professionals with requisite utility management experience and

1 set compensation for those professionals in an effort to provide the utility with the
2 “continuity of management and . . . longer term view” that the Mayor’s Chief of
3 Staff testified the City desired in Cause No. 43936. (Cause No. 43936, Cotterill
4 Testimony at page 7)

5 The Commission reached the right conclusion in Cause No. 43936
6 regarding the benefits of replacing the City’s former municipal staffing and
7 outsourcing model with the professional utility management model Citizens had
8 in place long before the acquisition. The Commission should reaffirm that
9 conclusion in this proceeding and end the inquiry into the Board’s determination
10 that the primary market for Citizens Energy Group’s executive talent is a blended
11 peer group of investor-owned utilities and municipal/public power utilities.

12 **PROGRESS ON THE CONSENT DECREE AND OTHER KEY WASTEWATER INITIATIVES**

13 **Q23. PLEASE PROVIDE AN OVERVIEW OF CWA’S PROGRESS ON**
14 **COMPLIANCE WITH THE CONSENT DECREE AND**
15 **IMPLEMENTATION OF THE LONG TERM CONTROL PLAN.**

16 A23. We have completed mining more than half of the 28-mile DigIndy Tunnel
17 System. All aspects of the Long Term Control Plan are either prudently ahead of
18 schedule or on schedule.

19 The Deep Rock Tunnel Connector and the Eagle Creek Deep Tunnel,
20 which are the segments of the DigIndy Tunnel System now open and operational,
21 have already prevented more than 500 million gallons of sewage from entering
22 White River and Eagle Creek. That number will of course grow as we bring more
23 tunnels on-line. To lend some perspective, the total volume of sewer overflows

1 we expect to keep out of Indianapolis waterways between 2012 and 2025 would
2 fill Lucas Oil Stadium more than 650 times. At the completion of the Consent
3 Decree in 2025, we expect to virtually eliminate the discharge of sewer overflows
4 into area rivers and streams, with the DigIndy Tunnel System reducing the
5 number of overflows that occur in a typical year from almost 60 to less than three
6 and capturing up to 99 percent of all combined sewer overflow volumes. That
7 will result in the elimination of almost 6 billion gallons of sewage overflowing
8 into area rivers and streams each year.

9 **Q24. HOW WOULD YOU DESCRIBE CWA'S PERFORMANCE THUS FAR TO**
10 **IMPLEMENT THE CONSENT DECREE PROJECTS AS COST**
11 **EFFECTIVELY AS POSSIBLE?**

12 A24. As I mentioned above, we have achieved \$400 million in Consent Decree savings,
13 with all elements of the Long Term Control Plan on or ahead of schedule. As Mr.
14 Jacob describes in his testimony, we continue to employ value engineering to
15 implement Consent Decree projects more cost effectively and achieve other
16 benefits that were not anticipated at the time the City negotiated the Consent
17 Decree. Our Ten Thousand Trees initiative is a good example of our efforts to
18 control costs and achieve other benefits through value engineering and the use of
19 sustainable natural infrastructure. It also illustrates the good relationship we
20 continue to enjoy with the City subsequent to the transfer of the wastewater utility
21 to CWA. The Ten Thousand Trees initiative is a collaborative effort by CWA,
22 the City of Indianapolis' Parks Department and Department of Public Works, and
23 Keep Indianapolis Beautiful to plant 10,000 trees over 10 years at strategic

1 locations throughout the combined sewer area. The trees, when fully mature,
2 collectively will store up to one million gallons of water during rain events
3 thereby reducing the volume of combined sewer overflows. At the locations
4 chosen, the planted trees are a more cost effective solution than traditional
5 infrastructure.

6 **Q25. IS CWA MAKING OTHER SIGNIFICANT INFRASTRUCTURE**
7 **INVESTMENTS IN ADDITION TO THE INVESTMENTS MADE TO**
8 **COMPLETE THE LONG TERM CONTROL PLAN?**

9 A25. Yes. First and foremost, we are making much needed investments in the
10 wastewater utility's aging collection system infrastructure. We also continue to
11 make significant investments in our two advanced wastewater treatment plants.
12 During the test year in this proceeding, we invested approximately \$43.6 million
13 in our collection system and treatment plants. More importantly, between August
14 2019 and July 2022 (the period of time we anticipate rates approved in this
15 proceeding will be in effect), we need to invest a minimum of approximately
16 \$32.1 million in our collection system and treatment plants, on an average annual
17 basis.

18 Additionally, through 2017, the wastewater utility's Septic Tank
19 Elimination Program ("STEP") has resulted in sanitary sewer service being
20 extended to approximately 13,500 Marion County homes that formerly had to rely
21 on septic tanks for sewage disposal. Through 2025, we plan to make sewer
22 connections available to approximately 3,000 additional septic tank homes in
23 Marion County. Even as we have driven costs for the STEP program down by

1 almost 40% through our value engineering initiatives, we plan to invest
2 approximately \$6.3 million annually on STEP projects during the period rates
3 approved in this proceeding will be in effect.

4 Mr. Mark C. Jacob, Citizens Energy Group's Vice President of Capital
5 Programs & Engineering and Quality, discusses CWA's aging collection system
6 infrastructure, treatment plant and STEP capital investments in his testimony in
7 much more detail.

