**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 AND WASTEWATER UTILITY SERVICE THROUGH A THREE-STEP RATE IMPLEMENTATION, (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE TO WATER AND WASTEWATER UTILITY SERVICE, INCLUDING A NEW UNIVERSAL AFFORDABILITY RATE, (3) APPROVAL OF REVISED DEPRECIATION RATES APPLICABLE TO WATER AND WASTEWATER PLANT IN SERVICE, (4) APPROVAL OF NECESSARY AND APPROPRIATE ACCOUNTING RELIEF, (5) APPROVAL OF THE EXTENSION OF SERVICE TO AN INFRASTRUCTURE DEVELOPMENT ZONE IN MONTGOMERY COUNTY, INDIANA AND AUTHORITY TO IMPLEMENT A SURCHARGE UNDER IND. CODE § 8-1-2-46.2, AND (6) APPROVAL OF PETITIONER'S PLANS TO DEVELOP FUTURE WATER SOURCES OF SUPPLY UNDER IND. CODE § 8-1-2-23.5.** | ) | **CAUSE NO. 45870** |

**PUBLIC'S EXHIBIT NO. 5**

**TESTIMONY OF JASON T. COMPTON**

**ON BEHALF OF**

**THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**July 21, 2023**

Respectfully submitted,

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# CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Public's Exhibit No. 5 OUCC's Testimony of Jason T. Compton on behalf of the OUCC*** has been served upon the following in the captioned proceeding by electronic service on July 21, 2023.

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**TESTIMONY OF OUCC WITNESS JASON T. COMPTON**
**CAUSE NO. 45870**
**INDIANA AMERICAN WATER COMPANY, INC.**

## I. INTRODUCTION

**Q: Please state your name and business address.**

A: My name is Jason Compton, and my business address is 115 West Washington Street, Suite 1500 South, Indianapolis, IN 46204.

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

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

**Q: What is the purpose of your testimony?**

A: I discuss the affordability analyses Indiana American Water Company, Inc. (hereafter "Indiana American," "INAWC" or "Petitioner") presented in Attachment CBR-1 and Attachment CBR-2 to Mr. Charles Rea's testimony. I explain how Mr. Rea's affordability analysis models overstate the median income of INAWC's customer base and understate the bill-to-income ("BTI") ratios of its customers. I state the OUCC's position with respect to annualization of certain expenditures and other adjustments to Petitioner's base year expenses. Among them, I recommend denial of rate recovery for courtside Indiana Pacers tickets.

**Q: Do you sponsor any schedules or attachments?**

A: Yes. I sponsor Attachment JTC-1 and Attachment JTC-2, which corrects Petitioner's affordability analyses and, more specifically, the overstatement of the median income of

INAWC's customers. I also sponsor Attachment JTC-3, Attachment JTC-4, and Attachment JTC-5, which are Petitioner's responses to OUCC data requests.

**Q: What review and analysis have you conducted to prepare your testimony?**

A: I reviewed INAWC's petition, testimony, exhibits, models, and other supporting documents. I prepared discovery questions and reviewed Petitioner's responses. I thoroughly reviewed and analyzed Mr. Rea's affordability models, Attachment CBR-1, Attachment CBR-2, and related workpapers. I reviewed the expense schedules, general ledgers, and related discovery for all the expense accounts I discuss.

## II. AFFORDABILITY ANALYSES

### A. Water Affordability Analysis

**Q: Briefly describe Petitioner's affordability analysis.**

A: For purposes of its study, Petitioner defines an affordable bill as one that is less than or equal to 2% of the customer's household income. For each community (zip code) in which it serves, Petitioner determined the number of customers for whom, based on their household incomes, Indiana American's proposed rates and resulting bills would be unaffordable. Petitioner accomplished this through a complex analytical model that primarily uses data from the 2021 American Community Survey ("ACS"): 5-year Estimates Tables and U.S. Census Table H-8. Breaking out each community by zip code, Petitioner determines its level of household median income and several financial characteristics including, but not limited to, persons per household, population above and below the federal poverty line ("FPL"), total housing units split between rented and owned units, and the distribution of income between owned and rented units. Using ACS data, Petitioner developed affordability indices to assert a level of affordability of its proposed rates by community and across the state. Petitioner also compared the median household income ("MHI") of its customers across the state with the statewide.

**Q: Does this analysis require Petitioner to determine the actual household income of all its customers?**

A: No. Indiana American creates a proxy for each community (i.e., zip code) used to determine a median household income (MHI) for each community it serves. Because the ACS compiles the MHI separately for homeowners and renters, it is necessary to consider the number of households that rent and the number households that own. That proxy as conceived would be the percentage of residential customers who own their residences and the percentage of customers who rent their residences.

**Q: Does the OUCC accept Petitioner's proposed 2% of household income as the threshold metric of affordability of water rates?**

A: No. OUCC witness Scott Bell explains in his testimony why 2% of household income is not an appropriate benchmark to determine whether water service is unaffordable for rate setting purposes. However, I do not address that aspect of Petitioner's analysis. Rather, I focus on problems with Petitioner's determination of median household income and BTI ratios.

**Q: Using Petitioner's basic methodology, do you agree with its conclusion that Indiana American's water customers have a higher median household income than the statewide median household income?**

A: No. As I explain below, Indiana American's water customers have a lower median household income than the statewide median household income. As such, Petitioner's choice of inputs understates the number of its customers that will pay more than 2% of household income to receive and maintain water service. And while Indiana American's wastewater customers have a slightly higher median household income than the statewide number, it is much less than the amount Petitioner determined in its analysis.

**Q: How did Petitioner understate the number of customers for which Indiana American's water service will be unaffordable according to the utility's standard?**

A: Petitioner used ACS data in its Affordability Analysis to estimate the median household income ("MHI") of its customers. However, in some portions of the MHI analysis, Petitioner input numbers that deviated from the ACS data. This was done to accommodate its approach to not consider the incomes of households that use Indiana American's water when that water is procured through indirect means (e.g., sub-billing and supplied by landlords). This approach caused Indiana American to make unsupported assumptions about the household income of those it excluded from its analysis. Both decisions affected its results.

**Q: Should an evaluation of affordability consider indirect customers?**

A: Yes. Any meaningful analysis must consider all households using and paying for the service including households that receive and pay for Indiana American's water through a landlord or property manager as a separate charge or as a cost embedded in monthly rent. Affordability should be considered for all households that use and pay for Indiana American's water service. The proposed rate increases affect *all* households receiving INAWC's produced water.[1] Petitioner should not have excluded from its analyses of the communities it serves, households in attached housing, apartments, and other housing. This

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[1] Petitioner's exclusion of all attached housing from the proxies is flawed. Attached housing includes townhouses and other single-family homes connected through a shared wall because, in addition to those households being part of the community that should be considered as part of the proxy, such households may actually be direct metered customers.

includes a significant number of residential end users who ultimately pay Indiana American's rates and are ultimately affected by rate increases.

**Q: Is Mr. Rea's decision to exclude attached housing, apartments, and other housing from his proxy consistent with other analyses Petitioner has presented in this Cause?**

A: No. Petitioner included attached housing and apartments in another study conducted in this Cause. Petitioner's Declining Use model, which OUCC witness Shawn Dellinger discusses in his testimony, considers attached housing and apartments as residential customers contributing to declining use of Indiana American's water service. In fact, Mr. Rea himself presented that study in his testimony. Furthermore, Petitioner's annual reports to the Commission categorizes revenues generated by customers in attached housing and apartment housing as residential revenues.

