

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA WATER SERVICE,)
INC. FOR APPROVAL OF (A) A)
DISTRIBUTION SYSTEM IMPROVEMENT)
CHARGE ("DSIC") PURSUANT TO IND.)
CODE CHAP. 8-1-31; (B) A NEW RATE)
SCHEDULE REFLECTING THE DSIC; AND)
(C) INCLUSION OF THE COST OF)
ELIGIBLE DISTRIBUTION SYSTEM)
IMPROVEMENTS IN ITS DSIC)

CAUSE NO. 42743 DSIC 3

APPROVED

FEB 10 2016

ORDER OF THE COMMISSION

Presiding Officers:

Angela Rapp Weber, Commissioner

David E. Veleta, Administrative Law Judge

On October 14, 2015, the Indiana Utility Regulatory Commission ("Commission") entered its final Order in this Cause. On October 23, 2015, Indiana Water Service, Inc. ("IWSI"), filed its Petition for Rehearing and Reconsideration ("Petition"). On December 4, 2015, the Presiding Officers issued a Docket Entry requesting additional information concerning planned capital projects for infrastructure. On December 10, 2015, IWSI filed its Response to the Docket Entry.

1. **Relief Requested.** IWSI requests rehearing and reconsideration so that it may submit the additional level of detail that the Commission's Order requests.

2. **Commission Discussion and Findings.**

A. **Rehearing.** Having reviewed the December 10, 2015 Response, the Commission is not convinced that the proposed projects are "eligible distribution system improvements" as set forth in 170 IAC 6-1.1-1(g). As we noted in our October 14, 2015 Order, "[e]ligible improvements are 'projects,' which implies that the replacements were made as part of a planned process in order to improve the distribution system. See also 170 IAC 6-1.1-5(a)(6) (setting forth the supporting documentation a utility shall include, including a statement and outline for planned replacements over the next five years)." *Indiana Water Service, Inc.*, Cause No. 42743 DSIC 3, 2015 WL 6123923, at *5 (IURC Oct. 14, 2015).

The Commission has previously addressed the issue of DSIC planning, and finds the discussion in Cause No. 42416 DSIC 1 illustrative:

Since the rationale of the DSIC is to promote the improvement of distribution infrastructure it is logical that utilities should have a plan as to how and when they intend to improve distribution infrastructure. Such a plan will help to verify that a utility seeking a DSIC is adequately improving its system in a proactive manner.

. . . . Consequently, Petitioner should present as part of its case-in-chief in support of its next request for a DSIC a five-year projection of its plans to improve its distribution system and track its actual improvements with those that had been projected.

Utility Center, Inc., Cause No. 42416 DSIC 1, 2003 WL 23192117, at *12 (IURC June 11, 2003). The Commission later adopted this planning directive in its DSIC rules under 170 IAC 6-1.1.

Going forward, IWSI should provide evidence that it reviewed all of its assets to create its plan. IWSI's plan should provide a general overview of what types of projects need to be undertaken, and why these types of projects are necessary. Furthermore, IWSI should submit supporting evidence for the projects for which it is seeking recovery. This will permit the Commission to determine whether IWSI is using the DSIC appropriately, to replace aging infrastructure in a planned manner consistent with the Commission's rules. It is important for utilities to recognize the requirements of 170 IAC 6-1.1 and comply with those requirements when the request for relief is filed. Those requirements are:

Required supporting documentation

- (a) The utility shall submit the following supporting documentation for its petition to the commission:
 - (1) A description of the DSIC project, an explanation of why the project is needed, the benefits resulting to the utility and its customers upon completion of the project, and the age of the plant that was retired.
 - (2) A statement that the project is in service and was not included in the utility's rate base in its most recent general rate case. Provide the cause number and date of the utility's most recent rate order.
 - (3) A statement that the project will not result in an increase in revenue resulting from the connection of new customers to the utility's distribution system.
 - (4) A statement that all necessary local, state, and federal permits, approvals, and authorizations applicable to the DSIC project have been obtained.
 - (5) A statement regarding whether any affiliate (as defined by IC 8-1-2-49) was directly or indirectly engaged by the utility in connection with the installation of the infrastructure that is the subject of the proposed DSIC and a copy of any such affiliated interest contract.
 - (6) A statement regarding whether the utility plans to replace other distribution infrastructure in the next five (5) years and a general outline of any such plans.
 - (7) A new tariff reflecting the requested DSIC in the same format as the existing tariff on file with the commission, with clear denotations on all schedules where the DSIC rate is applicable.
 - (8) A statement that the utility:
 - (A) has invoices and other cost support for every item included in the project cost form; and
 - (B) is prepared to file such invoices if required by the commission or requested by the office of utility consumer counselor.
 - (9) An affidavit from an officer of the utility attesting to the veracity of the statements and information submitted under this subsection.

- (10) When the petition constitutes an application to change an existing DSIC, a statement describing how the utility will satisfy any outstanding reconciliation requirement for its current DSIC.
 - (11) A statement that the project costs, for which recovery is sought, represent an investment by the utility and not another funding source such as a grant, developer contribution, or transportation department reimbursement.
 - (12) If the applicant is seeking debt service, a statement including the cause number that the applicant has previously obtained IURC approval to issue the long term debt.
- (b) By submitting documentation in compliance with subsection (a), the utility makes a prima facie case for the eligibility of the improvements and the reasonableness of the charges.

170 IAC 6-1.1-5 (2005).

In conclusion, having considered the issues raised by IWSI in its Petition, we hereby deny the request for rehearing.

B. Reconsideration. IWSI argued that the Commission ignored in its entirety the portion of the proposed DSIC which is the statutory reconciliation of IWSI's DSIC in Cause No. 42743 DSIC 2. IWSI requested to recover a DSIC 2 reconciliation rate of \$.03 based on an under-recovery of \$3,178. The reconciliation is mandatory pursuant to Indiana Code § 8-1-31-14. Further, we find that the calculation has been calculated pursuant to the Commission's regulations. Thus, we hereby grant reconsideration as to IWSI's DSIC 2 reconciliation.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. Rehearing is denied and reconsideration is granted as described above.
2. This Order shall be effective on and after the date of its approval.

STEPHAN, MAYS-MEDLEY, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: FEB 10 2016

I hereby certify that the above is a true and correct copy of the Order as approved.


Brenda A. Howe
Secretary to the Commission