8 **Q26. ARE THERE OTHER INITIATIVES CWA HAS UNDERTAKEN SINCE**
9 **ITS LAST RATE CASE TO IMPROVE THE EFFICIENCY AND COST**
10 **EFFECTIVENESS OF ITS SERVICE TO CUSTOMERS?**

11 A26. Yes. Prior to CWA's acquisition of the wastewater utility, the City had entered
12 into a contractual arrangement with Suez North America ("Suez"), formerly
13 known as United Water, under which operation and maintenance activities related
14 to the wastewater utility's treatment plants and collection system were outsourced
15 by the City to Suez employees. As I explained above, Citizens Energy Group and
16 CWA immediately insourced critical management functions upon acquisition of
17 the utility, including greater oversight and control of the Suez arrangement. More
18 recently, we completely ended the contractual arrangement the wastewater utility
19 formerly had in place with Suez. The majority of the former Suez employees who
20 operated and maintained the Indianapolis wastewater system are now employees
21 of Citizens Energy Group. The elimination of the Suez outsourcing arrangement
22 and other initiatives designed to improve the efficiency and cost effectiveness of
23 our operation and maintenance of the wastewater system are discussed in the

1 testimony of Jeffrey A. Willman, Citizens Energy Group's Vice President of
2 Water Operations.

3 **AFFORDABILITY AND OTHER CHALLENGES AND RISKS AHEAD**

4 **Q27. MR. HARRISON, YOU HAVE TALKED ABOUT PROGRESS CWA HAS**
5 **MADE AND SUCCESSES IT HAS ACHIEVED. WHAT ARE THE**
6 **PRINCIPAL CHALLENGES CWA FACES?**

7 A27. As with any large and complex business like CWA, there are many challenges,
8 but let me discuss a few: poverty and affordability issues in Marion County; risks
9 in completing the Consent Decree projects; and aging infrastructure.

10 **Q28. PLEASE DISCUSS YOUR CONCERNS ABOUT POVERTY AND**
11 **AFFORDABILITY ISSUES IN MARION COUNTY.**

12 A28. Unfortunately, poverty continues to grow in Marion County. It is a problem that
13 is top of mind for the CWA Board and me. According to a recent report released
14 by the United Way, 18 percent of Indianapolis residents are living in poverty. To
15 put that number into perspective, if the people in Marion County living below the
16 federal poverty level were a city, it would be the third largest city in Indiana. But
17 the affordability situation is even worse, as the United Way report found that 47
18 percent of Marion County households are unable to meet their basic needs.

19 **Q29. WHAT ARE CITIZENS ENERGY GROUP AND CWA DOING TO**
20 **ADDRESS THE GROWING PROBLEM OF POVERTY AND**
21 **AFFORDABILITY?**

22 A29. The most impactful step we can take is to remain committed to our mission and
23 maintain the lowest possible rates with sound financial management. As I

1 discussed earlier, we have been and will remain focused on controlling costs. Our
2 employees know the impact our investments in infrastructure, especially the
3 Consent Decree projects, are having on utility rates and, ultimately, household
4 budgets. At the same time, those same infrastructure investments are key to
5 improving the economy in Marion County. Stable utility systems are essential to
6 the City's ability to attract and retain business and industry, and revitalizing the
7 White River and other area streams will also have a significant impact on the
8 attractiveness of the City to businesses and residents who can contribute to
9 economic growth for everyone. That is why it is so important for CWA to
10 complete the Consent Decree projects as cost effectively as possible.

11 That said, the continual growth in the number of people in our community
12 struggling to meet their basic needs is not a problem Citizens Energy Group or
13 CWA can solve alone, but as a corporate citizen and community leader, we are
14 working closely with fellow stakeholders in assisting our community with this
15 critical issue. The economic development to which CWA is contributing will
16 reduce the number of people living in poverty over time, but we also must find
17 other ways to address the affordability issues the most vulnerable members of our
18 community face. Affordability issues force some of our most vulnerable
19 customers to make extremely difficult real-life choices, such as choosing between
20 paying a utility bill to maintain running water or filling a prescription for life
21 sustaining medicine. Building a safety net for those in need will require a
22 sustained commitment by a number of community stakeholders.

1 In our pursuit to understand more about poverty and affordability, we have
2 engaged Mr. Eric Rothstein a number of times the past few years. Mr. Rothstein
3 is a nationally recognized thought leader on the topics of affordability and prudent
4 financial management of water and wastewater utility infrastructure investment
5 needs. Mr. Rothstein has worked on affordability and infrastructure issues in
6 several poverty-stricken communities, including Detroit, Michigan; Flint,
7 Michigan; and Jefferson County, Alabama. The “three-pronged approach” to
8 addressing affordability Mr. Rothstein endorses includes steps that we have
9 already begun or are beginning to take. First, Citizens Energy Group is working
10 with other community stakeholders to form a collaborative of organizations who
11 are dealing with and addressing issues related to poverty in Indianapolis and
12 Central Indiana. We are hopeful a discussion among collaborative participants
13 about utility affordability and the issues those organizations see every day will
14 identify common ground to begin addressing the larger poverty issue together.
15 Second, we have intensified our efforts to improve our data mining and analysis
16 capabilities to better understand the affordability challenges our customers face.

17 Finally, we have redoubled our efforts to create tools and design programs
18 that will assist at-risk customers in need.

19 **Q30. PLEASE ELABORATE ON YOUR EFFORTS TO CREATE TOOLS AND**
20 **DESIGN PROGRAMS THAT WILL ASSIST AT-RISK CUSTOMERS IN**
21 **NEED.**

22 A30. A great example of those efforts is the recent development of a machine learning
23 model that helps identify residential customers who are at-risk of not being able to

1 afford paying their utility bill. One reason this initiative is so exciting is that it
2 demonstrates the alignment throughout our organization and the passion our
3 employees have to address affordability and assist customers in need. While the
4 Board and management are focused on the strategic goal of identifying and
5 addressing at-risk customers, the act of using machine learning to build a tool was
6 conceived by a group of employees who took it upon themselves to find a solution
7 that could make a difference for our customers. The model analyzes existing data
8 to identify customers who may be at-risk. It also is able to determine the likely
9 level of awareness these identified customers may have of available assistance
10 programs, so we can better prioritize and tailor our communications and outreach
11 efforts. This innovative use of technology will help us address affordability
12 concerns in ways that previously were not possible.