**Q: Using its basic methodology, how should Petitioner have calculated its customer median household income?**

A: The first step is to choose a reliable source of data showing median household income by community (zip code). Petitioner chose the ACS. The ACS provides the information that may be used to calculate median household income separately for those who own their homes and those who rent their homes. Therefore, for each zip code, Petitioner needs to multiply the percentage of people who own their property by the household median income of those people (homeowners). Petitioner also needs to multiply for the same community the percentage of people who rent their property in that community by the household median income of those people (renters). Those two products are then added together to calculate the customer median income for each community. To calculate the customer median income for all Indiana American customers, the median household income for each community, excluding those flagged as not having enough data, should be multiplied by the number of customers included in the foregoing calculations (analyzed customers). Those products should be added together and then divided by the number of (analyzed) customers. The quotient of that calculation is the overall Indiana American customer median household income.

**Q: Did Indiana American follow that process?**

A: Not precisely. In its calculation of the customer household median income, Petitioner followed the 2021 American Community Survey ("ACS"): 5-year Estimates Subject Tables; however, when inputting the percentages of people who own their homes compared to those who rent their residences, Petitioner deviated from the data provided by the ACS. Rather it created and inputted a different ratio of customers who owned versus rented their homes.

**Q: What was Petitioner's reason for not inputting the ratio of home ownership verses home rental indicated by the ACS?**

A: The decision appears to have derived from Petitioner's decision to only consider direct customers in its calculation of affordability. As shown in the ACS, people who own their homes – statistically by and large – have higher levels of median household income than those who rent their property. The ACS does not make a distinction between direct and indirect customers, so Petitioner had to make a guess at the ratio of home ownership and home rental for its direct customers without the assistance of ACS data.

**Q: Do you agree with that step?**

A: No. First, the underlying need for disregarding the ACS numbers is based on the faulty premise that we should ignore the effect of rate increases on households that use and ultimately pay for the service, simply because they don't have a direct customer relationship with Indiana American.

Second, even if that premise were appropriate, it required Indiana American to guess in the absence of reliable data. In a complex analytical model, especially one where reliable data is provided, it should not be the practice of the researcher to make further assumptions that mutate the integrity of the data.

Third, because statistically households who rent their residences generally have lower household incomes, excluding those households that use Indiana American's water without a direct customer relationship would naturally skew the results of affordability making Indiana American's water appear to be more affordable to households in the community it serves than it really is. This assumption skews the ACS data to no longer represent the community as a whole and increases the percentage of homeowners in each community, who just so happen to historically have higher levels of income.

**Q: Do you agree with how Petitioner calculated the statewide household median income?**

A: No. Although it did not result in a significant disparity, to calculate the *statewide* median household income Petitioner also excluded households assumed not to be provided water service as direct customers of a utility.[2] The statewide median household income of $64,251 is not representative of the entire community of the customers Petitioner presently serves. Again, Petitioner mutated the reliable ACS data.

**Q: Did Petitioner appropriately calculate Bill-to-Income ratios?**

A: No. Petitioner did not accurately calculate the average bill for its customers on the Historical Analysis and CBR-1 Attachment Historical tabs. To calculate the average bill, Petitioner took each year's revenue amounts and divided it by each year's respective customer count; however, Petitioner used only the revenue generated from metered and

[2] See cell R107 of the Community Analysis tab of Attachment CBR-1 workpapers.

unmetered sales[3] to calculate the average bill. Petitioner did not include in the number presented on these tabs the revenues associated with public and private fire protection charges. Therefore, Petitioner has not provided a calculation of the *true average bill.* Thus, the "*average bill*" and calculated BTI Petitioner presented understate the true average bill and BTI, resulting in an inaccurate lower BTI ratio.

**Q: What household median income did you calculate for INAWC's water customers?**

A. As explained above, the INAWC customer median household income ("MHI") of $69,151 that Petitioner calculated in the Community Analysis tab is fundamentally flawed. To properly estimate INAWC customers' median income in each community (zip code), I first divided the number of owned housing units in each community by the total number of housing units in each community, which is readily available information that Petitioner includes in its analysis from the ACS tables. After calculating the percentage of owned units, I then multiplied the percentage of owned units by the MHI of owned units of each community as provided by the ACS. I then repeated this process for rented units. After calculating these two products, I added them together to find the MHI of each community. To then estimate the overall MHI for households using Indiana American's water, I multiplied the MHI of each community by the number of household users analyzed in that community and added them all together.[4] Finally, taking this sum and then dividing it by the sum of all household users analyzed resulted in an overall INAWC household user MHI of $62,650.

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[3] Fixed monthly customer charges plus volumetric charges.

[4] I excluded from this analysis the same communities Petitioner excluded as they were flagged for not having enough data available.

**Q: How does the income of INAWC's water customers compare to the statewide median household income?**

A. Whereas Indiana American determined that its water customers have a higher median income than the state median income by 7.63%, the data compiled by ACS for all users of Indiana American's water indicate the communities served by Petitioner cumulatively have a lower median household income than the statewide median household income. The Indiana statewide median household income that Petitioner used to calculate the ratio of INAWC customer's calculated household median income to statewide median household income is $64,251. Using the same consistent methodology and inputs to calculate the median income of households using Indiana American's water and paying rates directly or indirectly to Indiana American, I calculated a median household income of Indiana American's customers of $62,650. Petitioner's median household income of Indiana American's direct and indirect water customers are 2.3% less than the statewide median household income using ACS data.[5]

## B. <u>Wastewater Affordability Analysis</u>

**Q: Were there any differences in how Petitioner conducted its water and wastewater affordability analyses?**

A: Yes. The only difference between Petitioner's water and wastewater affordability analyses is that Petitioner did not explore *historical* affordability for its wastewater customers.

[5] I calculated a statewide median household of $64,154. It is not clear why Petitioner's calculated statewide household median income is $64,251, a difference of only roughly $100. I calculated this statewide median by using the 2021 ACS: 5-year Estimates and by then taking the total owner-occupied housing units in Indiana and divided by the total number of housing units and doing the same for rented units to determine a percentage of owned and rented units. From there, I multiplied the percentages of owned and rented units by the respective owned and rented median incomes and added them together. I then divided that sum by the total population analyzed to get a statewide median of $64,154. This calculation is in-line and consistent with the same methodology used to calculate the INAWC median customer household income.

Otherwise, Petitioner's analysis for the wastewater model is identical to the water model.[6] Petitioner's wastewater analysis therefore presents the same flaws and inappropriate methodologies used to calculate the INAWC median household income and the statewide median household income for purposes of its comparison.

**Q: What is the household median income of INAWC wastewater customers?**

A: Where Petitioner calculated the median household income of a wastewater customer to be $70,323, I calculated a median income of $65,504 for the various communities Petitioner serves. I calculated this household median income by first taking the number of owned units and dividing that by the total number of housing units in each community (zip code). I then took that percentage and multiplied it by the median household income of owned units in that community. I then repeated that process for rented units. Once I calculated those two products, I added them together to find the median household income of each community. From there, I multiplied the median household income of each community by the number of households analyzed in its respective community and added those altogether. With that sum, I divided it by the total number of analyzed households to reach the overall estimated INAWC customer median household income of $65,504.

