**Indiana Utility Regulatory Commission** 

30-Day Filing No. 3399

**Received 11/20/15** 



# RECEIVED

NOV 20 2015

# INDIANA UTILITY REGULATORY COMMISSION

November 20, 2015

Brenda A. Howe Secretary to the Commission Indiana Utility Regulatory Commission 101 W. Washington Street, Suite 1500 East Indianapolis, Indiana 46204

# Re: Indiana-American Water Company, Inc. 30-day Filing Pursuant to 170 IAC 1-6-1 et seq.

Dear Ms. Howe:

Pursuant to 170 IAC 1-6, the Thirty-Day Administrative Filing Procedures and Guidelines Rule, Indiana-American Water Company, Inc. ("Indiana American" or the "Company") submits herewith for filing a proposed revised tariff page (identified as <u>Exhibit 1</u>) establishing, in lieu of directly billed hydrant charges, public fire protection surcharges in the City of West Lafayette ("West Lafayette") based on the directly billed hydrant charges West Lafayette would pay pursuant to the currently applicable rates.

To recover the costs of public fire protection in the relevant community, Indiana American presently collects directly billed hydrant charges payable by West Lafayette. West Lafayette is a municipality located in Tippecanoe County, Indiana. Attached hereto as <u>Exhibit 2</u> is a copy of Ordinance No. 34-15 passed by the West Lafayette Common Council pursuant to Ind. Code§ 8-1-2-103(d) ("Section 103") providing that all costs for fire protection shall henceforth be recovered pursuant to a surcharge to be included in the basic rates of customers located in West Lafayette.

Section 103(d) provides as follows:

This subsection applies to a public utility or a municipally owned water utility that is not subject to subsection (c). Except as provided in subsection (e), in the case of a public utility or municipally owned water utility furnishing water, if the governing body of any municipality within the service area of the utility adopts an ordinance providing Brenda A. Howe Indiana Utility Regulatory Commission November 20, 2015 Page 2

> that costs shall be recovered under this subsection, the charges for the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes shall be included in the basic rates of all customers of the utility within the municipality. However, on or after a date specified in the ordinance, the construction cost of any fire hydrant installed at the request of a municipality, township, county, or other governmental unit that adopts an ordinance under this subsection shall be paid for by or on behalf of the municipality, township, county, or other governmental unit. The change in the recovery of current revenue authorized by the ordinance shall be reflected in a new schedule of rates to be filed with the commission at least thirty (30) days before the time the new schedule of rates is to take effect. The new schedule of rates shall:

(1) eliminate fire protection charges billed directly to governmental units, other than charges for the construction cost for new hydrants installed on and after the date specified in the ordinance; and

(2) increase the rates charged each customer of the utility, based on equivalent meter size, by an amount equal to:

(A) the revenues lost from the elimination of such fire protection charges; divided by

(B) the current number of equivalent five-eighths (5/8) inch meters.

This change in the recovery of public fire protection costs shall not be considered to be a general increase in basic rates and charges of the utility and is not subject to the notice and hearing requirements applicable to general rate proceedings. The commission shall approve the new schedule of rates that are to be effective on a date specified in the ordinance.

Section 103(d) allows the implementation of a fire-protection surcharge applicable only within West Lafayette without conducting a hearing pursuant to appropriate notice. Furthermore, Section 103(d) requires only that Indiana American file an amended schedule of rates "at least thirty (30) days before the time the new schedule of rates is to take effect." Indiana American is proposing the revised tariff pages be effective no later than January 1, 2016.

