

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA WATER)
SERVICE, INC. FOR AUTHORITY TO)
INCREASE ITS WATER RATES AND)
CHARGES AND FOR APPROVAL OF A)
NEW SCHEDULE OF RATES AND)
CHARGES APPLICABLE THERETO)

CAUSE NO. 44097

PREFILED TESTIMONY

OF

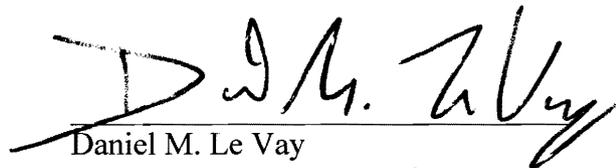
MARGARET A. STULL- PUBLIC'S EXHIBIT #2

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 18, 2012

Respectfully submitted,



Daniel M. Le Vay
Deputy Consumer Counselor

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following party of record in the captioned proceeding by electronic service, on May 18, 2012.

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TESTIMONY OF OUCC WITNESS MARGARET A. STULL
CAUSE NO. 44097
INDIANA WATER SERVICE, INC.

I. INTRODUCTION

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

2 A: My name is Margaret A. Stull, and my business address is 115 W. Washington
3 St., Suite 1500 South, Indianapolis, Indiana 46204.

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

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Senior Utility Analyst in the Water/Wastewater Division.

7 **Q: Please describe your educational background and experience.**

8 A: I graduated from the University of Houston at Clear Lake City in August 1982
9 with a Bachelor of Science degree in accounting. From 1982 to 1985, I held the
10 position of Gas Pipeline Accountant at Seagull Energy in Houston, Texas. From
11 1985 until 2001 I worked for Enron Corp. in various positions of increasing
12 responsibility and authority; first in their gas pipeline accounting department, then
13 in financial reporting and planning, both for the gas pipeline group and the
14 international group, and finally providing accounting support for infrastructure
15 projects in Central and South America. From 2002 until 2003, I held non-utility
16 accounting positions in Indianapolis. In August 2003, I accepted my current
17 position with the OUCC. Since joining the OUCC I attended the NARUC Eastern
18 Utility Rate School in Clearwater Beach, Florida.

1 **Q: Have you held any professional licenses?**

2 A: Yes. I passed the CPA exam in 1984 and was licensed as a CPA in the State of
3 Texas.

4 **Q: Have you previously testified before the Indiana Utility Regulatory
5 Commission ("IURC" or "Commission")?**

6 A: Yes. I have testified in water, wastewater, gas, and electric rate case proceedings.
7 I have also testified in a number of water and wastewater acquisition cases as well
8 as cases involving review of utility rules and regulations.

9 **Q: Please describe the review and analysis you performed.**

10 A: I reviewed Petitioner's testimony, schedules, and workpapers. I reviewed the
11 filings and orders issued in Cause No. 41873 authorizing the sale of this utility to
12 Utilities, Inc. I also reviewed the filings and final order in Cause No. 41710-U,
13 establishing Petitioner's current rates and charges. In addition, I reviewed
14 Petitioner's Annual Reports filed with the IURC for the years 2001 through 2010.
15 I participated in the preparation of discovery questions and reviewed Petitioner's
16 responses to those questions. Finally, I attended numerous meetings with OUCC
17 staff to identify and discuss the issues in this Cause.

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

19 A: My testimony discusses the drivers for the proposed rate increase. I also discuss
20 the OUCC's concerns and issues regarding Indiana Water Service, Inc.'s
21 (hereafter "Petitioner," or "IWSI") proposed rate base including the calculation of
22 the approved acquisition adjustment and the treatment of contributions-in-aid of
23 construction ("CIAC"). I also discuss the OUCC's recommendations regarding
24 rate case expense including the reduction of legal fees, exclusion of internal labor

1 costs, and the use of a seven-year amortization period. Further, I discuss rate
2 design and propose rates representative of the OUCC's proposed revenue
3 requirements. I also provide data on the impact of the rate increase to various
4 water users within Petitioner's system. Finally, I state the OUCC's concerns and
5 make recommendations regarding certain non-recurring charges including
6 acceptance of the proposed increases to the bad check fee and the proposed new
7 customer fee.

8 **Q: Do you sponsor any schedules?**

9 A: Yes. I sponsor OUCC Schedules 10 and 11:

10 Schedule 10 – Acquisition Adjustment Calculation

11 Schedule 11 – Rate Design

II. DRIVERS OF RATE INCREASE

12 **Q: What does Petitioner say is the driver of its proposed rate increase?**

13 A: On page 5, lines 11-13 of his testimony, Petitioner's witness Dimitry Neyzelman
14 states that the primary driver for the rate increase is the rising cost of purchased
15 water. He adds that the Company's current rates do not reflect any incremental
16 increases in the cost of purchased water from 2001 through 2009.

17 **Q: Do you agree with Mr. Neyzelman's assessment of the drivers of the**
18 **requested rate increase?**

19 A: No. Based on my review of the revenue request authorized in Cause No. 41710-U
20 and Petitioner's two (2) water tracker filings, Mr. Neyzelman is incorrect about
21 both the driver of this rate increase and his statement that current rates do not

1 reflect any incremental increases in the cost of purchased water from 2001
2 through 2009.

3 **Q: What are the primary drivers of the requested rate increase?**

4 A: The increase in rate base since Cause No. 41710-U (last rate case for this utility)
5 is the primary driver of the requested rate increase in this Cause. Petitioner seeks
6 both a return on and a return of (depreciation expense) that added rate base. In
7 addition, Income Tax expense is also a driver of this rate increase since the prior
8 owner of this utility did not include income taxes in its revenue requirement
9 (Attachment MAS-1).

10 **Q: Please explain why Mr. Neyzelman's assertion that current rates do not**
11 **reflect any incremental increases in the cost of purchased water from 2001**
12 **through 2009 is incorrect.**

13 A: Mr. Neyzelman appears to be under the impression that the water trackers
14 Petitioner filed in 2010 and 2011 only included the Indiana-American rate
15 increases for 2010 and 2011 and did not include any rate increases for the period
16 2001 through 2009. In fact, the rates charged by Indiana-American were "built"
17 upon the prior authorized rates. Therefore, those other increases would have been
18 included.