**Q: How does the median household income of INAWC wastewater customers compare to the state median?**

A: Using the same consistent methodology Petitioner used to calculate a 9.45% MHI increase in INAWC wastewater customers over the statewide, Petitioner's wastewater customers have a median household income that is 2.11% higher than the statewide median household income. I calculated this ratio first by updating Petitioner's model, cell R16 of the

[6] Petitioner uses American Community Survey data only for communities it provides wastewater service.

Community Analysis tab, to reflect the 2021 5-year estimated statewide median income, which I calculated to be $64,154. Using the more appropriate calculated wastewater customer median household income of $65,504, I calculated the ratio by dividing the $65,504 of wastewater median customer income by the statewide median income of $64,154 to reach the outcome of 1.0211.

**Q: Why did you use a five-year estimate in your calculation of the median household income in the communities that Indiana American serves?**

A: Because of a lack of relevant income data, Petitioner used a five-year estimate in its calculation of customer MHI, and I accepted that approach. While a 5-year estimate may not reflect current markets, a 5-year estimate is appropriate when the precision of the data matters more than the currency or when there is little data available. Using a 5-year estimate allows Petitioner to analyze areas it may not be able to under 1-year estimates when the areas it serves do not have large enough populations to trigger a yearly analysis or Census.

**Q: While it is acceptable to use a five-year average to estimate median household income, is it problematic to use a five-year estimate to analyze affordability?**

A: Yes. Comparing the calculated customer household median income to a 5-year estimate of statewide median household income to determine a comparative ratio of household income to then determine affordability is not appropriate as a methodology to analyze affordability. The 5-year estimate looks backward. Therefore, using a statewide 5-year estimate, in essence, looks at what affordability was like in the past rather than the present and future. As Petitioner pointed out in its response to OUCC data request 37-5-b (OUCC Attachment JTC-3), Petitioner uses its ratio calculation to measure historical affordability. To evaluate future affordability, a historical affordability analysis is not appropriate and the comparative data, if possible, should be more current. Using a current 1-year actual or estimate for the analyses would be a better and less problematic comparison as it compares the median household incomes to the present and is a better indicator for future affordability. However, this analysis is not possible as the ACS does not provide 1-year estimates for some communities in which Indiana American serves. This factor calls into question the usefulness of performing this kind of affordability analysis of Indiana American's current and proposed rates.

**C. <u>Conclusion on Affordability Analyses</u>**

**Q: What is your conclusion with respect to how Petitioner completed its affordability analyses?**

A: By not considering the fact that its rate increases affect not just its direct customers but also households that use and ultimately pay for its services indirectly, Petitioner's study overstates the household incomes of those using its service. Under the water affordability model that Petitioner sponsors, its position is that 84% of its customers can afford its proposed rate increase. But looking at all households using Petitioner's water service, by Petitioner's own standard only 80% of those using its water service should consider its proposed rates affordable. (The OUCC does not accept the notion that 2% of household income is the line between whether water service is affordable or unaffordable.) Similarly, under the wastewater affordability model that Petitioner sponsors, its position is that 66% of its customers can afford its proposed rate increase. Making the same corrections, I calculated only 62% of its wastewater customers would qualify as receiving affordable service using the 2% standard.

## III. ANNUALIZATION AND NORMALIZATION OF EXPENSE ACCOUNTS

**Q: What expense accounts does Petitioner propose to annualize (or normalize)?**

A: As Petitioner explains in OUCC data request 33-29, Petitioner annualizes or normalizes the following expense accounts: building maintenance & supplies, employee related expenses, maintenance supplies & services, miscellaneous expense, office supplies and services, postage, printing, & stationary, and telecommunication expense. To calculate the annualization, Petitioner said it selected the last month of 2023 within each respective workpaper and multiplied the monthly expense by 12 to get the yearly expense. In response to OUCC discovery, Petitioner indicated annualization "adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward." (Petitioner's Response to OUCC data request 33-29, OUCC Attachment JTC-4.) In essence, for each expense account identified above, Petitioner projected each expense for inflation. Next, Petitioner took the total projected monthly expense of December of 2023 and multiplied it by 12 to determine its annualization. The adjustment was then calculated by taking the sum of each month's expense in 2023 (January-December) and subtracting that sum out of the annualization previously calculated.

**Q: Do you accept Petitioner's methodology for annualizing those expense accounts?**

A: No. I recommend those adjustments be denied. Petitioner claims it conducted the annualization because it adjusts the forecasted expenses to a "more predictive level." However, Petitioner has already adjusted for future predictive levels by adjusting its base year expenses for inflation in future steps. By adjusting for inflation and then proceeding to annualize the expense based on the year-end's inflationary adjusted expense, Petitioner double counted inflation. Duplicating the effect of inflation will not adjust Petitioner's forecasts to a "more predictive level." Moreover, annualizing is appropriate and necessary when there is less than a full year of information. Because Petitioner's base year and future projections are based on *a full year's* worth of data, there should be no need to annualize the expense accounts. The only annualization I would consider acceptable by these standards would be an annualization of expenses for Lowell; however, Petitioner proposes annualizing expenses for *all* communities, which is unreasonable. By annualizing data that does not need annualizing and double counting inflationary factors, Petitioner's methodology overstated the amount of expense INAWC is likely to incur. The annualization adjustment should be removed from each Step One expense projections for each respective expense account.

**Q: What should the *pro forma* expenses be for the effected accounts?**

A: With respect to building maintenance & supplies, maintenance supplies & services, office supplies & services, postage, printing, & stationary, and telecommunication expense, I accept all adjustments except for the adjustment for annualization. Table 1 sets forth the OUCC's recommendation for *pro forma* annual revenue requirement for each such expense. I discuss our recommendation with respect to miscellaneous expense and employee related expense below.

Table 1: Removal of Annualization Adjustments

| Expense Account Name | INAWC Proposed Total Company 12/31/2023 | INAWC Proposed Total Company 4/30/25 | OUCC Proposed Total Company 12/31/2023 | OUCC Proposed Total Company 4/30/25 |
|---|---|---|---|---|
| Building Maintenance & Supplies | $1,670,568 | $1,725,569 | $1,642,586 | $1,725,569 |
| Maintenance Supplies & Services | $6,078,992 | $6,280,170 | $5,975,648 | $6,280,170 |
| Office Supplies & Services | $584,634 | $620,290 | $566,943 | $620,290 |
| Postage, Printing, & Stationary | $52,412 | $52,911 | $52,158 | $52,911 |
| Telecommunication Expense | $744,012 | $777,559 | $727,138 | $777,559 |

## IV. MISCELLANEOUS EXPENSE

**Q: What level of *pro forma* miscellaneous expense did Petitioner propose?**

A: Petitioner proposed an overall $57,089 decrease to base year miscellaneous expense of $2,491,856 yielding *pro forma* miscellaneous expense of $2,434,767 for Step One expenditures. In addition, Petitioner proposed an overall $20,435 increase to base year miscellaneous expense to yield a *pro forma* expense of $2,512,291 for Step Two expenditures.

**Q: What adjustments did Petitioner propose to miscellaneous expense in Step One?**

A: Petitioner proposed eight adjustments to base year miscellaneous expense. Petitioner also proposed adjustments to remove $124,760 of charitable contributions, a total of $23,000 of lobbying expenses, and $42,000 of penalties from base year expenditures. In addition, Petitioner proposed to add in $300 of adjustments from OM16, $27,594 of adjustments from OM17, $65,767 of adjustments for inflation, and $39,010 of adjustments for annualization to base year expenditures for Step One expenditures.