13 Another example of our efforts to address affordability is our continued
14 advancement of rate-funded assistance programs for qualified low-income
15 customers. In CWA's last rate case, CWA initially proposed a special rate for
16 qualified low-income customers. The Commission expressed concerns that such
17 a rate would be discriminatory in violation of Indiana law. The Commission also
18 rejected the creation of a low-income assistance fund using revenues CWA
19 receives from non-tariff sources, such as cell tower leases. Subsequent to the
20 Commission's order in CWA's last rate case, the Indiana General Assembly
21 passed and the Governor signed Senate Enrolled Act 416, which provides the
22 Commission greater flexibility to approve revenue-funded customer assistance
23 programs. Senate Enrolled Act 416 explicitly declares that programs established

1 under the new law are not discriminatory. In light of Senate Enrolled Act 416,
2 CWA is proposing a rate-funded customer assistance program in this case, which
3 includes bill discount and infrastructure fund proposals for qualified low-income
4 customers. CWA's proposal for a rate-funded customer assistance program is
5 described in detail by Mr. Korlon L. Kilpatrick, Citizens Energy Group's Director
6 of Regulatory Affairs, and further supported by Mr. Rothstein's testimony.

7 **Q31. THE SECOND CHALLENGE YOU MENTIONED WAS RISKS RELATED**
8 **TO SUCCESSFULLY COMPLETING THE CONSENT DECREE**
9 **PROJECTS. PLEASE ELABORATE ON THAT CHALLENGE.**

10 A31. The risks related to completing the Consent Decree projects can be broken down
11 into two categories: financial and project execution.

12 First, CWA faces significant financial risk related to ensuring it has
13 continued access to capital markets on favorable terms. CWA also faces the
14 challenge of ensuring its financial performance is not significantly below
15 expectations for reasons beyond management's control. Mr. John R. Brehm,
16 Citizens Energy Group's Senior Vice President and Chief Financial Officer, and
17 Mr. Rothstein discuss those risks in detail in their testimony. They also
18 emphasize the need to increase revenue-funded extensions and replacements and
19 move to a more balanced capital structure to mitigate those financial risks.

20 As I noted earlier, the prescriptiveness of the Consent Decree and the
21 stipulated penalties it imposes for failures to achieve established milestones
22 intensifies the business risk to CWA of executing the Consent Decree projects

1 successfully and on time. Mr. Jacob discusses those challenges, recent cost
2 impacts, as well as mitigation strategies in more detail in his testimony.

3 **Q32. PLEASE DISCUSS YOUR CONCERNS ABOUT AGING**
4 **INFRASTRUCTURE.**

5 A32. CWA's collection system comprises 3,200 miles of underground infrastructure,
6 much of which is very old and in need of significant and continuous investment.
7 Maintaining that infrastructure in a condensed metropolitan area like the City of
8 Indianapolis makes the task particularly daunting. Mr. Jacob describes two recent
9 sewer failures that occurred downtown, which demonstrate the challenges we face
10 as a result of aging infrastructure and reinforce the need for the investments we
11 are making to replace that infrastructure. Both of those incidents involved the
12 deterioration of infrastructure that was more than 100 years old. Despite the
13 challenge and the recent incidents downtown, I am confident the level of
14 investment we are making and the processes we have in place are the right
15 approach to address CWA's aging infrastructure at this time, although we do plan
16 to increase investment in our collection system in the future as the construction
17 associated with the Consent Decree winds down.

18 **CURRENT RATES AND CHARGES AND RATE RELIEF REQUESTED**

19 **Q33. PLEASE DESCRIBE CWA'S CURRENT RATES AND CHARGES.**

20 A33. On September 25, 2015, CWA filed a petition seeking approval of a new schedule
21 of rates and charges based on a test year of the 12 months ending December 31,
22 2014. That proceeding, which was docketed as Cause No. 44685, was the second
23 general rate case filed by CWA subsequent to its acquisition of the wastewater

1 utility. On July 18, 2016, the Commission authorized CWA to implement a two-
2 step increase. In the first step, CWA was authorized to put into effect rates and
3 charges designed to generate total operating revenues of \$269,704,907. In the
4 second step, CWA was authorized to put into effect rates and charges designed to
5 generate total operating revenues of \$283,233,415. CWA implemented the step
6 one and step two rates and charges on July 20, 2016 and August 1, 2017,
7 respectively. CWA was required to file true-up reports and revised rate schedules
8 based on the actual results of new debt issuances contemplated in Cause No.
9 44685. CWA made those compliance filings for the step one and step two rates
10 and charges on October 21, 2016, and August 21, 2017, respectively. CWA's
11 existing schedule of base rates and charges became effective September 1, 2017.

12 On September 28, 2017, CWA filed a petition seeking approval to
13 implement an SIA pursuant to Indiana Code Section 8-1-31.5-12. On December
14 28, 2017, the Commission authorized CWA to implement an SIA designed to
15 generate \$6,139,673. CWA implemented the approved SIA effective January 1,
16 2018.

17 **Q34. ARE THE RATES AND CHARGES PRESENTLY IN EFFECT**
18 **PRODUCING ADEQUATE REVENUES TO MEET CWA'S STATUTORY**
19 **REVENUE REQUIREMENT?**

20 A34. No, they are not. The rates and charges approved in CWA's last rate case were
21 designed to meet the utility's funding needs through July 2018. Consequently, we
22 originally intended to file a petition requesting approval of new rates and charges
23 in October 2017, in order to have them approved for implementation in July 2018.

1 As a result of efficiencies realized through prudent financial and operational
2 management, we have been able to delay the need for this rate case for over a
3 year. We are now at a point, however, that the rates and charges approved in
4 Cause No. 44685 are insufficient to meet the utility's ongoing needs.