19 A water tracker is calculated by determining annual purchased water
20 expense and grossing up for any applicable taxes such as the Gross Receipts Tax.
21 This total expense is then divided by the total water sales in thousands of gallons
22 for the same twelve month period. This calculation yields the cost per thousand
23 gallons that is added to rates in order to recover the utility's increased purchased
24 water costs. Even though Petitioner did not file for a purchased water tracker for

1 each Indiana-American rate increase, it “caught up” when it filed its first water
2 tracker in 2010. That is why the 2010 water tracker was such a large water
3 tracker (\$.35 per thousand gallons) compared to the 2011 water tracker (\$.09 per
4 thousand gallons). The 2010 tracker didn’t just encompass the most recent rate
5 increase but rather all of the rate increases since Petitioner’s last rate case.
6 Petitioner’s 2011 water tracker only encompassed the most recent Indiana-
7 American rate increase. As demonstrated in Attachment MAS-1, the difference
8 between purchased water expense in the current case (\$360,344) and purchased
9 water expenses in Cause No. 41710-U as adjusted for Petitioner’s water trackers
10 (\$360,344) is only \$566.

III. ACQUISITION ADJUSTMENT

A. Introduction

11 **Q: Please summarize the issues you will address relative to Petitioner’s proposed**
12 **acquisition adjustment.**

13 A: I will address the following issues:

- 14 • Relief authorized by the Commission in Cause No. 41873;
- 15 • Calculation of the acquisition adjustment; and
- 16 • Amortization of the acquisition adjustment.

B. Relief Authorized in Cause No. 41873

17 **Q: What relief did Petitioner seek in Cause No. 41873?**

18 A: On November 22, 2000, IWSI and Lincoln Utilities jointly petitioned the
19 Commission for approval of the sale of all of Lincoln Utilities’ water distribution

1 facilities to IWSI. Joint Petitioners further requested authorization for IWSI to
2 record and recover in its rates an acquisition adjustment reflecting the difference
3 between its purchase price and the depreciated cost of said facilities. Further,
4 Petitioners requested that IWSI be authorized to earn a “return on” and a “return
5 of” the approved acquisition adjustment (using a 30 year amortization period).

6 **Q: What were the terms of the purchase agreement?**

7 **A:** On October 24, 2000, Utilities, Inc. (parent of IWSI) and Lincoln Utilities entered
8 into a purchase agreement pursuant to which Utilities, Inc. agreed to purchase the
9 Lincoln water distribution system for \$1.25 million. The purchase agreement
10 specifically conditioned IWSI’s obligation to purchase the Lincoln facilities upon
11 Commission approval of an acquisition adjustment resulting in the rate base being
12 an amount equal to at least 90% of the purchase price.

13 **Q: What was the Commission’s final decision in Cause No. 41873?**

14 **A:** On January 25, 2006, the Commission issued its final order on remand in Cause
15 No. 41873 authorizing Petitioner to “...recover an acquisition adjustment
16 reflecting the difference between \$70,147 and the depreciated original cost at the
17 time of closing of the assets acquired...” Further, the Commission ordered that
18 the depreciated original cost should be calculated “...using the net investor
19 supplied capital approach ...” (Final Order on Remand, Cause No. 41873 –
20 01/25/06, p. 3) Finally, the Commission allowed a “return on” but denied a
21 “return of” of the acquisition adjustment.

1 The \$70,147 represents the fair value of the assets purchased based on the
2 RCNLD study presented by Joint Petitioners excluding contributed plant
3 (\$1,513,198 x 4.64%).

4 **Q: Did the Commission specifically state the amount of the acquisition**
5 **adjustment authorized in Cause No. 41873?**

6 **A:** No. The Commission stated that the original cost of the assets being acquired
7 would not be known until the sale and purchase was completed.

C. Calculation of the Acquisition Adjustment

8 **Q: What acquisition adjustment did the Commission anticipate, if any?**

9 **A:** In its December 19, 2001 order, the Commission calculated an original cost rate
10 base of \$20,664 based on information extracted from Lincoln's prior rate case,
11 Cause No. 41710-U. The Commission further stated "While we doubt the number
12 will vary much from the \$20,664...it will likely be somewhat different due in part
13 to the additional depreciation expensed and water plant added since the end of the
14 test year used in Lincoln's recent rate case." (Final Order, Cause No. 41873 –
15 12/19/01, p.5-8)

16 Based on a fair value determination of \$70,147 and an estimated net
17 original cost of \$20,664, the Commission anticipated an acquisition adjustment of
18 approximately \$50,000.

1. Petitioner's Calculation

1 **Q: What acquisition adjustment does Petitioner propose in this Cause?**

2 A: Although Petitioner does not discuss its proposed acquisition adjustment in its
3 testimony, a review of its schedules shows that Petitioner proposes a positive
4 acquisition adjustment of \$42,298 calculated as follows:

Rate Base per Order in Cause No. 41873	\$ 70,147
Rate Base per 2001 Acquisition	<u>112,445</u>
Purchase Acquisition Adjustment	<u>\$ 42,298</u>

Per Petitioner's w/p-v

5 **Q: Do you agree with Petitioner's calculation of its proposed acquisition**
6 **adjustment?**

7 A: No. Petitioner's calculation is incorrect for several reasons. First, Petitioner's
8 calculation above actually indicates a negative acquisition adjustment or a
9 decrease to rate base rather than the addition to rate base reflected on Petitioner's
10 Exhibit C. Second, Petitioner's asserted original cost rate base as of the
11 acquisition date (\$112,445) is overstated because it includes assets not purchased
12 from Lincoln such as organization costs. Finally, the original cost rate base at
13 acquisition is not calculated in accordance with the Commission's final order on
14 remand – the "net investor supplied capital" approach.

15 **Q: Please explain why you believe Petitioner's calculation includes assets not**
16 **purchased from Lincoln.**

17 A: In response to OUCC Discovery 1-1 (Attachment MAS-2), Petitioner provided a
18 copy of its entry to record the purchase of Lincoln's assets. In the list of assets
19 recorded is \$71,948 of costs recorded to Account 3011001 – Organization.
20 Lincoln never reported having organization costs in any of its annual reports filed

1 with the Commission, but even if it had, organization costs pertinent to Lincoln
2 would have no value to IWSI. The most logical conclusion is that these costs
3 reflect *IWSI's* organization costs and, therefore, should not be included in the
4 calculation of the acquisition adjustment to be determined in this Cause. Such
5 organization costs cannot be considered assets acquired from Lincoln. A closer
6 review of the entry provided supports the conclusion that the \$71,948 is IWSI's
7 costs. The first line of the entry reflects a credit of \$71,948 and represents
8 advances from IWSI's parent company. These advances are exactly the same
9 amount of the debit to organization costs shown on the second line of the entry.
10 These then are costs paid by Petitioner in addition to the purchase price, which is
11 reflected as common stock (\$1,000) and paid-in-capital (\$1,249,000).