**Q: What adjustments did Petitioner propose to miscellaneous expense in Step Two?**

A: Petitioner proposes the same adjustments for Step Two expenditures as it did in Step One; however, Petitioner does not adjust for annualization and proposes an inflation adjustment for an increase of $179,255 to base year expenditures. All other adjustments remained the same.

**Q: Do you accept any of Petitioner's miscellaneous expense adjustments?**

A: Yes, I accept all Petitioner's miscellaneous expense adjustments except for its adjustments for the annualization of the expense account as I discussed above.

**Q: Do you propose any additional adjustments to miscellaneous expense?**

A: Yes. My adjustments include removing Indiana Pacers expenses of $38,023.12 from the Community Relations expense account. Petitioner provided an invoice in its response to discovery that indicates the expense for the Indiana Pacers is for a full season plan of courtside tickets for Pacer games at Gainbridge Fieldhouse (Response to OUCC DR 33-20, OUCC Attachment JTC-5). This expense is of no benefit to ratepayers and cannot be attributed to providing safe and reliable water to customers; therefore, it should not be included in rates. I also remove from the base year $8,900 from the 2022 Environmental Grant Program. The Environmental Grant Program should be excluded because its function is charitable and image-building and not sufficiently related to providing utility service. Petitioner provided a pamphlet in discovery that indicates "All grants will be funded either by the American Water Charitable Foundation upon the advice or recommendation of personnel from American Water and its state subsidiaries or directly by such American Water subsidiary." (Response to OUCC DR 33-20, OUCC Attachment JTC-5.) As the program can be funded by the charitable foundation, it should be treated as such and therefore should not be treated as a recoverable expense. Lastly, rather than removing from the base year only a portion of the NAWC bill (13%), which Petitioner acknowledged is involved in lobbying on behalf of public utilities, I recommend the full amount for the NAWC invoice of $188.932.91 be removed from the base year and attributed to lobbying. NAWC activities substantially benefit shareholders' interests rather than ratepayers and therefore should not be included in rates.

**Q: What *pro forma* miscellaneous expense do you recommend?**

A: Based on the foregoing, I recommend a decrease of $309,001 to base year miscellaneous expense of $2,491,856, resulting in a *pro forma* miscellaneous expense of $2,182,855 for Step One expenditures. Additionally, I recommend a decrease of $192,468 to base year miscellaneous expense to resulting in a *pro forma* miscellaneous expense of $2,299,388 for Step Two expenditures.

Table 2: Miscellaneous Expense Comparison

| | INAWC's Proposed | OUCC's Proposed | OUCC More |
|---|---|---|---|
| | **Total Company** | **Total Company** | **(Less)** |
| Base Year Miscellaneous as of 9/20/2022: | $ 2,491,856 | $ 2,491,856 | $ - |
| | | | |
| | | | |
| **Detail of Adjustments to Miscellaneous Expense:** | | | |
| Removal of Charitable Contributions | $ (124,760) | $ (124,760) | $ - |
| Removal of Lobbying Expense | $ (46) | $ (46) | $ - |
| Removal of Lobbying Expense charged to Company Dues/Memberships | $ (22,954) | $ (188,933) | $ (165,979) |
| Removal of Penalties | $ (42,000) | $ (42,000) | $ - |
| Removal of Indiana Pacers Expenses charged to Community Relations | $ - | $ (38,023) | $ (38,023) |
| Removal of Environmental Grant Program | $ - | $ (8,900) | $ (8,900) |
| Adjust BT SOP 98-1 Amortization | $ - | $ - | $ - |
| Minor Adjustment Transfer From OM16 | $ 300 | $ 300 | $ - |
| Minor Adjustment Transfer From OM17 | $ 27,594 | $ 27,594 | $ - |
| Adjustment for Inflation | $ 65,767 | $ 65,767 | $ - |
| Adjustment for Normalization/Annualization Adj | $ 39,010 | $ - | $ (39,010) |
| Total Pro Forma Adjustment | $ (57,089) | $ (309,001) | $ (251,912) |
| | | | |
| **Miscellaneous Expense as of 12/31/2023** | $ 2,434,767 | $ 2,182,855 | $ (251,912) |
| | | | |
| | | | |
| **Detail of Adjustments to Miscellaneous Expense:** | | | |
| Removal of Charitable Contributions | $ (124,760) | $ (124,760) | $ - |
| Removal of Lobbying Expense | $ (46) | $ (46) | $ - |
| Removal of Lobbying Expense charged to Company Dues/Memberships | $ (22,954) | $ (188,933) | $ (165,979) |
| Removal of Penalties | $ (42,000) | $ (42,000) | $ - |
| Removal of Indiana Pacers Expenses charged to Community Relations | $ - | $ (38,023) | $ (38,023) |
| Removal of Environmental Grant Program | $ - | $ (8,900) | $ (8,900) |
| Adjust BT SOP 98-1 Amortization | $ - | $ - | $ - |
| Minor Adjustment Transfer From OM16 | $ 300 | $ 300 | $ - |
| Minor Adjustment Transfer From OM17 | $ 27,594 | $ 27,594 | $ - |
| Adjustment for Inflation | $ 182,300 | $ 182,300 | $ - |
| Total Pro Forma Adjustment | $ 20,434 | $ (192,468) | $ (212,902) |
| | | | |
| **Pro Forma Miscellaneous Expense as of 4/30/2025** | $ 2,512,290 | $ 2,299,388 | $ (212,902) |

## V. EMPLOYEE RELATED EXPENSE

**Q: What level of *pro forma* employee related expense did Petitioner propose?**

A: Petitioner proposed an overall $9,754 decrease to base year employee related expense of $332,721 yielding *pro forma* expense of $322,967 for Step One expenditures. In addition, Petitioner proposed an overall $4,829 increase to base year employee related expense to yield a *pro forma* of $337,550 for Step Two expenditures.

**Q: What adjustments did Petitioner propose to employee related expense in Step One?**

A: Petitioner proposed three adjustments to the base year employee related expense. It proposed to remove miscoded items amounting to $29,454, add an adjustment for inflation for $12,366, and add an adjustment for the normalization of the expense for $7,335 for Step One expenditures.

**Q: What adjustments did Petitioner propose to employee related expense in Step Two?**

A: Petitioner proposes the same adjustments for Step Two expenditures as it did in Step One; however, Petitioner does not adjust for annualization and proposes an inflation adjustment for an increase of $34,283 to base year expenditures. All other adjustments remained the same.

**Q: Do you accept any of Petitioner's employee related expense adjustments?**

A: Yes. Except for Petitioner's adjustment for the annualization of the expense, which I discuss above, I accept all of Petitioner's employee related expense adjustments.

**Q: Do you propose any additional adjustments to employee related expense?**

A: Yes. I removed from base year $20,744.60 of employee expenses (account 52534000) relating to the Indiana Pacers in the employee expenses account. Rates should not cover such entertainment for utility employees and their guests. These expenditures sourced from attending basketball games are neither in the interest nor benefit of providing safe and reliable water to Indiana consumers and therefore should not be allowed as a recoverable expense.

**Q: What *pro forma* employee related expense do you recommend?**

A: I recommend a decrease of $37,833 to base year employee related expense of $332,721, resulting in a *pro forma* employee related expense of $294,888 for Step One expenditures. Additionally, I recommend a decrease of $15,916 to base year employee related expense to resulting in a *pro forma* employee related expense of $316,805 for Step Two expenditures.