Indiana American raised with West Lafayette its concerns that certain provisions of Ordinance No. 34-15 were contrary to the provisions of Section 103(d). By email correspondence with Indiana American dated November 12, 2015, Beth Krogel Roads, Brenda A. Howe Indiana Utility Regulatory Commission November 20, 2015 Page 3

General Counsel for the Indiana Utility Regulatory Commission ("Commission") confirmed that it considered the provisions cited by Indiana American to be contrary to Section 103(d). Attached hereto as Exhibit 3 is a letter from Eric H. Burns, counsel to West Lafayette, clarifying that those provisions were not an attempt to require Indiana American to implement rates that would be contrary to state law. Mr. Burns included a proposed resolution for the West Lafayette City Council to consider at its next regular meeting on December 7, 2015 to further clarify that the ordinance in no way is intended to require Indiana American or the Commission to take any action contrary to state law. Indiana American's proposed revised tariff does not give effect to the provisions it deems to fail to comply with Section 103(d).

In her email correspondence from November 12, 2015, Ms. Roads also indicated that it is appropriate for Indiana American to use the Commission's 30-day filing process for a change in rates under Section 103(d). Indiana American is submitting this filing in accordance with that communication.

Attached hereto as <u>Exhibit 4</u> is the workpaper supporting the calculation of the public fire protection surcharge. The surcharge has been calculated by dividing the current monthly revenues from directly billed hydrant charges pursuant to Indiana American's existing tariff by the current number of equivalent 5/8-inch meters located within West Lafayette. The calculation is revenue neutral to Indiana American.

In support of this 30-day filing, Indiana American is submitting herewith <u>Exhibits</u> <u>1</u>, <u>2</u>, <u>3</u> and <u>4</u> described above and a mark-up of the existing tariff sheet for reference. Exhibit 1 also reflects proposed changes to the tariff to correct a prior inadvertent omission of the City of Seymour from the list of cities subject to the public fire hydrant charge. Indiana American is also submitting a verified statement by the Company affirming that customers have been notified as required under Rule 6, stating in detail the means used for notification, and copies of any written means of communication. By copy of this letter, the Office of Utility Consumer Counselor is being provided with a copy of this 30-day filing.

Indiana American appreciates your assistance in processing this request through the Commission's 30-Day Filing procedures. The contact information regarding this filing is as follows:

Gary M. VerDouw Director of Rates – Central Division American Water Works Service Company 727 Craig Road Saint Louis, Missouri 63141 (314) 996-2398 Gary.VerDouw@amwater.com

Hillary J. Close (Atty No. 25104-49) Barnes & Thornburg LLP 11 S. Meridian Street Indianapolis, IN 46204 (317)231-7785 (phone) (317) 231-7433 (fax) Hillary.Close@btlaw.com Brenda A. Howe Indiana Utility Regulatory Commission November 20, 2015 Page 4

Please let me know if the Commission Staff has any questions or concerns about this submission.

Sincerely,

Day U. Der

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Gary M. VerDouw

Enclosures

cc: David A. Stippler, Indiana Utility Consumer Counselor (w/encl.)

INDS01 1368029v1

### CLASSIFICATION OF SERVICE FIRE SERVICE

### PUBLIC FIRE HYDRANTS

Each municipality or governmental entity responsible for public fire service in the areas listed below shall pay for each public fire hydrant within its boundaries.

Monthly surcharge per hydrant: \$65.98

Where applicable: Clarksville, Seymour, and Summitville.

### PUBLIC FIRE PROTECTION SURCHARGE

### **Applicability**

Applies to all customers, with the exception of Sale for Resale customers, not located within the boundaries of the governmental entities responsible for public fire service in the areas listed in Public Fire Hydrants. Applicable to any water customer, with the exception of Sale for Resale customers, located in areas within municipal boundaries or to any water customer within 1,000 feet of a public fire hydrant (measured from the hydrant to the nearest point on the property line of the customer) on the Company's distribution mains in areas not within municipal boundaries. In addition to the charges for water service under currently approved tariffs, a public fire protection surcharge shall be charged to, and collected from, each customer to whom said surcharge is hereby made applicable. If multiple meters are installed the surcharge(s) shall be based upon the total of all meters installed.