12 **Q: Please explain why you believe Petitioner's calculation above reflects a**
13 **negative acquisition adjustment.**

14 **A:** In Cause No. 41873, the Commission made a finding of the fair value of
15 Lincoln's assets excluding any contributed plant. Normally, fair value is not less
16 than net original cost making the fair value finding a "ceiling" on the value of rate
17 base, not a "floor." If Petitioner's net original cost rate base is \$112,445 but the
18 fair value is \$70,147, then this would suggest that the net original cost is
19 overstated and should be reduced to equal fair value, which represents the
20 maximum value for rate base as of the date of the acquisition.

21 **Q: Please explain why you believe that Petitioner's calculation of its original cost**
22 **rate base at acquisition does not conform to the Commission's final order on**
23 **remand in Cause No. 41873.**

24 **A:** In its final order on remand in Cause No. 41873, the Commission specifically
25 stated that the methodology to be used in calculating original cost rate base was

1 the “net investor supplied capital” approach. This is consistent with the
2 Commission’s order in Cause No. 41710-U.

3 **Q: What is the net investor supplied capital approach, and why did the**
4 **Commission use it in Cause No. 41710-U?**

5 A: The net investor supplied capital approach takes utility plant in service (“UPIS”)
6 and eliminates all utility plant contributions to calculate net investor supplied
7 UPIS. The next step in this approach is to calculate the percentage of non-
8 contributed or “investor supplied” plant by dividing the net investor supplied
9 UPIS (calculated above) by total UPIS. Investor supplied plant can now be
10 calculated by multiplying the percentage calculated in the last step by total
11 accumulated depreciation. Net original cost UPIS is then calculated by taking the
12 investor supplied capital and reducing it for the associated accumulated
13 depreciation.

14 This approach is necessary when a utility has a significant amount of
15 contributed plant compared to investor supplied plant and the utility does not
16 choose to amortize its contributed plant. Absent the application of this
17 methodology, a utility would have a negative rate base (as in the case of Lincoln
18 Utilities) and, therefore, no investment on which to earn a return.

19 **Q: Using the net investor supplied capital approach, what would Petitioner’s**
20 **original cost rate base be?**

21 A: Petitioner’s original cost rate base at acquisition would be \$84,409 as
22 demonstrated in the following table (Attachment MAS-3):

**Table MAS-1: Petitioner's Proposed Original Cost Rate Base at Acquisition per
Net Investor Supplied Capital Approach**

Utility Plant in Service	\$ 834,522	(a)
Less: Contributed Plant	<u>707,881</u>	
Investor Supplied Portion of UPIS	<u>126,641</u>	(b)
Investor Supplied Plant Percentage	15.18%	(b) / (a)
Accumulated Depreciation	278,207	
Times: Investor Supplied Plant %	<u>15.18%</u>	
Investor Supplied Portion of Accum. Depr/	<u>42,232</u>	(c)
Net Investor Supplied Capital	<u>\$ 84,409</u>	(b) - (c)

2. OUCC's Calculation

1 **Q: What original cost rate base at acquisition does the OUCC propose?**

2 A: As of April 2002, the OUCC accepts the utility plant and accumulated
3 depreciation balances as shown on Petitioner's entry as reflected in Attachment
4 MAS-1. However, for the reasons stated above, the OUCC does not believe it is
5 appropriate to include organization costs as Petitioner has done. Therefore the
6 OUCC proposes an original cost rate base at acquisition of \$34,746 based on the
7 net investor supplied capital approach, as demonstrated in the table below.

Table MAS-2: OUCC's Proposed Original Cost Rate Base per Net Investor Supplied Capital Approach

Utility Plant in Service	\$	834,522	
Less: Organization Costs		<u>(71,948)</u>	
Original Cost Utility Plant in Service	\$	762,574	(a)
Less: Contributed Plant		<u>707,881</u>	
Investor Supplied Portion of UPIS		<u>54,693</u>	(b)
Investor Supplied Plant Percentage		7.17%	(b) / (a)
Accumulated Depreciation		278,207	
Times: Investor Supplied Plant %		<u>7.17%</u>	
Investor Supplied Portion of Accum. Depr/		<u>19,947</u>	(c)
Net Investor Supplied Capital	\$	<u>34,746</u>	(b) - (c)

1 **Q: What acquisition adjustment does the OUCC propose?**

2 A: The OUCC proposes an acquisition adjustment of \$35,401 (\$70,147 – \$34,746).

3 This calculation is based on the Commission's determination of fair value

4 (\$70,147) in the final order issued on January 25 2006 in Cause No. 41873. The

5 Commission based its finding on IWSI's Reproduction Cost New Less

6 Depreciation ("RCNLD") study submitted in that Cause. The Commission

7 concluded that IWSI's RCNLD study resulted in a reasonable calculation of the

8 value of Lincoln's assets, \$1,513,198. However, IWSI's RCNLD study included

9 contributed plant. The Commission further determined based on the evidence of

10 record, that only 4.64% of the total RCNLD value represented investor supplied

11 capital/ Therefore, the Commission determined that the fair value of Lincoln's

12 assets were \$70,147 (\$1,513,198 x 4.64%). (See Final Order on Remand, Cause

13 No. 41873, January 25, 2006, page 3.)

D. Amortization of the Acquisition Adjustment

1 **Q: When should amortization of the acquisition adjustment begin?**

2 A: Per the Commission's order in Cause No. 41968 (Utility Center, Nunc Pro Tunc,
3 October 23, 2002, p.15), and as reiterated in Cause No. 43874 (Utility Center,
4 Final Order, April 13, 2011, p. 7-8), the amortization of an acquisition adjustment
5 begins when the acquisition is finalized. In this case, the acquisition was finalized
6 in April 2002, therefore 10.25 years of amortization has accumulated (through
7 June 30, 2012¹).

8 **Q: What rate should be used to amortize the acquisition adjustment determined**
9 **in this case?**

10 A: The rate to be used is the same rate used to depreciate utility plant in service. In
11 this case, the proper rate is 1.7%, which is based on the Commission's composite
12 depreciation rate for a water utility with no treatment plant.

13 **Q: What net acquisition adjustment does the OUCC propose?**

14 A: Based on a value of \$34,746 and an amortization rate of 1.7%, annual acquisition
15 adjustment amortization is \$591. Multiplying this annual amortization by 10.25
16 years yields accumulated amortization of \$6,058 and a net acquisition adjustment
17 of \$28,688 (\$34,746 – \$6,058) to be included in rate base.