Table 3: Employee Related Expense Comparison

| | INAWC's Proposed Total Company | OUCC's Proposed Total Company | **OUCC More (Less)** |
|---|---|---|---|
| Base Year Employee Related Costs as of 9/30/2022 | $ 332,721 | $ 332,721 | $ - |
| | | | |
| | | | |
| **Detail of Adjustments to Employee Related Costs Expense:** | | | |
| Removal of Expenses - Miscoded | $ (29,454) | $ (29,454) | $ - |
| Remove of Indiana Pacers Entertainment Expenses | $ - | $ (20,745) | $ (20,745) |
| Adjustment for Inflation | $ 12,366 | $ 12,366 | $ - |
| Adjustment for Normalization/Annualization Adj | $ 7,335 | $ - | $ (7,335) |
| Total Pro Forma Adjustment | $ (9,753) | $ (37,833) | $ (28,080) |
| | | | $ - |
| **Employee Related Costs Expense as of 12/31/2023** | $ 322,968 | $ 294,888 | $ (28,080) |
| | | | |
| | | | |
| **Detail of Adjustments to Employee Related Costs Expense:** | | | |
| Removal of Expenses - Miscoded | $ (29,454) | $ (29,454) | $ - |
| Removal of Indiana Pacers Entertainment Expenses | $ - | $ (20,745) | $ (20,745) |
| Adjustment for Inflation | $ 34,283 | $ 34,283 | $ - |
| | | | $ - |
| Total Pro Forma Adjustment | $ 4,829 | $ (15,916) | $ (20,745) |
| | | | |
| **Pro Forma Employee Related Costs Expense as of 4/30/2025** | $ 337,550 | $ 316,805 | $ (20,745) |

## VI. TRANSPORTATION EXPENSE

**Q: What level of *pro forma* transportation expense did Petitioner propose?**

A: Petitioner proposed an overall $118,812 increase to base year transportation expense of $1,224,928 yielding *pro forma* transportation expense of $1,343,740 for Step One expenditures. In addition, Petitioner proposed an overall $173,790 increase to base year transportation expense to yield a *pro forma* of $1,398,718 for Step Two expenditures.

**Q: What adjustments to transportation expense did Petitioner propose in Step One?**

A: Petitioner proposed six adjustments to the base year transportation expense. Petitioner proposes an increase of $13,986 for Holman/ARI charges for going level vehicles, an increase of $16,418 for inflated miscellaneous transportation purchases, an increase of $3,957 for inflated employee business mileage reimbursement, an increase of $5,903 for inflated salvage value reclass, a decrease of $186 for capitalization, and an increase of $78,733 for an accrual offset for Step One expenditures.

**Q: What adjustments to transportation expense did Petitioner propose in Step Two?**

A: Petitioner proposes the same adjustments for Step Two expenditures as it did in Step One. However, Petitioner proposes an increase in base year expenditures for Holman/ARI charges of $89,629, inflated miscellaneous transportation purchases of $27,897, inflated employee business mileage reimbursement of $6,876, inflated salvage value reclass of $10,259, and the same increase for an accrual offset. Petitioner also proposes a decrease in base year expenditures for capitalization of $39,604.

**Q: Do you accept any of Petitioner's transportation expense adjustments?**

A: Yes. Except for Petitioner's adjustment for salvage value reclass inflation, I accept all of Petitioner's transportation expense adjustments. Salvage value is not a transportation expense and therefore adjustments for inflation should not be attributed to transportation expense. The NARUC Uniform System of Accounts for Class A Water Utilities, Balance Sheet Accounts, Account 108.1. Accumulated Depreciation of Utility Plant Service, Part B instructs, "At the time of retirement of depreciable utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance." Therefore, salvage value should be accounted for through accumulated depreciation and not as a transportation expense.

**Q: Do you propose any additional adjustments to transportation expense?**

A: Yes. I recommend that all salvage value reclass be removed from base year transportation expense of $99,421. As mentioned previously, salvage value is not an expense which should be attributed to transportation and instead should be accounted for through accumulated depreciation.

**Q: What *pro forma* transportation expense do you recommend?**

A: I recommend an increase of $13,487 to base year transportation expense of $1,224,928, resulting in a *pro forma* transportation expense of $1,238,415 for Step One expenditures. Additionally, I recommend an increase of $64,110 to base year transportation expense to resulting in a *pro forma* transportation expense of $1,289,038 for Step Two expenditures.

Table 4: Transportation Expense Comparison

| | INAWC's Proposed Total Company | OUCC's Proposed Total Company | OUCC More (Less) |
|---|---|---|---|
| Base Year Transportation as of 9/30/2022: | $ 1,224,928 | $ 1,224,928 | $ - |
| **Step 1 Detail of Adjustments to Transportation Expense:** | | | |
| Holman/ARI Charges adjustment for going level of vehicles | $ 13,986 | $ 13,986 | $ - |
| Miscellaneous Transportation purchases inflation adjustment | $ 16,418 | $ 16,418 | $ - |
| Reimburse employee business mileage inflation adjustment | $ 3,957 | $ 3,957 | $ - |
| Removal of Salvage Value Reclass | $ - | $ (99,421) | $ (99,421) |
| Salvage Value reclass inflation adjustment | $ 5,903 | $ - | $ (5,903) |
| Capitalization | $ (186) | $ (186) | $ - |
| Accrual/Reversal offset | $ 78,733 | $ 78,733 | $ - |
| Total Pro Forma Adjustment | $ 118,811 | $ 13,487 | $ (105,324) |
| **Transportation Expense as of 12/31/2023** | $ 1,343,739 | $ 1,238,415 | $ (105,324) |
| **Step 2 Detail of Adjustments to Transportation Expense:** | | | |
| Holman/ARI Charges adjustment for going level of vehicles | $ 89,629 | $ 89,629 | $ - |
| Miscellaneous Transportation purchases inflation adjustment | $ 27,897 | $ 27,897 | $ - |
| Reimburse employee business mileage inflation adjustment | $ 6,876 | $ 6,876 | $ - |
| Removal of Salvage Value Reclass | | $ (99,421) | $ (99,421) |
| Salvage Value reclass inflation adjustment | $ 10,259 | $ - | $ (10,259) |
| Capitalization | $ (39,604) | $ (39,604) | $ - |
| Accrual/Reversal offset | $ 78,733 | $ 78,733 | $ - |
| Total Pro Forma Adjustment | $ 173,790 | $ 64,110 | $ (109,680) |
| **Transportation Expense as of 4/30/2025** | $ 1,398,718 | $ 1,289,038 | $ (109,680) |

## VII. CUSTOMER ACCOUNTING EXPENSE

**Q: What level of *pro forma* customer accounting expense did Petitioner propose?**

A: Petitioner proposed an overall $1,177,434 increase to base year customer accounting expense of $292,458 yielding *pro forma* customer accounting expense of $1,469,892 for Step One expenditures. In addition, Petitioner proposed an overall $1,184,916 increase to base year customer accounting expense to yield a *pro forma* of $1,477,374 for Step Two expenditures.

**Q: What adjustments did Petitioner propose to customer accounting expense in Step One?**

A: Petitioner proposes three adjustments to the base year customer accounting expense. Petitioner proposes a $1,173,888 increase for bank service charge adjustment and credit card fees, in which, $1,163,647 is attributed to specifically a credit card fee adjustment for the socialization of third-party credit and debit card fees. Additionally, Petitioner proposes an increase to base year expenses of $1,930 for acquisitions and an increase of $1,615 for a reversal of an accrual.