5 **Q35. PLEASE EXPLAIN WHY THE CURRENT RATES AND CHARGES ARE**
6 **NOT ADEQUATE.**

7 A35. As with CWA's first two rate cases, the request for relief in this case is driven
8 largely by CWA's significant capital spending needs. Mr. Brehm explains in his
9 testimony that, during the period we assume rates approved in this case will be in
10 effect, CWA plans to issue over \$460 million of new debt to fund extensions and
11 replacements and refund short-term debt that will accumulate while this case is
12 pending.

13 **Q36. HOW MUCH OF THE CAPITAL INVESTMENT DESCRIBED IN THE**
14 **PRIOR ANSWER IS RELATED TO FUNDING FOR THE CONSENT**
15 **DECREE PROJECTS?**

16 A36. The prior answer is based on the assumption that rates approved in this case will
17 be in effect from August 2019 through July 2022. The vast majority of capital
18 investments in the wastewater system extensions and replacements program that
19 will be made during that period is necessary to comply with the Consent Decree.

1 **Q37. HAVE THE INVESTMENTS TO BE MADE PURSUANT TO THE**
2 **CONSENT DECREE BEEN ADDRESSED PREVIOUSLY BY THE**
3 **COMMISSION?**

4 A37. Yes. In Cause No. 43936, the Commission approved the Consent Decree, and the
5 Long Term Control Plan detailing the capital projects CWA must complete in
6 order to comply with the Consent Decree, as an Environmental Compliance Plan
7 pursuant to Indiana Code Section 8-1-28-7. Consequently, the vast majority of
8 the amount of CWA's annual capital spending needs at issue in this case has
9 already been approved as recoverable by the Commission.

10 **Q38. ARE THERE OTHER ITEMS PUTTING UPWARD PRESSURE ON**
11 **CWA'S RATES AND CHARGES?**

12 A38. Yes. We are proposing in this case to increase revenue-funded E&R. That
13 proposal is a key part of addressing the financial risk of completing the Consent
14 Decree projects I mentioned earlier. Petitioner's witness John R. Brehm discusses
15 CWA's proposal to increase revenue funding for extensions and replacements in
16 more detail in his testimony. The proposal to increase revenue-funded E&R is
17 also supported by CWA witness Eric Rothstein.

18 Also causing upward pressure to CWA's rates is an increase in the amount
19 of the payments due under the PILOT schedule the Commission approved in
20 Cause No. 43936. CWA witness Ms. Sabine E. Karner, Citizens Energy Group's
21 Vice President and Controller, discusses in her testimony the increasing PILOT
22 payments that CWA must make during the period rates approved in this case will
23 likely be in effect.

1 **Q39. PLEASE DESCRIBE THE TIMING AND AMOUNTS OF THE THREE-**
2 **STEP RATE INCREASE CWA IS REQUESTING IN THIS PROCEEDING.**

3 A39. In order to time the increases with CWA's future debt issuances over the next
4 three years and gradually adjust the amount of revenue funded extensions and
5 replacements, CWA is requesting a three-step increase in this proceeding. The
6 step one increase, which we anticipate will take effect in August 2019, would
7 increase base rate revenues by \$39.5 million in order to provide CWA an
8 opportunity to realize operating revenues of \$307.9 million. The step two
9 increase, which we anticipate will take effect in August 2020, would increase base
10 rate revenues by another \$14.7 million in order to provide CWA an opportunity to
11 realize operating revenues of \$322.6 million. The step three increase, which we
12 anticipate will take effect in August 2021, would increase base rate revenues by
13 another \$11.3 million in order to provide CWA an opportunity to realize
14 operating revenues of \$333.9 million.

15 **CONCLUSION**

16 **Q40. MR. HARRISON, WHAT IS YOUR OPINION REGARDING THE**
17 **NECESSITY OF THE RELIEF CWA HAS REQUESTED IN THIS**
18 **PROCEEDING?**

19 A40. The rate relief we have requested in this case is critically important to provide the
20 funding CWA needs to continue to make the investments necessary to comply
21 with the Consent Decree, address its aging collection system infrastructure and
22 treatment plants and make sewer service available to additional homes in Marion
23 County currently relying on septic tanks for sewage disposal. We have structured


1 the rate adjustments in three phases in order to time them with planned debt
2 issuances and gradually adjust the amount of revenue funded extensions and
3 replacements to the appropriate level. We also have proposed a Low-Income
4 Customer Assistance Program that I believe is a fair and reasonable step to
5 address the growing issue of affordability as a result of rising poverty in our
6 community. In sum, I believe the relief we are requesting in this proceeding is
7 just and reasonable and am hopeful CWA, the OUCC and other parties to the case
8 can reach a settlement that will allow the utility to meet its obligations in a
9 fiscally responsible manner.

10 **Q41. DOES THAT CONCLUDE YOUR PREPARED DIRECT TESTIMONY?**

11 A41. Yes, it does.

VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing testimony is true to the best of his knowledge, information and belief.


Jeffrey A. Harrison

FILED
October 12, 2018
INDIANA UTILITY
REGULATORY COMMISSION

BEFORE THE

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) CAUSE NO. 45151
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.)