18 **Q: Is Petitioner allowed to include this annual amortization in its revenue**
19 **requirement in this rate case?**

20 A: No. Although in Cause No. 41873 IWSI also requested authority to earn a return
21 of the acquisition adjustment, the Commission allowed only a return on the
22 acquisition adjustment. Since no "return of" (amortization) the acquisition

¹ June 30, 2012 represents the end of the twelve (12) month adjustment period in this Cause.

1 adjustment was authorized, it is inappropriate to include this amortization expense
2 in the revenue requirement determined in this Cause.

IV. CONTRIBUTIONS-IN-AID OF CONSTRUCTION

A. Inclusion of Accumulated Amortization of CIAC in Rate Base

3 **Q: Did Lincoln Utilities amortize CIAC prior to the purchase of its utility assets**
4 **by IWSI?**

5 **A:** No. Based on my review of the last Lincoln Utilities rate case, Cause No. 41710-
6 U, Lincoln Utilities, Inc. did not opt to amortize its CIAC. In fact, Lincoln's
7 decision not to amortize its contributed plant caused the utility to have a negative
8 rate base and was the reason the Commission ordered an alternative method for
9 valuing its rate base (the "net investor supplied capital" approach discussed
10 above). Further, a review of Lincoln Utilities' 2001 IURC Annual Report
11 indicates no CIAC amortization. This was the last annual report filed by Lincoln
12 Utilities prior to the purchase of its utility assets by IWSI (Attachment MAS-4).

13 **Q: Does IWSI amortize the CIAC it acquired in the purchase of Lincoln's utility**
14 **assets?**

15 **A:** Yes. Based on my review of IWSI's annual reports filed with the Commission,
16 IWSI has recorded amortization of CIAC each year since its purchase of
17 Lincoln's assets. As of 6/30/11, IWSI had recorded \$394,451 of accumulated
18 amortization on total CIAC of \$714,899. Of the total amortization recorded at
19 6/30/11, \$264,011 was recorded as part of Petitioner's purchase of Lincoln's
20 water utility assets (Attachment MAS-5) with the remaining \$130,440 recorded as
21 annual amortization.

1 **Q: Is it appropriate to allow IWSI to increase rate base by including**
2 **amortization of CIAC?**

3 A: Yes, I believe it is appropriate in this case for several reasons. First, utilities
4 should be encouraged to amortize CIAC to avoid possible issues with negative
5 rate base, especially utilities with significant amounts of CIAC such as IWSI.
6 Second, even though Lincoln did not amortize its CIAC, the net investor supplied
7 capital approach essentially imputes CIAC amortization. Therefore, it isn't
8 inconsistent for IWSI to continue recording CIAC amortization prospectively
9 after its initial rate base was determined through the net investor supplied capital
10 approach.

11 **Q: Please explain what you mean when you say the net investor supplied capital**
12 **method imputes CIAC amortization.**

13 A: When the net investor supplied capital method applies the 7.17% Investor
14 Supplied Capital Percent (Table MAS-1) to accumulated depreciation, the amount
15 eliminated ($100\% - 7.17\% = 92.83\%$) is the imputed accumulated amortization of
16 CIAC. As demonstrated by the following table, one can arrive at the same
17 amount of rate base through a more traditional calculation of rate base.

Table MAS-3: Comparison of Rate Base Calculation Methods

	<u>41710-U (I)</u>	<u>April 2002 (II)</u>	
UPIS	\$ 759,752	\$ 762,574	
Accum Depr.	275,681	278,207	(a)
Net UPIS	<u>484,071</u>	<u>484,367</u>	
CIAC	707,881	707,881	
Accum Amort	256,859	258,260	(b)
Net CIAC	<u>451,022</u>	<u>449,621</u>	
Original Cost UPIS	<u>\$ 33,049</u>	<u>\$ 34,746</u>	
Accumulated Depreciation on Investor Supplied Capital	<u>\$ 18,822</u>	<u>\$ 19,947</u>	(a) - (b)

(I) Amounts in this calculation are actuals in 41710-U.

(II) Amounts used in this calculation are based upon Attachment MAS-3

\$762,574 represents total UPIS of \$834,522 less Organization Costs of \$71,948.

1 Based on this analysis, amortization of CIAC was embedded in the calculation of
2 initial original cost rate base and the calculation of the acquisition adjustment. In
3 my opinion, it is appropriate for IWSI to continue to amortize its CIAC and to
4 include CIAC in rate base in this cause.

B. Inclusion in Revenue Requirement

5 **Q: Did Petitioner include annual amortization of CIAC in its proposed revenue**
6 **requirement in this Cause?**

7 A: No. Petitioner proposed an adjustment to remove any amortization of CIAC from
8 its test year operating expenses.

9 **Q: Does the OUCC agree with Petitioner's proposal to exclude CIAC**
10 **amortization from operating expenses in this Cause?**

11 A: No. If a utility is going to amortize its CIAC and include accumulated CIAC
12 amortization in its calculation of rate base, it must also include the annual
13 amortization in its operating expenses. Both sides of the "entry" must be

1 consistently incorporated in the calculation of the revenue requirement and
2 determination of rates.

3 **Q: What is the effect of including CIAC amortization in operating expenses?**

4 A: CIAC Amortization reduces the amount of depreciation expense recovered
5 through rates. Essentially, it eliminates the depreciation expense related to
6 contributed plant.

7 **Q: What is the effect of including accumulated amortization of CIAC in the**
8 **calculation of rate base?**

9 A: CIAC is a reduction to UPIS and rate base. Accumulated amortization of CIAC
10 reduces the amount of CIAC applied to rate base. Therefore, it increases rate base
11 by reducing the amount of CIAC eliminated.

12 **Q: Has the Commission addressed this issue in previous cases?**

13 A: Yes. For instance, in Cause No. 39956, *Matter of Rates and Charges of Lincoln*
14 *Utilities, Inc.*, the Commission stated:

15 In the alternative, the Public argued that if the allocation of
16 accumulated depreciation between contributions-in-aid-of
17 construction and utility plant is permitted, Petitioner's pro
18 forma depreciation expense should be reduced by the
19 amortization of the contributions-in-aid-of construction.
20 The Public observed that no such adjustment has been
21 made in this case. Here, we must agree depreciation should
22 be removed by the amount attributable to contribution-in-
23 aid-of construction, whether that amount be identified as
24 depreciation or amortization.