**Q: What adjustments did Petitioner propose to customer accounting expense in Step Two?**

A: Petitioner proposes the same adjustments for Step Two expenditures as it did in Step One; however, Petitioner instead proposes an increase of $1,181,322 to base year expenditures for bank service charges and credit card fees along with an increase of $1,978 for acquisitions. The reversal of the accrual remained the same.

**Q: Do you accept any of Petitioner's customer accounting expense adjustments?**

A: Yes, I accept Petitioner's proposal for a reversal of accrual adjustment, acquisition adjustment, and bank service charge adjustment. However, I do not accept Petitioner's adjustment for credit card fees and recommend that the Commission deny Petitioner's proposal for the socialization of third-party credit and debit card fees.

**Q: Please elaborate on why you recommend the Commission deny the socialization of credit and debit card fees.**

A: First and foremost, the responsibility of the cost of paying credit and debit card fees should be on the source of the cost or, in other words, the cost causer. With respect to these fees, customers who are paying with credit cards and debit cards should bear the costs. It should not be the burden of *all* customers to pay the costs being generated by a *subset* of customers who are willingly creating that cost. Under the socialization of credit and debit card fees, Petitioner makes it seem like customers will be saving money. While it is true that *some* customers will save money overall, specifically the customers paying their bills with credit or debit cards, the customers who don't pay their bill with a card will see an increase in their bills. Additionally, there is no evidence that this proposal will generate any value including, but not limited to, customer satisfaction, on-time payment, and disconnection avoidance. If any benefit, Petitioner will see an increase in timely collections which will make it more money in the long run. Overall, there is a net neutrality of benefit as some customers are receiving assistance at the expense of harm to others. Customers who have been paying through methods other than credit or debit card to save money, under this socialization of fees, will no longer be able to save that money because they will have to pay for the benefit whether they take advantage of it or not. Denial of rate recovery for credit card surcharges is consistent with the Commission's denial of Duke Energy's proposal for such recovery in its order in Cause No. 45253.

**Q: Do you propose any additional adjustments to customer accounting expense?**

A: No, I do not recommend any additional adjustments to the customer accounting expense.

**Q: What *pro forma* customer accounting expense do you recommend?**

A: I recommend an increase of $13,786 to base year customer accounting expense of $292,458, resulting in a *pro forma* customer accounting expense of $306,244 for Step One expenditures. Additionally, I recommend an increase of $21,268 to base year customer accounting expense to resulting in a *pro forma* customer accounting expense of $313,726 for Step Two expenditures.

Table 5: Customer Accounting Comparison

| | INAWC's Proposed Total Company | OUCC's Proposed Total Company | OUCC More (Less) |
|---|---|---|---|
| Base Year Customer Accounting Expense as of 9/30/2022 | $ 292,458 | $ 292,458 | $ - |
| | | | |
| | | | |
| **Detail of Adjustments to Customer Accounting Expense:** | | | |
| Bank Service Charge Adjustment/Credit Card Fees | $ 1,173,888 | $ 10,241 | $ (1,163,647) |
| Acqusitions | $ 1,930 | $ 1,930 | $ - |
| Reversal of Accrual Adjustment | $ 1,615 | $ 1,615 | $ - |
| | | | |
| Total Pro Forma Adjustment | $ 1,177,433 | $ 13,786 | $ (1,163,647) |
| | | | |
| **Customer Accounting Expense as of 12/31/2023:** | $ 1,469,891 | $ 306,244 | $ (1,163,647) |
| | | | |
| | | | |
| **Detail of Adjustments to Customer Accounting Expense:** | | | |
| Bank Service Charge Adjustment/Credit Card Fees | $ 1,181,322 | $ 17,675 | $ (1,163,647) |
| Acqusitions | $ 1,978 | $ 1,978 | $ - |
| Reversal of Accrual Adjustment | $ 1,615 | $ 1,615 | $ - |
| | | | |
| Total Pro Forma Adjustment | $ 1,184,915 | $ 21,268 | $ (1,163,647) |
| | | | |
| **Pro Forma Customer Accounting Expense as of 4/30/2025** | $ 1,477,373 | $ 313,726 | $ (1,163,647) |

## VIII. CONCLUSION

**Q: Does this conclude your testimony?**

A: Yes.

**APPENDIX A TO TESTIMONY OF**
**OUCC WITNESS JASON T. COMPTON**

**Q: Describe your educational background and experience.**

A: I graduated from Indiana University Bloomington with a Bachelor of Science in Accounting in May of 2022, and a Master of Science in Accounting with Data and Analytics in May of 2023. Throughout my undergraduate education, I worked as an undergraduate instructor for Indiana University Bloomington, teaching the lab portion of a web development and data analytics class, CSCI-A110. From May of 2022 through August of 2022, I worked as a Staff Accounting Intern for Greystone Property Management Company where I was responsible for completing daily bank reconciliations, truing up accruals, and preparing the monthly financial statements for nine separate properties.

In May of 2023, I began my employment with the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Water and Wastewater Division. My current responsibilities consist of reviewing accounting adjustments to expenses and revenue requirements, ensuring accurate financial reporting, and performing data analyses for proposed models.

**Q: Have you previously testified before the Commission?**

A: No, I have not.

**Q: If you do not discuss a specific topic or adjustment, does that mean that you agree with the Petitioner?**

A: No. My silence on any specific topic or adjustment does not indicate my approval or agreement. My testimony is limited only to the issues I discuss herein.

**AFFIRMATION**

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

Jason Compton

By: Jason T. Compton
Cause No. 45870
Office of Utility Consumer Counselor (OUCC)

Date: July 21, 2023

*OUCC ATTACHMENT JTC-1*

*IS FILED AS AN EXCEL DOCUMENT*

*OUCC ATTACHMENT JTC-2*

*IS FILED AS AN EXCEL DOCUMENT*

**OUCC 37-005**

**DATA INFORMATION REQUEST**
**Indiana-American Water Company**
**Cause No. 45870**

**Information Requested**:

Referencing Attachment CBR-1, Community Analysis tab:

a. In this Cause, has INAWC conducted their own analysis on what percentage of their water customer base own versus what percentage of their water customer base rent their home by zip code? If so, please provide the analysis and associated data.
b. Based on the OUCC's analysis, Petitioner used the American Community Survey ("ACS") 2021: ACS 5-year Estimates Survey Tables to calculate the customer median income for water. In the Historical Analysis tab, Petitioner pulled 2021 Indiana statewide household median income from the U.S. Census (see Cell P8). Please explain why Petitioner did not pull the data in cell P8 (Historical Analysis tab) to cell R107 of the Community Analysis tab to calculate the ratio (cell R108) of INAW customer median household income to statewide median household income.

**Information Provided**:

a. The Company has not conducted an independent analysis of owner-occupied and renter-occupied households by zip code in its service territory.

b. Median household income from U.S. Census Table H-8 was not used in the ratio calculation of the Community Analysis tab because the sources of data are not the same (Table H-8 vs. ACS Table S2503). The ratio of median customer household income to statewide median household income is calculated from the ACS survey data, which ensures consistency of data, and then applied to data from Table H-8 historically to analyze historical affordability.

