STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN WATER COMPANY, INC. FOR APPROVAL OF NEW DEPRECIATION ACCRUAL RATES TO BE APPLICABLE TO ITS WATER AND WASTEWATER UTILITY PLANT IN SERVICE.	))))))	**CAUSE NO. 44992**

SUBMISSION OF CORRECTED PAGE

Indiana-American Water Company, Inc. ("Indiana American") hereby submits a revised page 21 to the Rebuttal Testimony of John J. Spanos, which has been revised at lines 14 and 15 and in footnote 10 to reflect the correction of an error in Mr. Spanos' rebuttal example. This error has no impact on the study. Redline and clean copies of the revised page of Mr. Spanos' rebuttal testimony are attached.

Respectfully Submitted,

By: _____

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 19th day of February, 2018, by electronic transmission to the following:

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DMS 10983828v1

$3,700. Thus, the total future net salvage would be $370 million.[8] If the average service life for mains were 100 years, then the annual accruals for the net salvage for these mains would be $3.7 million.[9] That is, a $3.7 million annual accrual amount is the correct amount to recover the future net salvage of $370 million for these mains over their service lives. This is illustrated in Table 1 below.

Table 1

Number of Mains	100,000
Original Cost per Main	5,000
Plant in Service	500,000,000
Net Salvage Per Main	3,700
Future Net Salvage	370,000,000
Average Service Life	100
Net Salvage Accruals	3,700,000

Q. Please explain how net salvage would be estimated using Mr. Dunkel's method and the traditional method.

A. As demonstrated in the previous section, the number of mains retired in a given year will vary based on the survivor characteristics of the assets in the account. Consider a scenario in which this hypothetical company would have retired an average of 270~~1,000~~ mains per year for the last five years. This would mean that net salvage was, on average, approximately $1.0~~$3.7~~ million per year.[10] If one were to use Mr. Dunkel's approach and establish a net

[8] $3,700 x 100,000 = $370,000,000
[9] $370,000,000/100=$3,700,000
[10] Retiring 270~~1,000~~ mains with a net salvage of $3,700 per main means a total cost of $1.0~~3.7~~ million.

$3,700. Thus, the total future net salvage would be $370 million.[8] If the average service life for mains were 100 years, then the annual accruals for the net salvage for these mains would be $3.7 million.[9] That is, a $3.7 million annual accrual amount is the correct amount to recover the future net salvage of $370 million for these mains over their service lives. This is illustrated in Table 1 below.

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Q. Please explain how net salvage would be estimated using Mr. Dunkel's method and the traditional method.

A. As demonstrated in the previous section, the number of mains retired in a given year will vary based on the survivor characteristics of the assets in the account. Consider a scenario in which this hypothetical company would have retired an average of 270 mains per year for the last five years. This would mean that net salvage was, on average, approximately $1.0 million per year.[10] If one were to use Mr. Dunkel's approach and establish a net salvage allowance based on

[8] $3,700 x 100,000 = $370,000,000
[9] $370,000,000/100=$3,700,000
[10] Retiring 270 mains with a net salvage of $3,700 per main means a total cost of $1.0 million.