Size of Meter	Monthly Charge-	West Lafayette	
	Area One and Two	Only	
5/8"	\$ 4.74	\$ 3.32	
3/4"	7.11	4.98	
1"	11.85	8.30	
1-1/2"	23.71	16.59	
2"	37.93	26.55	
3"	71.12	49.78	
4"	118.53	82.96	
6"	237.07	165.92	
8"	379.31	265.48	
10"	616.38	431.40	
12"	1,019.39	713.47	

Note: Unless specified rates are for all areas.

Issued:

Effective:

Issued by: Alan J. DeBoy, President 555 E. County Line Road Greenwood, Indiana 46143

I.U.R.C. No. W-20-A Cancelling All Previously Approved Tariffs (W-19-A) <u>First Revised</u>Original Page <u>6</u> of <u>9</u>

#### <u>CLASSIFICATION OF SERVICE</u> <u>FIRE SERVICE</u>

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Note: Unless specified rates are for all areas.

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### **ORDINANCE NO. 34-15**

### A FIRE PROTECTION ORDINANCE PROVIDING FOR PAYMENT OF FIRE HYDRANT RENTAL COSTS BY INDIANA AMERICAN WATER COMPANY RATEPAYERS

WHEREAS, Indiana American Water Company owns and operates fire hydrants in the City of West Lafayette which serve and protect from fire threats resident, business, and city owned property in the City limits; and,

WHEREAS, the rental cost of the fire hydrants in the City limits are currently paid by the City with revenue from City taxpayers; and,

WHEREAS, the cost to the City taxpayers for fire hydrant rentals will be in excess of \$400,000 in the year 2016; and

WHEREAS, State-mandated circuit breaker limits have significantly reduced the funds available for city services including, primarily, public safety services; and,

WHEREAS, Indiana Code subsection 8-1-2-103(d) provides for the payment of fire hydrant rental costs imposed by Indiana American Water Company and approved by the Indiana Utility Regulatory Commission from the ratepayers of Indiana American Water Company rather than City taxpayers; and,

WHEREAS, the majority of Indiana cities operate under Indiana Code subsection 8-1-2-103(d) which provides that the cost of fire hydrant rentals is paid by ratepayers instead of taxpayers; and

WHEREAS, paying fire hydrant rental costs from ratepayers is prudent and necessary to allow tax funds to be used for maintaining city services, including, primarily, public safety services to the public; and,

WHEREAS, paying fire hydrant rental costs from ratepayers who directly benefit from the fire hydrants is a fair and reasonable method of paying for such costs.

NOW THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF WEST LAFAYETTE that the provisions of Indiana Code subsection 8-1-2-103(d) are hereby adopted such that the charges for production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes shall be added to the basic rates of all customers of Indiana American Water Company and its successors and assigns as regulated by the Indiana Utility Regulatory Commission, and as detailed in the attached Exhibit "A," which is made a part hereof. Irrigation meters for lawn watering purposes shall be excluded from the charge.

A person who qualifies for low income relief shall receive a fifty percent (50%) reduction in fire hydrant rental costs. Low income relief under this paragraph is only available for residential property. To qualify for low income relief, requests shall be made to the Controller

#### Exhibit 2

West Lafayette Fire Protection City of West Lafayette Ordinance Page 2 of 3

who shall have the authority to determine procedures to verify the eligibility of the requestor who shows that the requestor:

(1) is the head of the household; and

(2) is either:

(A) permanently and totally disabled as determined by the Social Security Administration; or

(B) has a total annual income which is at or below one hundred fifty percent (150%) of the Federal Poverty Guidelines as determined by the United States Health and Human Services Guidelines.

The effective date for addition of these changes in the basic rate shall be January 1, 2016 and that after said date, the cost of any fire hydrant installed at the request of the City shall be paid by or on behalf of the City.