25 Order on Reconsideration, Cause No. 39956, p. 4 (emphasis added.)

26 This position is further reiterated in Cause No. 43435 (Hamilton Southeastern
27 Utilities, Inc.), where the Commission stated:

28 "...a utility may elect to amortize its CIAC so the utility
29 will receive the benefit of not deducting the [full]

1 accumulated CIAC balance in the rate base calculation but,
2 the utility must reduce the [annual] depreciation expense by
3 the amortization of CIAC..." (Final Order, Cause No.
4 43435, February 11, 2012, page 12.)

5 It is clear from these prior Commission orders that a utility has the option
6 to amortize CIAC. However, once a utility elects to amortize CIAC, it *must also*
7 reduce its depreciation expense accordingly. It cannot enjoy the benefit of
8 amortizing CIAC and the resulting increase in rate base while ignoring the effect
9 this amortization has on depreciation expense.

V. RATE CASE EXPENSE

10 **Q: What amount does Petitioner seek to recover as rate case expense?**

11 A: Petitioner proposed total rate case expense of \$151,639, including internal
12 (Service Company Support Services) costs of \$88,143. Petitioner proposed to
13 amortize these costs over a three (3) year period yielding *pro forma* annual rate
14 case expense of \$50,546.

A. Appropriate Expenses

15 **Q: Do you agree with Petitioner's proposed rate case expense?**

16 A: No. First, I take issue with the sheer amount of rate case expense proposed given
17 IWSI's size and that its assets do not include any water production plant. Second,
18 I do not consider it appropriate for Petitioner to include internal labor costs in rate
19 case expense. Finally, I disagree with the amortization period proposed by
20 Petitioner.

1 **Q: Please explain your concerns regarding the amount of rate case expense**
2 **Petitioner seeks to include in its rates.**

3 A: The costs proposed for this rate case are staggering, especially for a utility of this
4 size. In Cause No. 43957, Petitioner's affiliate, Twin Lakes Utilities, Inc.
5 ("TLUI"), requested recovery of \$152,129 for rate case expense. This is nearly
6 the same amount requested in this Cause, but there are significant differences
7 between the two cases. TLUI has twice the number of customers as IWSI.
8 Further, TLUI has both a water and a wastewater utility, and the \$152,129 of
9 proposed rate case costs was the estimate for both utilities. Therefore, TLUI, with
10 twice as many customers, requested approximately 50% of the rate case costs
11 being proposed for IWSI. In addition, TLUI has had significant customer
12 complaints and operating concerns, which it would have factored into its rate case
13 expense in Cause No. 43957. IWSI has not experienced these problems with its
14 customers or operations. Finally, Table MAS-4 below compares the average cost
15 per customer for both TLUI's and IWSI's proposed rate case expense.

Table MAS-4: Comparison of Rate Costs per Customer

	<u>TLUI</u>	<u>IWSI</u>
Total Rate Case Expense	\$ 152,129	\$ 151,639
Water (50.27%)	76,475	\$ 151,639
Sewer (49.73%)	75,654	
Custoemr Count (approx.)	3,200	1,650
Cost per Water Customer	<u>\$ 23.90</u>	<u>\$ 91.90</u>
Annual Cost Per Customer	\$ 7.97	\$ 30.63
Monthly Cost Per Customer	\$ 0.66	\$ 2.55

1 That rate case expense is recovered from ratepayers can reduce a utility's
2 incentive to carefully monitor those expenses, evaluate the cost of advocating
3 controversial positions, and find more cost efficient ways of participating in the
4 case.

5 Finally, Petitioner has not supported its proposed rate case expense with
6 sufficient detail to justify the level of expense requested. Petitioner has provided
7 no substantive testimony or evidence to explain how it determined the amount of
8 rate case expense it proposed, what this estimate was based upon, or why it
9 considers its proposed rate case expense to be reasonable and prudent.
10 Specifically, Petitioner's evidence regarding rate case expense is one paragraph in
11 Mr. Neyzelman's testimony (page 8, lines 6-12):

12 "The test year level of regulatory expense was increased to
13 reflect the anticipated costs of this proceeding, amortized
14 over a three year period. If necessary, this expense will be
15 updated at the time rebuttal testimony is filed to reflect a
16 more accurate amount and the pro forma adjustment will be
17 adjusted at that time. If this adjustment is not included, test
18 year operating expenses would be understated."

19 Evidence that Petitioner spent the amount of rate case expense it proposed
20 does not by itself establish that such expenses were reasonable or prudent.

21 **Q: Please explain your issues with Petitioner's proposal to include internal labor**
22 **costs in rate case expense.**

23 **A:** Rate Case expense should represent a utility's incremental or additional costs
24 incurred to file its rate case. It should not include costs that Petitioner will incur
25 regardless of whether it is filing a rate case. Total internal labor costs should be
26 allocated to IWSI based on its pro rata share of those costs based on the

1 appropriate allocation factors and methodology. All internal costs should be
2 allocated in this manner to ensure transparency and to eliminate any potential
3 double recovery of costs that might occur.

4 This double recovery can happen in one of several ways. For example, if
5 a utility over estimates the time and cost of internal labor in its rate case expense,
6 it is likely to over-recover these costs. Petitioner operates approximately 70
7 utilities in many different jurisdictions and files multiple rate cases each year. If
8 each utility includes exaggerated internal labor costs for recovery through rate
9 case expense, this could quickly equate to over-recovery of these employee
10 expenses. Further, if a utility does not file its next rate case by the end of the rate
11 case expense amortization period, it will over recover its expense for each year it
12 delays filing a rate case.

13 Another example can occur when there is a material difference between
14 the internal labor costs allocated to a utility during the test year compared to the
15 internal costs recovered through rate case expense. An employee could work on
16 operational or administrative issues during the test year and charge 100% of his or
17 her time to operating expenses. After the test year, this same employee could be
18 assigned to work on the rate case and the employee's estimated time and costs
19 would be included in rate case expense allowing a utility to over recover its
20 internal labor costs.

21 To ensure transparency in the rate making process, it is best to exclude
22 normal, recurring operating expenses from recovery through rate case expense.
23 These types of costs are best included in the annual operating expenses, allocating

1 a utility's pro rata share of annual expense and including it in the revenue
2 requirement.