**OUCC 33-029**

**DATA INFORMATION REQUEST**
**Indiana-American Water Company**
**Cause No. 45870**

**Information Requested**:

Please explain the method Petitioner used to annualize or normalize each of the following expenses and explain why this method is appropriate:

a. Building Maintenance & Supplies
b. Employee Related Expense Travel & Entertainment
c. Maintenance Supplies & Services
d. Miscellaneous Expense
e. Office Supplies and Services
f. Postage, Printing, & Stationary
g. Telecommunication Expense

**Information Provided**:

a. In order to normalize the expenses, the Company made adjustments to remove outliers and anomalies such as the removal of one-time expenses, the removal of miscoded expenses, and the reclassification of miscoded expenses as reflected on the Exhibit tab, excel rows 23 to 25, and 35 to 37. The Company selected the last month in 2023 within the workpaper and multiplied the amount by 12 to develop an annualized amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Building Maintenance and Services**", navigate to the "Exhibit" tab, excel row 27 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column AQ, excel row 19 and 21.
b. In order to normalize the expenses, the Company made an adjustment to remove outliers and anomalies such as the removal of miscoded expenses, as reflected on the Exhibit tab, excel rows 23 and 32. The Company selected the last month in 2023 and multiplied the amount by 12 within the workpaper to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Employee Related Expense Travel & Entertainment**", navigate to the "Exhibit" tab, excel row 25 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column AQ, excel row 19 and 21.
c. In order to normalize the expenses, the Company made an adjustment to include the reclassification of expenses, as reflected on the Exhibit tab, excel rows 26 and 38. The Company selected the last month in 2023 and multiplied the amount by 12 within the workpaper to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Maintenance Supplies & Services**", navigate to the "Exhibit" tab, excel row 27 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column

AS, excel rows 19 through 21. Additionally, refer to the responses provided in OUCC 13-013, and OUCC 13-015, subpart a.

d. In order to normalize the expenses, the Company made adjustments to include the reclassification of expenses on the Exhibit tab, excel rows 28 to 29, and 43 to 44. The Company selected the last month in 2023 and multiplied the amount by 12 within Workpaper 1 and 2, to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Miscellaneous Expense**", navigate to the "Exhibit" tab, excel row 31 for the adjustments for normalization/annualization adjustment as well as "Workpaper 1 and Workpaper 2", Column AQ, excel rows 18 through 54 on both tabs.

e. In order to normalize the expenses, the Company made an adjustment to remove accrual reversals, as reflected on the Exhibit tab, excel rows 24 and 33. The Company selected the last month in 2023 and multiplied the amount by 12 to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Office Supplies and Services**", navigate to the "Exhibit" tab, excel row 25 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column AQ, excel rows 19 through 40.

f. In order to normalize the expenses, the Company made adjustments to remove accrual reversals and miscoded transactions, as reflected on the Exhibit tab, excel rows 23 to 24, and 33 to 34. Please refer to "**INAWC 2023 Rate Case – Postage, Printing, & Stationary**", navigate to the "Exhibit" tab, excel row 26 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column AQ, excel rows 14 through 25. The Company selected the last month in 2023 and multiplied the amount by 12 to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward.

g. In order to annualize the expenses, the Company selected the last month in 2023 and multiplied the amount by 12 to develop an annualize amount. It is appropriate to do so since it adjusts the forecasted expenses to a more predictive level of what the Company will experience going forward. Please refer to "**INAWC 2023 Rate Case – Telecommunications Expense**", navigate to the "Exhibit" tab, excel row 25 for the adjustment for normalization/annualization adjustment as well as "Workpaper 1", Column AQ, excel rows 18 and 20.

**OUCC 33-020**

**DATA INFORMATION REQUEST**
**Indiana-American Water Company**
**Cause No. 45870**

**Information Requested**:

What types of transactions are recorded in the customer education (52514900) account?

a. What types of transactions are recorded in the community relations (52522000) account?
b. Please explain the "Environmental Grant Program" costs recorded to community relations expense. Why is it a reasonable cost to include in Petitioner's revenue requirement and recovered from ratepayers.
c. Please provide any documentation explaining the purpose of the Environmental Grant Program.
d. Who determines the recipients of these grants?
e. Who determines the amount of the grants?
f. What entity funds these grants? Please explain.
g. What are the criteria applied to determine the recipients of these grants?
h. Provide any invoices or documentation pertaining to the Indiana Pacers transactions in the community relations account.

**Information Provided**:

The type of transactions that are recorded in general ledger account 52514900 (Cust Education) would include any communications targeted to customers/residents, including regulatory notices, publications, videos, electronic and other types of notices regarding Indiana American Water's activities, customer service options, contact information, program offerings, and other pertinent information about Indiana American Water.

a. The type of transactions that are recorded in general ledger account 52522000 (Community Relations) would include expenses for community activities that Indiana American Water undertakes or participates in as part of its service to partner communities and any type of donations, sponsorships, awards to non-profit and various community organizations.

b. These programs must have a component that addresses a watershed or source water protection need in our service areas around the state. As a criteria for eligibility, projects should focus on activities that improve, restore, or protect one or more watersheds. These projects have a positive impact on watersheds and source waters that serve as or potentially impact water sources for the communities we serve.

c. Please refer to OUCC 33-020_Attachment.

d. A committee of several employees from different functions meets and evaluates the applications and decides as a group which ones will receive awards.
e. The committee that evaluates the Environmental Grant Program applications also decides to fund either a portion or the entire amount requested from winning applicants.

f. The grants are funded by Indiana American Water.

g. The selection criteria is outlined in the attached program brochure under the heading "Grant Selection Criteria."

h. Please see OUCC 33-020_Attachment 2.

**Attachments:**

OUCC 33-020_Attachment 1
OUCC 33-020_Attachment 2

# 2022-2023 Pacers Inv #1

**BALANCE DUE: $55,123.64**
**DUE DATE: 07/29/2022**
**INVOICE #547190**

## Account Details

Matthew Prine
153 N. Emerson Ave
Greenwood, IN 461431064
matthew.prine@amwater.com
(317) 885-2432
Account ID #138967

| | |
|---|---|
| **PAYMENT OPTION:** | **10 MONTH AUTOPAY** |
| **SUBTOTAL :** | **$73,275.00** |
| **TAXES :** | |
| Tax: | **$5,473.04** |
| **LESS PAYMENTS :** | **- $23,624.40** |
| **AMOUNT DUE :** | $55,123.64 |

## Invoice Details

| | |
|---|---|
| 2022-2023 Pacers Full Season Plan<br>Sec CRT-K \| Row 2 \| Seat 7 - 10<br>QTY: 4 | $78,745.04 |
| 2022-2023 Pacers Handling Fee<br>**Sat • Apr 01, 2023 • 08:00 PM**<br>Handling Fee 1<br>QTY: 1 | $3.00 |

## 10 MONTH AUTOPAY

1st payment of 10% down, 9 remaining payments of 10%

| | |
|---|---|
| **1. 04/30/2022** | **$0.00** |
| **2. 05/27/2022** | **$0.00** |
| **3. 06/30/2022** | **$0.00** |
| **4. 07/29/2022** | **$7,874.80** |
| **5. 08/31/2022** | **$7,874.80** |
| **6. 09/30/2022** | **$7,874.80** |
| **7. 10/31/2022** | **$7,874.80** |
| **8. 11/30/2022** | **$7,874.80** |
| **9. 12/30/2022** | **$7,874.80** |
| **10.01/31/2023** | **$7,874.84** |

Cause No. 45870

## STATE COORDINATORS

Please mail your completed grant application and materials to the local coordinator for your state.