The jurat for this document was not printed on discussion copies, in order to save paper and copying resources. If you have questions about this, please contact the Office of the Clerk-Treasurer at <u>clerk@westlafavette.in.gov</u>. Thank you. Exhibit 2 West Lafayette Fire Protection City of West Lafayette Ordinance Page 3 of 3

# ORDINANCE NO. 34-15

# Exhibit "A"

# **Public Fire Service Rate ESTIMATES**

<u>Meter Size</u>	Monthly Charge
5/8"	\$3.32
1"	\$8.29
1 1/2"	\$16.58
2"	\$26.52
3"	\$49.73
4"	\$82.89
6"	\$165.78
8"	\$265.24
10"	\$431.02

Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 1 of 7 HOME OF



Eric H. Burns City Attorney 8 N. Third Street, Suite 401 P.O. Box 499 Lafayette, Indiana 47902-0499 eburns@witheredlaw.com 765-742-1988 Fax 765-742-8774

November 18, 2015

Cristy Wheeler Vice President Legal & Corporate Secretary Indiana, Kentucky and Michigan American Water 555 E. County Line Rd., Suite 201 Greenwood, IN 46143

Dear Ms. Wheeler:

I am the West Lafayette City Attorney. I am writing to provide some background on the Fire Protection Ordinance No. 34-15, a copy of which is attached. Two provisions in this Ordinance have resulted in some confusion which I hope this letter will clear up.

The first provision states: "Irrigation meters for lawn watering purposes shall be excluded from the charge".

The second provision states: "A person who qualifies for low income relief shall receive a fifty percent (50%) reduction in the hydrant rental costs".

It is my understanding both provision are disallowed by I.C. 8-1-2-103(d) and I.C. 8-1-2-103(d)(1). In passing Ord. 34-15 with these two provision, it was not the intention of the City of West Lafayette to attempt in any way to control or direct Indiana American Water in how it is to calculate and charge rate pay for the fire protection charges under state law, applicable I.A.W. regulations and the new schedule of rates. Further, it is my legal opinion the City cannot control I.A.W. in any such regard due to the pre-emption of the state laws in this entire area of regulation. The same legal reasoning and opinion also apply to the IURC as a state instrumentally which cannot be controlled by the City in this pre-empted area.

The purpose for the inclusion of the two provisions was to serve the City Council's direction to the City administration to provide relief to the citizens described in the two provisions. It is the City's intention to refund such eligible citizens from the appropriate city funds until such time as changes in state code, regulations and/or the schedule of rates allow I.A.W. to accommodate such relief in a lawful and appropriate manner.

Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 2 of 7

As further memorialization of the matters contained in this letter, I will be asking the City Council to approve a Resolution at their next regular meeting on December 7th which will specifically reference the clarifications cited above to the two provisions in Ord. No. 34-15. A draft copy of this Resolution is attached for any comments you may have.

In the meantime, the City of West Lafayette requests you proceed as soon as possible with the 30 day filing of the new schedule of rates so the new billings can begin effective January 1, 2016 as contemplated in Ord. No. 34-15.

Thank you for your continued assistance.

Eric H. Burns

EHB:gl

cc: Beth Kogel Roads, Esq. IURC Mayor, John Dennis Clerk-Treasurer, Judy Rhodes Fire Chief, Tim Heath

Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 3 of 7

Sponsored by Mayor John Dennis

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A person who qualifies for low income relief shall receive a fifty percent (50%) reduction in fire hydrant rental costs. Low income relief under this paragraph is only available for residential property. To qualify for low income relief, requests shall be made to the Controller Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 4 of 7

who shall have the authority to determine procedures to verify the eligibility of the requestor who shows that the requestor:

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The effective date for addition of these changes in the basic rate shall be January 1, 2016 and that after said date, the cost of any fire hydrant installed at the request of the City shall be paid by or on behalf of the City.

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# ORDINANCE NO. 34-15

# Exhibit "A"

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.8"	\$265.24
10"	\$431.02

Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 6 of 7

### RESOLUTION NO.

A Resolution Providing Clarification To Ordinance No. 34-15, the Fire Protection Ordinance.