3 **Q: Do you have any other issues with the amount of internal labor costs**
4 **included in Petitioner's proposed rate case expense?**

5 A: Yes. The amount of internal time that Petitioner estimated would be spent on this
6 case is unusually large. The main accounting or rate case expert alone estimated
7 600 hours for this basic water utility rate case. Assuming 8 hour days, 600 hours
8 equates to 75 business days or nearly 15 weeks of work on a single small utility
9 rate case. Overall, a total of 1,740 hours of internal employee time was estimated
10 for this case for a total of \$88,143 of internal employee labor costs. These
11 expenses are more bewildering when one considers Petitioner's claim that it
12 provides services to IWSI "...at a cost lower than is available in the open
13 market." (Testimony of Mr. Neyzelman, page 3, lines 18-19.)

14 Based on Petitioner's responses to OUCC discovery, Petitioner has not yet
15 come close to spending the amount of time or costs it estimated for this rate case.
16 As of October 31, 2011, Petitioner had spent \$18,329 of its estimated \$152,130,
17 including approximately 347 hours of internal employee time at a cost of \$16,417
18 (Attachment MAS-6). As of January 31, 2012, Petitioner had incurred \$30,079 of
19 its estimated \$152,130 of rate case expense, including approximately 528 hours of
20 internal employee time at a cost of \$24,561 (Attachment MAS-7).

21 **Q: Does the OUCC have any other issues with Petitioner's estimated rate case**
22 **expense?**

23 A: Yes. The OUCC disagrees with Petitioner's estimated \$60,000 of legal expenses
24 in this Cause. As stated above, Petitioner has provided no support for its

1 estimated rate case expenses and legal costs are no exception. Based on my
2 experience with small utility rate case filings, I believe that \$35,000 is a
3 reasonable and equitable estimate for Petitioner's rate case legal costs in this
4 Cause. Further, this amount represents approximately 40% of the legal costs
5 proposed in the TLUI rate case. Considering that the \$85,000 of legal cost
6 estimate in the TLUI case was for two utilities as well as the fact that TLUI had
7 an intervenor as well as operational issues to deal with, \$35,000 seems
8 imminently more reasonable estimate for IWSI's rate case legal costs.

B. Amortization Period

9 **Q: Do you accept Petitioner's proposed three year amortization period for rate**
10 **case expense?**

11 **A:** No. I propose a seven (7) year amortization period. Seven years more closely
12 reflects the anticipated life of the rates being set in this Cause and the appropriate
13 period over which IWSI should recover its rate case expenses. First, this is the
14 first rate case filed by Petitioner since it purchased the utility assets of Lincoln
15 Utilities in early 2002, approximately 10 years ago. Further, Petitioner's largest
16 operating expense, its Purchased water expense, can be tracked as its supplier,
17 Indiana-American, raises its rates. A purchased water tracker can be authorized
18 through the Commission's thirty day process with minimal time or expense to
19 Petitioner. For these reasons, I consider a seven (7) year amortization period is
20 reasonable and best represents the life of the rates being set in this Cause.

1 **Q: What rate case expense are you proposing?**

2 A: I propose total rate case costs of \$38,496, after eliminating internal labor costs
3 and reducing legal fees. Amortized over seven years, this yields an annual rate
4 case expense of \$5,499 (OUCC Schedule 6, Adjustment 2).

Table MAS-5: OUCC Proposed Rate Case Expense

Legal Fees	\$ 35,000
Travel	1,600
Miscellaneous	1,896
	<u>\$ 38,496</u>
Divide by Amortization Period	<u>7</u>
<i>Pro forma</i> Annual Rate Case Expense	<u><u>\$ 5,499</u></u>

5 **Q: Are you proposing any adjustment to include IWSI's share of the internal**
6 **labor costs you eliminated from rate case expense?**

7 A: Yes. In Section V below, I discuss my proposed adjustment to adjust salaries and
8 wages to include IWSI's share of these internal labor costs.

VI. SALARIES AND WAGE EXPENSE

9 **Q: What adjustment are you proposing to salaries and wage expense?**

10 A: I propose to increase annual salaries and wage expense to include IWSI's annual
11 share of the internal labor costs Petitioner included in rate case expense. Total
12 internal labor costs included in rate case expense were \$88,143. Using the
13 appropriate allocation factor, I calculated an additional \$6,817 of salaries and
14 wage expense to be included in *pro forma* operating expenses. (OUCC Schedule
15 6, Adjustment 1).

1 **Q: Please explain how labor costs are recorded or charged to IWSI.**

2 A: Based on my review of Petitioner's accounting schedules, IWSI is allocated 100%
3 of its share of total Service Company labor costs. (Petitioner's workpaper w/p-b-
4 salary.) Then, IWSI eliminates the portion of Service Company labor costs that
5 were capitalized. (Petitioner's workpaper w/p-b2) Test Year total labor allocated
6 to IWSI was \$131,584 (\$85,891 + \$45,693). Test Year capitalized labor allocated
7 to IWSI was \$46,935. Employees capitalized time on various projects during the
8 test year including various capital or construction projects, corporate initiatives,
9 and rate cases among other possibilities.

10 **Q: How did you calculate the amount of capitalized cost pertaining to rate case**
11 **expense?**

12 A: In making my proposed adjustment, I endeavored to add back only the capitalized
13 time related to rate case expense. Petitioner provided a workpaper (w/p-d) that
14 listed the names of all employees charging time to IWSI's rate case along with the
15 estimated number of hours charged as well as the hourly rate. For operations and
16 office personnel, I had information regarding the amount of test year time
17 capitalized and it was a simple calculation to determine the amount of labor costs
18 to be added back to test year operating expenses. It was somewhat more difficult
19 for the Service Company personnel. Although I did not have a similar workpaper
20 for Service Company personnel, I had a Petitioner's workpaper labeled w/p-b2
21 that provided a list of all Service company personnel capitalizing time during the
22 test year. I added up all the amounts from this workpaper for each service
23 company employee charging time to IWSI's rate case to determine the amount to
24 be added back for the Service Company Personnel (Attachment MAS-8). In this

1 process I made one assumption, which was that the Service Company personnel
2 charging time to IWSI's rate case did not also capitalize time to another project.

3 **Q: What adjustment do you propose to include IWSI's share of labor costs**
4 **included in rate case expense?**

5 A: Based on my analysis as described above, I determined that \$2,694 of operating
6 and office employee capitalized labor costs should be added back to test year
7 operating expenses for Petitioner to recover internal labor costs related to rate
8 case expense. I also determined that \$4,123 of Service Company capitalized labor
9 costs should be added back to test year operating expenses.

VII. FEDERAL INCOME TAX EXPENSE

10 **Q: What does Petitioner propose for federal income tax expense?**

11 A: Petitioner proposed a present rate *pro forma* federal income tax expense of
12 (\$68,539), an increase of \$9,211 over test year expense.