**VERIFIED PETITION FOR GENERAL RATE INCREASE AND
ASSOCIATED RELIEF UNDER INDIANA CODE SECTIONS 8-1-2-42.7 AND 8-1-2-46
AND NOTICE OF PROVISION OF INFORMATION REQUIRED BY THE MINIMUM
STANDARD FILING REQUIREMENTS**

CWA Authority, Inc. (“CWA” or “Petitioner”), respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for: (i) authority to increase its rates and charges for wastewater service rendered by it in three phases and approval of new schedules of rates and charges applicable thereto; (ii) approval of a Low-Income Customer Assistance Program; and (iii) approval of certain changes to its general terms and conditions for wastewater service. This filing is made in accordance with Indiana Code Sections 8-1-2-42.7 and 8-1-2-46. In accordance with the Commission’s Recommended Best Practices for Rate Cases (“GAO 2013-5”), CWA also is contemporaneously submitting to the Commission working papers required by the Commission’s Rules on Minimum Standard Filing Requirements (“MSFR Rules”), 170 IAC 1-5-1 *et seq.*, to the extent the MSFR Rules apply. In support of the relief requested herein, CWA states as follows:

Nature of Petitioner and Regulatory Status

1. CWA is an Indiana nonprofit corporation and an instrumentality of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group (“Citizens Energy Group” or the “Board”) created pursuant to an Interlocal Cooperation Agreement in accordance with the Interlocal Cooperation Act, *i.e.*, Indiana Code 36-1-7. The Board, the City of Indianapolis (the “City”) and the Sanitary District of the City, acting by and through the Board of Public Works (the “Sanitary District”), entered into the Interlocal Cooperation Agreement to form CWA for the purpose of acquiring and owning wastewater system assets formerly owned by the City and the Sanitary District. Petitioner’s principal office is located at 2020 North Meridian Street, Indianapolis, Indiana 46202.

2. On July 13, 2011, the Commission issued an Order in Cause No. 43936 approving the terms of an Asset Purchase Agreement under which CWA then acquired the wastewater system assets previously owned by the City and the Sanitary District on August 26, 2011.

3. CWA provides wastewater collection and treatment services to approximately 242,000 retail customers in Marion County and wastewater treatment services to surrounding communities. Pursuant to a Management and Operating Agreement approved by this Commission in Cause No. 43936, Citizens Energy Group provides management and operational services necessary and desirable for the operation of the wastewater utility owned by CWA.

4. Pursuant to the Interlocal Cooperation Agreement, the Board has vested CWA with its statutory powers under Indiana Code Section 8-1-11.1-3(c)(9) to adopt rates and charges and terms and conditions for the provision of wastewater utility service.

5. Rates and charges and terms and conditions for the provision of wastewater utility service adopted by CWA pursuant to Indiana Code Section 8-1-11.1-3(c)(9) “shall be in effect only after the rules and rates have been filed with and approved by the commission and such approval shall be granted by the commission only after notice of hearing and hearing as provided by IC 8-1-1 and IC 8-1-2, and only after determining compliance of the rates of service with IC 8-1.5-3-8 and IC 8-1.5-3-10.”

6. Pursuant to Indiana Code Sections 8-1-11.1-3(c)(9) and 8-1.5-3-8, rates and charges made by CWA for any service rendered or to be rendered, either directly or in connection therewith, “must be nondiscriminatory, reasonable, and just.” CWA’s rates and charges for wastewater utility service are required by law to “produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service.” CWA’s revenues and income from rates and charges for services need to be increased so that it can continue to operate and maintain its wastewater utility system in satisfactory physical and financial condition to render reasonably adequate service to its customers, and to meet the requirements for reasonable and just rates and charges for services under Indiana Code Section 8-1.5-3-8(c) and (d).

CWA’s Present Rates and Charges

7. The Commission’s July 18, 2016 Order in Cause No. 44685 authorized CWA to increase its rates and charges in two phases. CWA implemented the phase 1 and phase 2 rates and charges on July 20, 2016, and August 1, 2017, respectively. CWA was required to file true-up reports and revised rate schedules based on the actual results of new debt issuances contemplated in Cause No. 44685. CWA made those compliance filings for the phase 1 and phase 2 rates and charges on October 21, 2016, and August 21, 2017, respectively. CWA’s

existing schedule of base rates and charges became effective September 1, 2017.

8. On July 26, 2017, the Commission issued an Order in Cause No. 44685-S1 approving a series of revenue-neutral rate adjustments to be implemented during the period from January 1, 2019, through January 1, 2029, to address cost of service subsidies that exist between CWA's wholesale and retail customer classes.

9. On September 28, 2017, CWA filed a petition seeking approval to implement a System Integrity Adjustment ("SIA") pursuant to Indiana Code Section 8-2-31.5-12, which the Commission approved on December 28, 2017 in Cause No. 44990. CWA implemented the approved SIA effective January 1, 2018. On September 17, 2018, CWA filed a petition seeking approval of revised SIA rates to become effective on January 1, 2019.

CWA's Present Rates and Charges are not "Reasonable and Just"

10. CWA's rates and charges for wastewater service result in the collection of revenues that do not meet the requirements of reasonable and just rates and charges set forth in Indiana Code Section 8-1.5-3-8. Therefore, CWA's rates and charges are and will be too low and insufficient to:

(c)(1) Pay all the legal and other necessary expenses incident to the operation of the utility, including:

- (A) Maintenance costs;
- (B) Operating charges;
- (C) Upkeep;
- (D) Repairs;
- (E) Depreciation;
- (F) Interest charges on bonds or other obligations, including leases; and
- (G) Costs associated with the acquisition of utility property under IC 8-1.5-2;

(2) Provide a sinking fund for the liquidation of bonds or other obligations, including leases;

(3) Provide a debt service reserve for bonds or other obligations, including leases, in an amount established by the [Petitioner], not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;

(4) Provide adequate money for working capital;

(5) Provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and

(6) Provide money for the payment of any taxes that may be assessed against the utility.

Accordingly, CWA's rates and charges presently in effect are unlawful under Indiana Code Section 8-1.5-3-8(d), which states: "It is the intent of this section that the rates and charges produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service. Rates and charges too low to meet these requirements are unlawful."