WHEREAS, the Common Council of the City of West Lafayette passed Ordinance No. 34-15 on \_\_\_\_\_, 2015; and

WHEREAS, Ordinance No. 34-15 provides for payment of Fire Hydrant rental costs by Indiana American Water Company, (I.A.W.) ratepayers; and

WHEREAS, Indiana Code 8-1-2-103(d) and other related rules and regulations of the state of Indiana provide the exclusive method of authorizing payment of fire hydrant rental costs by ratepayers; and

WHEREAS, the Indiana Utility Regulatory Commission (IURC) has pre-emptive legal authority in this area of the law; and

WHEREAS, two (2) provisions in Ordinance No. 34-15 require clarification so it is clear the City of West Lafayette does not intend nor seek to control or direct Indiana American Water and/or the IURC in pre-empted areas.

NOW, THEREFORE BE IT RESOLVED, by the Common Council of the City of West Lafayette that the following two (2) provisions of Ordinance 34-15 are clarified as hereafter stated. The two (2) provisions are:

First: "Irrigation meters for lawn watering purposes shall be excluded from the charge".

Second: "A person who qualifies for low income relief shall receive a fifty percent (50%) reduction in fire hydrant rental costs". [et. seq.].

The two (2) provisions, stated above, are to be interpreted solely as direction from the Common Council to the West Lafayette City Administration to provide the described citizens financial relief via the appropriate city funding sources. The two (2) provisions stated above are not intended to and are not legally effective to control the IURC nor I.A.W. in the implementation of Indiana Code 8-1-2-103(d) and related rules and regulations in providing for payment of fire hydrant rental costs by I.A.W. ratepayers.

The above recitals are incorporated herein in full.

INTRODUCED ON FIRST READING ON THE	DAY OF,
2015.	

MOTION TO ADOPT MADE BY COUNCILOR \_\_\_\_\_, AND SECONDED BY COUNCILOR

Exhibit 3 West Lafayette Fire Protection City of West Lafayette Clarification Letter 11-18-2015 Page 7 of 7

DULY ORDAINED, PASSED, AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF WEST LAFAYETTE, INDIANA, ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_\_, 2015, HAVING BEEN PASSED BY A VOTE OF \_\_\_\_ IN FAVOR AND \_\_\_\_ OPPOSED, THE ROLL CALL VOTE BEING:

	AYE	NAY	ABSENT	ABSTAIN
Bunder				
Burch				
DeBoer				
Dietrich				
Hunt			-	
Keen				
Thomas				

Presiding Officer

Attest:

Judith C. Rhodes, Clerk-Treasurer

PRESENTED BY ME TO THE MAYOR OF THE CITY OF WEST LAFAYETTE, INDIANA ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015, AT THE HOUR OF

Judith C. Rhodes, Clerk-Treasurer

THIS RESOLUTION APPROVED AND SIGNED BY ME ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2015, AT THE HOUR OF \_\_\_\_\_.

John R. Dennis, Mayor

Attest:

Judith C. Rhodes, Clerk-Treasurer

Exhibit 4 Calculation of Public Fire Protection Surcharge West Lafayette Fire Protection

Public Hydrant Count of 477 as of August 31, 2015 Indiana-American Water Company, Inc. Public Fire Service Analysis for the City of West Lafayette

Public Hydrant Count As of August 31, 2015: Meter Size 1 1/2" 2" 3" 3/4" Total 8 12" 10" 6ª 4ª 5/8 1 Monthly Total 6,946.0 6,346.0 161.0 131.0 284.0 17.0 0.0 0.0 6.0 0.0 0 1.0 West Lafayette, IN Annualized City of Total 8 76,152.0 1,932.0 1,572.0 3,408.0 ,352.0 204.0 Customer Meter Count as of August 31, 2015 72.0 12.0 0.0 0.0 0.0 0.0 Equivalent Meter Flow-**Based Ratio** AWWA 215.0 130.0 50.0 25.0 15.0 80.0 5.0 8.0 2.5 1.5 1.0 Equivalents Meter .13,808.0 15,456.0 8,520.0 76,152.0 3,060.0 1,800.0 7,860.0 960.0 4/ 0.0 0.0 0.0 Ś Annualized Revenue 252,708.85 Rates New 377,669.52 10,154.55 51,290.42 26,083.25 28,273.45 3,185.74 5,973.26 ŝ Public Fire Service New Monthly Rate 265.48 165.92 431.40 713.47 82.96 49.78 26.55 16.59 8.30 4.98 3.32

Revenue Neutral Revenue Benchmark-New Rates:

Proposed Annualized Revenue Neutral Benchmark:

**Public Hydrants** 

Monthly Public Fire Charge/Equivalent Meter revenue neutral:

N.