13 **Q: In what way does your calculation of Federal income tax differ from that of**
14 **Petitioner's?**

15 A: Other than the differences in various proposed revenue and expense items, there is
16 only one material difference between my calculation of federal income tax
17 expense and Petitioner's. I used a federal income tax rate of 15% compared to
18 Petitioner's use of a 34% federal tax rate.

19 **Q: Please explain why you propose a different federal tax rate than Petitioner.**

20 A: The OUCC asked Petitioner the following question in Discovery Question No. 4-

21 9 (Attachment MAS-9):

1 Q: Has IWSI included any adjustment to its federal income
2 taxes to account for the benefit of being a member of a
3 consolidated federal income tax return?

4 A: No. For purposes of this rate proceeding, IWSI
5 calculated its tax expenses as if it filed federal income taxes
6 on a stand-alone basis. However, IWSI's filing includes
7 ADIT in its rate base which decreases the Company's
8 revenue requirement and thus benefits the customer.
9 (emphasis added)

10 Based on this response, the OUCC calculated Petitioner's federal income
11 tax expense in the same manner – as if IWSI was a stand-alone company and not
12 a member of a consolidated tax return. Per the OUCC's proposal, IWSI's
13 proposed rate taxable income is \$36,682 (after deducting synchronized interest
14 and state income taxes). Per the IRS federal tax tables, IWSI's tax rate would be
15 15% (Attachment MAS-10).

VIII. WATER RATES AND RATE DESIGN

16 **Q: Did Petitioner prepare a cost of service study to support its proposed rate**
17 **design?**

18 A: No. Petitioner prepared a basic allocation of its revenue requirement between
19 those that are “fixed” and are best recovered through a flat monthly fee and those
20 that are “variable” and are best recovered through a volumetric rate based on
21 customer consumption.

22 **Q: Does the OUCC have any concern about Petitioner's methodology?**

23 A: While generally it would be preferable to have a cost of service study to support
24 the cost of serving each customer class, the OUCC does not consider it to be
25 necessary in this instance. Petitioner serves primarily residential customers along

1 with a few commercial customers. There really aren't separate classes of
2 customers with separate costs of providing service. Also, a full cost of service
3 study would be expensive to prepare and this cost would be passed through to the
4 ratepayers. For all these reasons, the OUCC accepts Petitioner's methodology for
5 this utility.

6 **Q: Has this methodology been accepted in any other rate cases?**

7 A: Yes. Utilities, Inc., Petitioner's parent company, used this same methodology to
8 determine its proposed rate design in the Twin Lakes Utilities, Inc. ("TLUI") rate
9 case (Cause No. 43957). Although TLUI is much larger than IWSI, its customer
10 base is similar to IWSI's and it also does not serve separate customer classes.
11 This rate design methodology was accepted by the OUCC in this case and the
12 Commission authorized the rate design changes proposed (IURC Final Order,
13 February 22, 2012.Cause No. 43957, page 23).

14 **Q: Please explain what Petitioner is proposing for water rate design.**

15 A: Petitioner proposes to eliminate its current declining block rate structure in favor
16 of a rate design that includes a monthly base facility charge plus a volumetric
17 consumption charge. The monthly base facility charge is designed to recover
18 Petitioner's fixed costs and varies based on the customer's meter size. The
19 volumetric charge is a flat rate per thousand gallons based on a customer's
20 consumption during the billing period. The volumetric charge is designed to
21 recover Petitioner's variable costs. The base facility charge and volumetric
22 charge are the same for both residential and commercial customers.

1 Petitioner's proposed rate design results in Petitioner recovering 29.81%
2 of its revenue requirement from a fixed monthly fee. Petitioner's current rate
3 design recovers most of Petitioner's revenue requirement through a consumption
4 charge, which can vary greatly from one month to the next and from season to
5 season. Absent a major change in its customer count, this change in Petitioner's
6 rate design reduces Petitioner's risk of not recovering its authorized revenue
7 requirement due to the increased fixed rate revenues it will recover regardless of
8 customer consumption.

9 In its proposed rate design, Petitioner seeks to recover purchased water,
10 purchased power, chemicals, maintenance, capitalized labor, income taxes,
11 miscellaneous income, and its allowed return on rate base through the volumetric
12 rate. Petitioner seeks to recover insurance, rate case expense, depreciation,
13 amortization, and property taxes through the fixed base facility charge. All
14 remaining revenue requirements are recovered equally through the fixed base
15 facility charge (50%) and through the volumetric rate (50%).

16 **Q: Do you accept Petitioner's rate design proposals?**

17 **A:** Not entirely. Based on my review of Petitioner's proposed rate design, most
18 revenue requirements are allocated in a reasonable manner between fixed and
19 variable. I propose two changes to Petitioner's proposed rate design.

20 First, Petitioner allocates salaries and wages 50% to the fixed base facility
21 fee and 50% to the variable volumetric rate. However, Petitioner allocates 100%
22 of capitalized labor to the variable volumetric rate. To be consistent, I propose to
23 allocate capitalized labor in the same manner as salaries and wages.

1 Second, I propose to recover miscellaneous income equally through the
2 fixed base facility charge (50%) and through the volumetric rate (50%). Petitioner
3 has allocated 100% of miscellaneous income to the fixed base facility charge.

4 My proposed rate design results in 19.91% of Petitioner's revenue
5 requirement being recovered through the base facility charge compared to
6 Petitioner's proposed 29.81%.

7 **Q: What water rates do you propose based on the OUCC's revenue**
8 **requirements?**

9 **A:** As shown on OUCC Schedule 11, I propose the following rates:

	Proposed		
	OUCC	Petitioner	OUCC More (Less)
Base Facility Charge (5/8" Meter)	\$ 5.67	\$ 9.99	\$ (4.32)
Volumetric Rate (per 1,000 gallons)	\$ 3.95	\$ 4.09	\$ (0.14)

10 **Q: What is the impact of your proposed rate increase on IWSI customers?**

11 **A:** The OUCC's proposal equates to an across-the-board increase of 39.2%.
12 However, as Table MAS-5 below demonstrates, minimal water users will
13 experience the smallest increase under the OUCC's proposal while larger water
14 users will see larger increases. This is due primarily to Petitioner's proposal to
15 eliminate the declining block rate design that provided discounts to large volume
16 users.