### CALIFORNIA / HAWAII
**By mail:**
California American Water
Attn: Kimberly Febus
655 W Broadway, #1410
San Diego, CA 92101
**By email:**
kimberly.febus@amwater.com

### ILLINOIS
Illinois American Water
Attn: Mike Jones
**By email:**
mike.jones@amwater.com

### INDIANA
**By mail:**
Indiana American Water
Attn: Joe Loughmiller
153 N. Emerson Ave.
Greenwood, IN 46143
**By email:**
joe.loughmiller@amwater.com

### IOWA
**By mail:**
Iowa American Water
Attn: Lisa Reisen
5201 Grand Avenue
Davenport, Iowa 52807
**By email:**
lisa.reisen@amwater.com

### KENTUCKY
**By mail:**
Kentucky American Water
Attn: Ellen Williams
2300 Richmond Road
Lexington, KY 40502
**By email:**
ellen.williams@amwater.com

### MARYLAND
**By mail:**
Maryland American Water
Attn: Marybeth Leongini
2223 Duke Street
Alexandria, VA 22314
**By email:**
marybeth.leongini@amwater.com

### NEW JERSEY
New Jersey American Water
Attn: Danielle Kearsley
**By email:**
njenvgrant@amwater.com

### PENNSYLVANIA
**By mail:**
Pennsylvania American Water
Attn: Lorrie Page
852 Wesley Drive
Mechanicsburg, PA 17055
**By email:**
Pa.communityrelations@amwater.com

### TENNESSEE
**By mail:**
Tennessee American Water
Attn: Daphne Kirksey
109 Wiehl Street
Chattanooga, TN 37403
**By email:**
daphne.kirksey@amwater.com

### VIRGINIA
**By mail:**
Virginia American Water
Attn: Marybeth Leongini
2223 Duke Street
Alexandria, VA 22314
**By email:**
marybeth.leongini@amwater.com

### WEST VIRGINIA
**By mail:**
West Virginia American Water
Attn: Bradley Harris
1600 Pennsylvania Ave
Charleston, WV 25302
**By email:**
bradley.harris@amwater.com

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**About Us:** With a history dating back to 1886, American Water (NYSE: AWK) is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. The company employs more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than 14 million people in 24 states. American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. For more information, visit amwater.com and follow American Water on Twitter, Facebook and LinkedIn.

AMERICAN WATER
**WE KEEP LIFE FLOWING®**

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01-2023

OUCC 33-020_Attachment
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# 2023 ENVIRONMENTAL GRANT PROGRAM

**Water sustains and supports all life on earth. With an American Water Environmental Grant, your community or community-based organization can lend the water supply or watershed a helping hand by working to improve, restore or protect it.**

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## DEADLINES

**MARCH 31**
Application deadline.

**APRIL 30**
Applications will be judged/evaluated by local state subsidiaries, and all applicants will be notified.

**DECEMBER 15**
Grant recipient's report on project results due to American Water.

## FOR MORE INFORMATION

Please contact your local coordinator listed on the back page.

## ELIGIBILITY CRITERIA

Project activities and outcomes should address a watershed or source water protection* need in the local community within American Water service areas. **Source water protection projects** are activities that result in the protection or improvement of the community's public drinking water supplies. **Watershed protection projects** should focus on activities that improve, restore or protect one or more watersheds.

### ELIGIBLE PROJECTS MUST MEET THE FOLLOWING CRITERIA

- be completed between May 1, 2023 and November 30, 2023
- be a new or innovative program for the community, or serve as a significant expansion to an existing program
- be carried out by a formal or informal partnership between two or more organizations
- provide evidence of sustainability (continue existence after the American Water grant monies are utilized)
- **be located within an American Water service area.**

### EXAMPLES OF ACTIVITIES

- Watershed Cleanup
- Reforestation Efforts
- Biodiversity Projects (habitat restoration, wildlife protection)
- Streamside Buffer Restoration Projects
- Wellhead Protection Initiatives
- Hazardous Waste Collection Efforts
- Surface or Groundwater Protection Education (i.e., designing and providing workshops for citizens and local officials)

### PROJECTS THAT DO NOT QUALIFY

Pipeline or main extension projects, land or major equipment acquisition, entertainment, food/beverages, lobbying (attempting to influence local, state or national legislation), interest payments or personal articles, such as clothing. Grant money cannot be used for salaries, wages or personal compensation.

## GRANT SELECTION CRITERIA

- Clarity of project goals and projected impact.
- Innovation and strength of project design.
- Nature and strength of collaboration with other community and/or municipal organizations.
- Likelihood of project's sustainability after the American Water funding ends.
- Evidence of community engagement.
- Plan for assessing the project's impact and capacity to measure project outcomes.
- Assessment of budget as reasonable and cost-efficient.
- Maximum grant amount: $10,000.

** A watershed is the land that water flows across or under on its way to a stream, river or lake.*

## WHAT YOUR APPLICATION MUST INCLUDE

Applications must include the following:

**1. GRANT COVER PAGE**
Please use the Grant Application Cover Page provided as your cover sheet. For the project description, summarize the project's expected (measurable) outcomes in no more than two or three sentences.

**2. PROJECT DESCRIPTION**
Your project description (not to exceed four pages, typed in 12-point font) should include:

**Project Need and Objectives**

- Description of the issue the project will address, including the target population and number of people that would benefit
- Specific objectives and measurable outcomes anticipated
- Timetable, including major milestones, tasks and anticipated completion dates

**Community Involvement**

- List of partnering organizations and summary of their involvement/contributions to the project. NOTE: There must be at least two partners involved (including the lead organization applying). Examples of partners could be municipalities, local environmental groups, conservation districts and schools.
- Plans to engage the community in the project, and ways we can partner with you on that plan.

**Sustainability**

- Anticipated long-term benefits from the program beyond the time of the grant
- Description of how the project will provide environmental sustainability
- Strategies for long-term funding and future viability

**3. BUDGET SUMMARY**
Complete the Budget Summary Worksheet (provided). Be as specific as possible about anticipated costs.

**4. SUPPORTING MATERIALS**
Please attach the following, if applicable.

- List of American Water employees that serve on your organization's Board of Directors.
- Annual reports, media kits, brochures, photos, news clippings, etc. that reference your project.



## PROJECT EVALUATION AND MONITORING

All applicants are expected to include specific, measurable goals for projects in their proposals. At the conclusion of the grant project, the lead organization must provide a written report on the project results/impact. This report shall be submitted **no later than December 15, 2023**. The reports need to be signed by the chief officer from the lead organization. In addition to the narrative, project reports should include:

- Collateral or promotional materials produced for the project, including publications, brochures, videos or other public educational materials
- Copies of articles and media clippings written about the grant project
- Before-and-after photos, if possible. We may use these in future communications, so be sure to have the needed approvals from persons in the photo(s).

## HOW TO APPLY

Proposals should be postmarked by March 31, 2023, and sent to your local coordinator (see back panel for list of state coordinators and submission options).

## GRANT PAYMENT PROCESS

- Maximum grant amount: $10,000.
- A payment schedule will be agreed upon with grant recipient.
- Ten percent (10%) of the total grant amount may be retained until the final report has been submitted and accepted by American Water.
- A financial report may also be required at the conclusion of the project.

All grants will be funded either by the American Water Charitable Foundation upon the advice or recommendation of personnel from American Water and its state subsidiaries or directly by such American Water subsidiary.

**COMMUNITY. ONE MORE WAY WE KEEP LIFE FLOWING.**