377,669.52

477

5

3.32

377,669.52

Tariff rate:

65.98

Current monthly charge per hydrant is \$65.98, Tariff W-20-A, page 6 of 9. Tariff approved in Cause No. 44450 effective January 28, 2015.

Blue cells are data input cells. West Lafayette, Indiana is in the Area One Tariff class; all accounts are billed monthly.

> 12:16 PM 11/20/15

## VERIFIED STATEMENT IN SUPPORT OF 30-DAY FILING

### TO THE INDIANA UTILITY REGULATORY COMMISSION:

- 1. Indiana-American Water Company, Inc. is requesting revisions to its tariff establishing, in lieu of directly billed hydrant charges, public fire protection surcharges in the City of West Lafayette, Indiana ("West Lafayette").
- 2. In accordance with 170 IAC 1-6-6, affected customers are being notified by a legal notice transmitted for publication in the Journal and Courier, a daily newspaper of general circulation published in Tippecanoe County, Indiana that has a circulation encompassing the highest number of the utility's customers affected by the filing. The notice will also be placed on the utility's website. The utility has no local customer service office in the West Lafayette area that is open to the public.
- 3. A copy of the above-referenced legal notice is attached as Exhibit A.

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated this 20th day of November, 2015.

i M.

Gary M. VerDouw, Director of Rates – Central Division American Water Works Service Company, Inc.

Exhibit A West Lafayette Fire Protection Legal Notice

### LEGAL NOTICE

November 20, 2015

RE: Notice of Filing of West Lafayette Public Fire Protection Surcharge

Notice is hereby given that Indiana-American Water Company, Inc. ("Indiana American") is filing a revised schedule of rates with the Indiana Utility Regulatory Commission (IURC) on or about November 20, 2015 to revise its rates for customers located within the City of West Lafayette ("West Lafayette") for the purpose of establishing a fire protection surcharge in lieu of directly billed hydrant charges now being paid by West Lafayette. It is expected that the surcharge will be approved and in effect by January 2016.

The chart below shows the impact of the proposed surcharge per month by meter size for customers located in West Lafayette. The fire protection surcharge associated with the typical 5/8" residential water meter in West Lafayette is \$3.32 per month. A chart showing the specific impact per month by meter size is shown below.

Size of Meter	Monthly Charge
5/8"	\$3.32
3/4"	\$4.98
1"	\$8.30
1 1/2 "	\$16.59
2"	\$26.55
3"	\$49.78
4"	\$82.96
6"	\$165.92
8"	\$265.48
10"	\$431.40
12"	\$713.47

Once the revised rates have been approved by the IURC, all customers located within West Lafayette or within 1,000 feet of the nearest fire hydrant (measured from the fire hydrant to the nearest point on the property line of the customer) will be assessed this fire protection surcharge on an ongoing basis. Customers that do not live within the affected areas will receive a credit on their bills for the relevant amount.

If you have questions regarding this matter, please visit www.amwater.com/inaw and click on "Rates Information" located under the "Customer Service" tab at the top of the Indiana American Water homepage. If you wish to file an objection to this filing you may contact the consumer services staff at the Office of Utility Consumer Counselor at uccinfo@oucc.in.gov or by calling 1-888-441-2494. To file an objection with the IURC regarding this mater, you may contact Brenda Howe, Secretary of the IURC at bhowe@urc.in.gov or by phone at 317-232-2703.