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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF THE BOARD)
OF DIRECTORS FOR UTILITIES OF)
THE DEPARTMENT OF PUBLIC)
UTILITIES OF THE CITY OF)
INDIANAPOLIS, AS TRUSTEE OF A)
PUBLIC CHARITABLE TRUST FOR)
THE WATER SYSTEM, D/B/A)
CITIZENS WATER FOR APPROVAL OF)
A DROUGHT RESPONSE PLAN)**

CAUSE NO. 44392

APPROVED: JUL 09 2014

ORDER OF THE COMMISSION

**Presiding Officers:
David E. Ziegner, Commissioner
Jeffery A. Earl, Administrative Law Judge**

On September 9, 2013, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System, d/b/a Citizens Water (“Citizens Water”) filed its Verified Petition in this Cause. On September 30, 2013, Citizens Water prefiled the direct testimony and exhibits of Daniel C. Moran, Water Quality Manager for Citizens Water.

On January 30, 2014, the Indiana Office of Utility Consumer Counselor (“OUCC”) prefiled the direct testimony of Larry W. McIntosh, Utility Analyst in the OUCC’s Water/Wastewater Division.

On February 20, 2014, Citizens Water prefiled the rebuttal testimony of Korlon L. Kilpatrick, Director of Regulatory Affairs for Citizens Energy Group.

The Commission held an evidentiary hearing in this Cause at 9:30 a.m. on March 20, 2014, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Citizens Water and the OUCC appeared at and participated in the hearing.

Based upon the applicable law and the evidence presented, the Commission finds:

1. Notice and Jurisdiction. Notice of hearings in this Cause was given and published as required by law. Under Ind. Code §§ 8-1-11.1-3 and 8-1-11.1-3.1 and the Commission’s Final Order in Cause No. 43936 (“Acquisition Approval Order”), Citizens Water is subject to the Commission’s jurisdiction in a manner similar to a municipal utility. Specifically, the Commission has jurisdiction over changes to Citizens Water’s schedules of

rates, charges, terms, and conditions of service under Ind. Code §§ 8-1-11.1-3(c)(9) and 8-1.5-3-8. Therefore, the Commission has jurisdiction over Citizens Water and the subject matter of this Cause.

2. **Citizens Water’s Characteristics.** Citizens Water is a municipal water utility with its principal office at 2020 North Meridian Street, Indianapolis, Indiana. Citizens Water owns and operates certain water utility assets, which were acquired from the City of Indianapolis and its Department of Waterworks under an asset purchase agreement approved by the Commission in the Acquisition Approval Order. Citizens Water provides water utility service in several counties in central Indiana.

3. **Relief Requested.** In the Acquisition Approval Order, the Commission approved the terms of a settlement agreement that included Citizens Water’s agreement to develop a drought response plan, and ordered Citizens Water to file a petition for approval of its drought response plan. In response, Citizens Water filed this case, requesting approval of its Drought Management Plan (“Plan”).

4. **Citizens Water’s Case-in-Chief.** Mr. Moran explained the importance of the Plan and how it provides Citizens Water with a framework for taking appropriate actions to manage both the water supply and the water demand during periods of water shortages. The Plan was developed following certain guidelines of the American Water Works Association and analysis of the specific water supply situation for Citizens Water. The development of the Plan was influenced by the 2012 drought, and several lessons learned during the 2012 drought have been incorporated into the Plan. Mr. Moran discussed the Plan’s four, drought tier levels and the indicators used to determine drought tier status. A key element of the drought response actions available to Citizens Water is the City of Indianapolis’ water conservation ordinance, which was modified in 2013 to include an intermediate action alternative that could be implemented prior to implementation of a lawn watering ban as was conducted for nearly 60 days in 2012. Finally, Mr. Moran testified that the Plan will conserve water resources during periods of potential water shortage while minimizing adverse impacts on customers and the economy to the extent possible depending on the severity of the drought condition.

5. **OUC’s Case-in-Chief.** Mr. McIntosh explained that Citizens Water has submitted its Plan to the Commission for approval because it was a requirement in the Acquisition Approval Order. The purpose of the Plan is to establish criteria for Citizens Water to use to determine its response to any emerging drought or other water shortage emergency. Mr. McIntosh stated that he did not have any issues with the Plan’s indicators and triggers used to assign a certain type of water shortage. Regarding the revenue impacts of a severe drought, Mr. McIntosh commented that Citizens Water should investigate the use of inclining-block rate structures to address the lawn irrigation impacts to the system. Mr. McIntosh provided additional comments on the Plan, including: (1) approval of the Plan does not mean that Citizens Water has in place all it needs to deal with water supply and water use

issues; (2) the Plan should be considered a dynamic document that should be updated as Citizens Water increases its knowledge and experience in responding to water shortage issues that arise; and (3) Citizens Water should continue to assess and make improvements to the Plan in a manner that is transparent and welcomes the input of customers. Mr. McIntosh recommended that the Commission find that Citizens Water has complied with the requirement that it prepare a drought response plan and submit it for approval to the Commission, and that the Commission approve the Plan. He concluded by recommending that the Commission require Citizens Water to provide annual updates to the Commission that discuss whether and when Citizens Water intends to revise the Plan, including the substance of any such changes.

6. Citizens Water's Rebuttal Testimony. Mr. Kilpatrick indicated that Citizens Water agrees to file with the Commission an annual Update that includes a discussion on the status of the Plan no later than April 15, beginning in the year subsequent to an order in this Cause. Mr. Kilpatrick further testified that Citizens Water has taken steps in Cause No. 44306 towards addressing the impacts of lawn irrigation on the system by recommending a uniform rate structure for the Residential and Irrigation rate classes, and that it plans to continue to investigate the feasibility of inclining-block rate structures in future rate cases.

7. Commission Discussion and Findings. In the Acquisition Approval Order, the Commission ordered Citizens Water to develop a drought response plan and submit it to the Commission for approval. The evidence shows that the Plan satisfies the requirements of the Acquisition Approval Order regarding the development and submission of a drought response plan. The evidence also shows that the Plan will conserve water resources during periods of potential water shortage, while minimizing adverse impacts on customers and the economy. Therefore, we find that the Plan is reasonable and in the public interest, and we approve the Plan. In addition, we find that the reporting requirements recommended by the OUCC and agreed to by Citizens Water are reasonable.

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

1. The Citizens Water Drought Management Plan is approved.
2. No later than April 15, 2015, and annually thereafter until otherwise directed by the Commission's Water/Wastewater Staff, Citizens Water shall file under this Cause a report that provides a status update of the Drought Management Plan, including whether and when Citizens Water intends to revise the Drought Management Plan, and the substance of any such changes as requested by the OUCC in Paragraph 5 above.
3. In accordance with Ind. Code § 8-1-2-70, within 20 days from the date of this Order, Citizens Water shall pay to the Secretary of the Commission the following itemized charges, as well as any additional costs that were incurred in connection with this Cause:

Commission charges:	\$ 1,141.78
OUCC charges:	\$ 2,172.61
Legal Advertising Charges:	\$ 99.13
Total:	\$ 3,413.52

4. This Order shall be effective on and after the date of its approval.

STEPHAN, MAYS, WEBER, AND ZIEGNER CONCUR:

APPROVED: JUL 09 2014

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



Shala M. Coe
Acting Secretary to the Commission