11. CWA's existing schedule of rates and charges needs to be further adjusted to reflect the results of a cost-of-service study.

Test Year

12. CWA proposes that its new rates and charges be based upon its wastewater utility operations at May 31, 2018, and the results of its operations on an as-adjusted basis for the 12-month period after that date.

13. In accordance with 170 IAC 1-1.1-9(b), CWA proposes that the 12-month period ended May 31, 2018, be the test year fixed by the Commission, and that the cut-off date for adjustments to net income and operating expenses that are reasonably known, fixed, and measurable, be within twelve months following the close of the test year, except for amounts for extensions and replacements, debt service requirements and payments in lieu of taxes ("PILOT

payments”) pursuant to the schedule of PILOT payments approved by the Commission in Cause No. 43936.

CWA’s Proposed Phase 1, Phase 2, and Phase 3 Rates and Charges

14. CWA proposes, subject to the authorization and approval of this Commission, to cancel its existing schedule of rates and charges for wastewater service and to file with the Commission, in lieu thereof, revised schedules of rates and charges in three phases, as described below.

15. CWA proposes that its Phase 1 schedule of rates and charges be placed into effect upon the Commission’s issuance of a final Order in this Cause, which is anticipated to be on or before August 8, 2019. The Phase 1 rates and charges will result in the collection of revenues sufficient to recover the revenue requirements set forth in Indiana Code Section 8-1.5-3-8 based on *pro forma* revenues and operating expenses during the test year with adjustments for changes that are reasonably known, fixed, and measurable and occurring within twelve months following the close of the test year, in addition to *pro forma* debt service costs associated with bonds expected to be issued by CWA to fund combined sewer overflow projects (“CSO Projects”) pursuant to the Consent Decree and other necessary improvements through July 31, 2020.

16. CWA proposes that its Phase 2 schedule of rates and charges be placed into effect on August 1, 2020. The Phase 2 rates and charges will allow for the collection of incremental revenues sufficient to recover (a) debt service costs associated with bonds to be issued by CWA to fund CSO Projects pursuant to the Consent Decree and other necessary improvements through July 31, 2021, (b) annual increases to the PILOT obligation CWA pays to the City of Indianapolis in accordance with the PILOT payment schedule that was approved by the

Commission in Cause No. 43936, and (c) an increase to the amount of funding for extensions and replacements included in CWA's annual revenue requirement in order to, among other things, sustain CWA's debt service coverage ratio in light of the annual increase in debt service cost.

17. CWA proposes that its Phase 3 schedule of rates and charges be placed into effect on August 1, 2021. The Phase 3 rates and charges will allow for the collection of incremental revenues sufficient to recover (a) debt service costs associated with bonds to be issued by CWA to fund CSO Projects pursuant to the Consent Decree and other necessary improvements through July 31, 2022, (b) annual increases to the PILOT obligation CWA pays to the City of Indianapolis in accordance with the PILOT payment schedule that was approved by the Commission in Cause No. 43936, and (c) an increase to the amount of funding for extensions and replacements included in CWA's annual revenue requirement in order to, among other things, sustain CWA's debt service coverage ratio in light of the annual increase in debt service cost.

18. The Phase 1, Phase 2, and Phase 3 schedules of rates and charges are designed to provide CWA with reasonable and just rates and charges for services within the meaning of Indiana Code Section 8-1.5-3-8. CWA's proposed revised schedules of rates and charges will be accompanied by the prepared direct testimony and exhibits of CWA's witnesses.

19. The proposed Phase 1, Phase 2, and Phase 3 schedules of rates and charges will be based on an updated cost-of-service study and rate design, to better reflect the cost-of-service by customer class.

Low-Income Customer Assistance Program

20. In Indiana Code Section 8-1-2-42-0.5, the Indiana General Assembly declared:

it is the continuing policy of the state, in cooperation with local governments and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, in a manner calculated to create and maintain conditions under which utilities plan for and invest in infrastructure necessary for operation and maintenance while protecting the affordability of utility services for present and future generations of Indiana citizens.

21. Senate Enrolled Act No. 416, which was enacted by the Indiana General Assembly and signed by the Governor in 2017, provides the Commission statutory authority to approve a wastewater utility's establishment of a customer assistance program that provides financial relief to residential customers who qualify for income-related assistance, based on the Commission's determination that the proposed customer assistance program furthers the interests set forth in Indiana Code Section 8-1-2-42-0.5

22. According to a recent study by the United Way of Central Indiana, 18 percent of Marion County households are living below the federal poverty level. Citizens Energy Group and CWA have begun to undertake steps to address the issue of poverty and affordability in Marion County, including working with other community stakeholders and improving data mining and analysis capabilities to better understand the affordability challenges CWA's customers face.

23. In this case, CWA is proposing a Low-Income Customer Assistance Program pursuant to Senate Enrolled Act No. 416.

24. The purpose of CWA's Low-Income Customer Assistance Program is to help its most at-risk customers maintain continued access to wastewater service, which is essential for

public health and sanitary needs, and to reduce the amount of costs other customers bear as a result of arrearages, bad debt expense and disconnections of service. The proposed program has two components: (1) a rate discount for eligible customers; and (2) an assistance fund to help eligible customers with, among other things, infrastructure improvements that have bill impacts, such as the replacement of leaking service lines or the installation of water-efficient plumbing fixtures.

**CWA's Proposed Revisions to the
General Terms and Conditions for Wastewater Service**

25. Based on its experience owning and operating the wastewater system since 2011, CWA is proposing certain additional minor revisions to its terms and conditions for service, which will be described in its prepared direct testimony and exhibits.

Procedural Matters

26. In accordance with GAO 2013-5, CWA provided its Notice of Intent to File Rate Case to the Commission on September 12, 2018. A copy of the Notice was provided to the Indiana Office of Utility Consumer Counselor (“OUCC”) at the same time. CWA also notified each Satellite Customer in writing of the filing of this Verified Petition in accordance with Section 3 of CWA’s Sewer Rate No. 6. CWA will publish notice to its customers of the filing of this Verified Petition and the requested upward adjustment to its rates and charges pursuant to Indiana Code Section 8-1-2-61. The published notice will be late-filed as an attachment to testimony. CWA will give its residential customers further notice that fairly summarizes the extent of the requested Phase 1, Phase 2, and Phase 3 rate adjustments in accordance with 170 IAC 8.5-2-6(c).

27. Pursuant to 170 IAC 1-1.1-15(b) of the Commission's Rules of Practice and Procedure, CWA requests that the Commission convene a prehearing conference and preliminary hearing for the purposes of establishing a procedural schedule, resolving accounting, engineering, and such other matters as may properly come before the Commission in this proceeding.

28. The names and addresses of CWA's attorneys in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Michael E. Allen (Atty. No. 20768-49)
Lauren R. Toppen (Atty. No. 23778-49)
CWA Authority, Inc.
2020 N. Meridian Street
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Michael B. Cracraft (Atty. No. 3416-49)
Steven W. Krohne (Atty. No. 20969-49)
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Indianapolis, IN 46282-0200
Telephone: (317) 236-2100
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steven.krohne@icemiller.com

Said attorneys are counsel for CWA and are duly authorized to accept service of papers in this Cause on behalf of CWA. In addition, papers filed in this proceeding should be sent by mail and electronically to:

Korlon L. Kilpatrick
Director, Regulatory Affairs
Citizens Energy Group
2020 N. Meridian Street
Indianapolis, Indiana 46202
E-mail: kkilpatrick@citizensenergygroup.com


WHEREFORE, CWA respectfully requests that the Indiana Utility Regulatory Commission make an investigation and hold such hearings as it shall deem necessary and advisable in this proceeding and thereafter make and enter an Order in this Cause in accordance with the 300-day time frame provided in GAO 2013-5 and Indiana Code Section 8-1-2-42.7:


- (i) Finding that CWA's existing rates and charges for wastewater service are unjust, unreasonable, unlawful and inadequate to provide its annual requirements for funds for those items required for reasonable and just rates and charges as enumerated in Indiana Code Section 8-1.5-3-8;
- (ii) Determining, and by Order authorizing and approving just, reasonable, and sufficient rates and charges to be imposed by CWA in three phases, as set forth above, in lieu of such present rates and charges;
- (iii) Authorizing and approving CWA's proposed Low-Income Customer Assistance Program as described herein and in CWA's case-in-chief;
- (iv) Approving various changes in CWA's terms and conditions of service;
- (v) Authorizing and approving the filing of revised schedules of rates and charges and terms and conditions of service applicable to the wastewater service rendered by CWA, embodying the just and reasonable rates and charges and terms and conditions of service; and
- (vi) Granting such other and further relief as the Commission may deem necessary and appropriate in the premises.

[signature page follows]

DATED this 12th day of October, 2018.

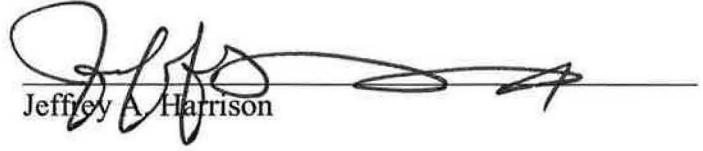
CWA AUTHORITY, INC.

By: 
Jeffrey A. Harrison, President and Chief Executive Officer

By: 
Michael E. Allen, Counsel for Petitioner

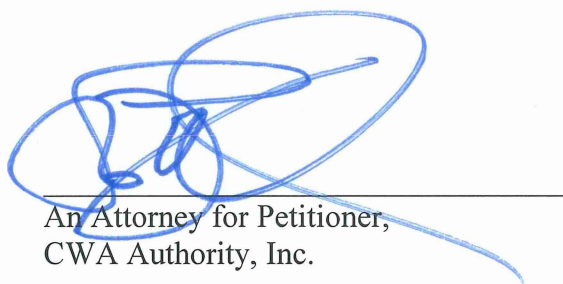
VERIFICATION

The undersigned affirms under the penalties for perjury that the foregoing representations are true to the best of his knowledge, information, and belief.


Jeffrey A. Harrison

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing “Verified Petition for General Rate Increase and Associated Relief Under Indiana Code Sections 8-1-2-42.7 and 8-1-2-46 and Notice of Provision of Information Required by the Minimum Standard Filing Requirements” of CWA Authority, Inc. was served on the Indiana Office of Utility Consumer Counselor electronically or by delivering a copy thereof to said office on this 12th day of October, 2018.


An Attorney for Petitioner,
CWA Authority, Inc.

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STATE OF INDIANA)
) SS:
COUNTY OF MARION)

In Re: An excerpt from
The Joint Meeting held
September 26, 2018

**VERIFIED CERTIFICATE OF RESOLUTION OF
THE BOARD OF DIRECTORS FOR CWA AUTHORITY, INC.**

The undersigned officer hereby certifies the following resolution was adopted by the Board of Directors for CWA Authority, Inc. on September 26, 2018, to-wit:

**RESOLUTION OF CWA AUTHORITY, INC. APPROVING REVISED
RATES AND CHARGES AND TERMS AND CONDITIONS FOR
WASTEWATER UTILITY SERVICE**

WHEREAS, CWA Authority, Inc. (“CWA” or “Utility”), is an Indiana nonprofit corporation established pursuant to Indiana Code 23-17, 36-1-7 and 8-1-11.1 and the “Interlocal Cooperation Agreement for the Provision of Utility Services (Wastewater)” (the “Interlocal Agreement”) among the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group (“Citizens Energy Group”), the City of Indianapolis (the “City”) and the Sanitary District of the City, acting by and through the Board of Public Works (the “Sanitary District”); and

WHEREAS, pursuant to an Asset Purchase Agreement consummated on August 26, 2011, CWA acquired the wastewater utility assets formerly owned by the City and the Sanitary District; and

WHEREAS, the persons who are members of the Citizens Energy Group Board of Directors constitute the Board of Directors of CWA (the “CWA Board”) pursuant to the provisions of the Interlocal Agreement and CWA’s Articles of Incorporation; and

WHEREAS, pursuant to the Interlocal Agreement, Citizens Energy Group delegated to and vested in CWA all of Citizens Energy Group’s powers that are necessary, useful or appropriate to acquiring, owning and operating the wastewater utility system; and

WHEREAS, the CWA Board has the statutory powers of Citizens Energy Group to adopt rates and charges and terms and conditions for the provision of utility service under Indiana Code Section 8-1-11.1-3(c)(9); and

WHEREAS, such rates and charges and terms and conditions adopted pursuant to Indiana Code Section 8-1-11.1-3(c)(9) “shall be in effect only after the rules and rates have been filed with and approved by the Commission” and “only after determining compliance of the rates of service with IC 8-1.5-3-8 and IC 8-1.5-3-10”; and

WHEREAS, the existing rates and charges for wastewater service of CWA were placed into effect on September 1, 2017, following the issuance of the Commission’s Order in CWA’s last rate case in Cause No. 44685 and a debt service true-up compliance filing CWA submitted to the Commission on August 21, 2017; and

WHEREAS, a System Integrity Adjustment (“SIA”) for CWA was implemented on January 1, 2018, following the issuance of the Commission’s Order approving CWA’s SIA petition in Cause No. 44990; and

WHEREAS, on September 17, 2018, CWA filed a petition with the Commission proposing revised SIA rates to become effective on January 1, 2019; and

WHEREAS, management of CWA has completed accounting and other reports analyzing the Utility’s annual revenue requirements, as well as a cost-of-service study by customer class, and has recommended to the CWA Board that it approve revised rates and charges for wastewater service to be implemented in three phases, and revised terms and conditions for wastewater service; and


WHEREAS, based upon its consideration of the foregoing information, the CWA Board now finds that: (i) the existing schedule of rates and charges for wastewater service does not produce revenues sufficient to provide for all the legal and other necessary expenses incident to the operation of the wastewater utility (including, but not limited to, maintenance costs, operating charges, upkeep, repairs, depreciation and interest charges on bonds or other obligations, including leases), to provide a sinking fund for the liquidation of bonds or other obligations, to provide a debt service reserve for bonds or other obligations, to provide adequate money for working capital, to provide adequate money for making extensions and replacements in excess of depreciation, and to provide funds for the payment of taxes and, therefore, such rates and charges are not “reasonable and just rates and charges for service” within the meaning of Indiana Code Section 8-1.5-3-8; (ii) CWA’s schedule of rates and charges for wastewater service needs to be revised in order to recover each of the revenue requirements allowed under Indiana Code Section 8-1.5-3-8; (iii) CWA’s schedule of rates and charges needs to be further adjusted to more accurately reflect cost of service by customer class and move each customer class closer to the cost to serve that class while promoting the principle of “gradualism” through rate design and other techniques; (iv) the schedule of rates and charges for wastewater service should include new Rider C, a Low-Income Customer Assistance Program; and (v) CWA’s proposed rates and charges for Phase 1, Phase 2, and Phase 3 are designed to be sufficient to meet the revenue requirement elements of Indiana Code Section 8-1.5-3-8 and produce total annual operating revenues of approximately \$308 million in Phase 1, \$323 million in Phase 2, and \$334 million in Phase 3; and

WHEREAS, the CWA Board authorizes and directs management of CWA to file with the Commission a Verified Petition and the Direct Testimony and Exhibits constituting CWA’s case-in-chief, and take such additional action as deemed necessary and desirable, in support of the Commission granting the relief set forth above.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to Indiana Code Sections 8-1.5-3-8 and 8-1-11.1-3.1, the attached revised schedule of rates and charges for Phase 1, Phase 2, and Phase 3 and terms and conditions of wastewater service are hereby approved by the CWA Board, subject to approval thereof by the Commission.

The undersigned officer of the Board of Directors for CWA Authority, Inc., an Indiana nonprofit corporation, duly authorized to do business pursuant to Indiana Code 8-1-11.1, hereby certifies that the foregoing is a full, true and correct copy of the resolution adopted by the Board of Directors for CWA Authority, Inc. on September 26, 2018.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of October 2018.

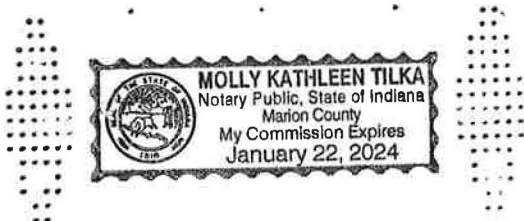


Jennett M. Hill
Assistant Secretary

ACKNOWLEDGEMENT

Before me appeared Jennett M. Hill to me personally known, who being by me duly sworn did affirm that she is the Assistant Secretary of the Board of Directors for CWA Authority, Inc., an Indiana nonprofit corporation, that has no corporate seal and that this certificate was made and executed by her for and on behalf of said Board by the authority vested in said Board pursuant to Indiana Code 8-1-11.1 as its free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in Indianapolis, Indiana, this 11 day of October 2018.



Molly Tilka, Notary Public and Resident of
Marion County, State of Indiana

My Commission Expires:

01 / 22 / 2024

Petitioner's Exhibit No. 1, Attachment JAH-3 will be late-filed.