Table MAS-6: Impact of Rate Increase on IWSI Customers

	<u>Minimum Water User</u>	<u>Average Residential User</u>	<u>Average Commercial User</u>	<u>Large Commercial User</u>
Consumption (in gallons)	2,000	7,000	30,000	65,000
Meter Size	5/8"	5/8"	1"	2"
Current Rates	\$ 12.18	\$ 23.20	\$ 86.23	\$ 175.84
Petitioner Proposed Rates	\$ 18.17	\$ 38.62	\$ 147.68	\$ 345.77
Proposed % Increase	49.18%	66.47%	71.26%	96.64%
OUCR Proposed Rates	\$ 13.57	\$ 33.32	\$ 132.68	\$ 302.11
Proposed % Increase	11.41%	43.62%	53.87%	71.81%

IX. NON-RECURRING CHARGES

A. Existing Charges

1 **Q: What existing non-recurring charges does Petitioner propose to increase?**

2 A: Petitioner proposes to increase both its NSF check charge and its reconnection
3 charge. Petitioner also proposes to amend the name and the language of its
4 current collection and deferred payment charge.

5 **Q: Do you accept any of Petitioner's proposed changes to its existing non-
6 recurring fees?**

7 A: Yes. I accept Petitioner's proposed increase to its NSF check charge from \$15 to
8 \$25. I also accept Petitioner's proposed increase to its reconnection fee from \$25
9 to \$37.50. Although I disagree with some of the salary rates Petitioner used to
10 calculate its revised charges, the effect may be considered immaterial. I accept
11 the proposed charges as reasonable. I also accept Petitioner's proposed changes
12 to its current collection and deferred payment charge. Petitioner only proposes to
13 change the name of this fee to "Late Payment Charge" as well as provide

1 additional explanation about the fee but makes no changes in the calculation of
2 the fee. Finally, as I discuss below, I do not accept Petitioner's proposed change
3 in the application of its reconnection fee.

4 **Q: Do you have additional issues or concerns regarding Petitioner's proposed**
5 **change to its existing reconnection charge?**

6 A: Yes. I have concerns with Petitioner's proposed changes in the description of its
7 reconnection charge, in particular the language regarding rates to be charged
8 "seasonal" customers. Petitioner has not supported its proposed changes to the
9 language in its reconnection charge with sufficient detail to justify the changes it
10 proposes. In fact, Petitioner does not mention this aspect of its proposal anywhere
11 in its testimony. Petitioner discusses how it calculated the new fee but nowhere
12 does it provide any substantive testimony or evidence explaining the need for this
13 change in its tariff.

14 **Q: What do you propose regarding Petitioner's proposed changes to the**
15 **language describing its Reconnection Charge?**

16 A: I accept the first two sentences of Petitioner's revised reconnection charge
17 description. However, I propose that the remaining two sentences of the proposed
18 description be rejected. The approved description would read as follows:

19 If water service is disconnected by the utility for failure to
20 pay a bill or for any reason in accordance with IURC rules,
21 the customer will be assessed a charge of thirty-seven
22 dollars and fifty cents (\$37.50), which will be paid by the
23 customer before water service will be restored. If water
24 service is disconnected at the customer's request due to
25 seasonal residence and during normal business operating
26 hours, the customer will be assessed a charge of thirty-
27 seven dollars and fifty cents (\$37.50), which will be added
28 to the customer's next water bill.

B. New Charges

1 **Q: What new non-recurring charges does Petitioner propose to include in its**
2 **tariff?**

3 A: Petitioner proposes to add the following non-recurring charges to its tariff:

- 4 • After Hours Call-Out Charge
- 5 • New Customer Charge
- 6 • Meter Testing Fee

7 **Q: Do you accept Petitioner's proposed new non-recurring charges?**

8 A: Not entirely. I accept Petitioner's proposed new customer charge. Petitioner
9 calculated this fee in much the same way it calculated its revised NSF fee and its
10 new customer charge.

11 The OUCC accepts Petitioner's proposed meter testing fee but does not
12 accept the proposed after-hours call-out charge. Please see the testimony of
13 OUCC witness Jeff Fish for a discussion of the OUCC's issues and concerns with
14 both of these fees.

X. OUCC RECOMMENDATIONS

15 **Q: Please summarize your recommendations to the Commission in this Cause.**

16 A: I recommend approval of an acquisition adjustment for rate making purposes of
17 \$35,401 net of accumulated amortization. Further, I recommend that annual
18 amortization of this acquisition adjustment be excluded from Petitioner's revenue
19 requirement in conformance with the final order in Cause No. 41873.

20 I also recommend the inclusion of \$394,451 of accumulated amortization
21 of CIAC in Petitioner's rate base and that the annual CIAC amortization be
22 included in Petitioner's revenue requirement.

1 I recommend approval of total rate case expense of \$38,496 amortized
2 over seven years for an annual rate case expense of \$5,499. This recommendation
3 includes the elimination of internal labor costs from rate case expense. Subject to
4 approval of an annual rate case expense not exceeding \$5,499, I recommend that
5 salary expense be increased by \$6,817, representing IWSI's annual allocated
6 share of labor costs that had been included in Petitioner's proposed rate case
7 expense.

8 I recommend approval of *pro forma* federal income tax expense based on
9 a 15% federal income tax rate. I also recommend approval of Petitioner's
10 proposed rate design with my proposed changes to the classification of costs
11 between fixed and variable.

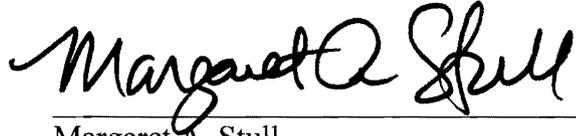
12 I recommend approval of Petitioner's proposed NSF fee and new customer
13 fee. I also recommend that the changes proposed to the current "collection and
14 deferred payment" charge be approved. Finally, I recommend approval of the
15 increase in Petitioner's reconnection charge but rejection of the language added to
16 expand the application of this charge.

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

18 **A:** Yes.

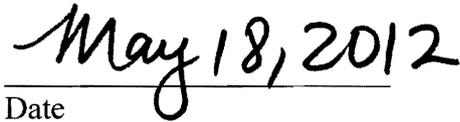
AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Margaret A. Stull
Margaret A. Stull

Indiana Office of Utility Consumer Counselor



May 18, 2012
Date

Cause No. 44097
Indiana Water Service, Inc.

Indiana Water Service, Inc.
CAUSE NUMBER 44097

Acquisition Adjustment

Calculation of Rate Base per Cause No. 41873 final order on remand dated January 25, 2006 using the "net investor supplied capital" approach.

Utility Plant-in-Service - 12/31/2001 ("UPIS")	\$	765,526	
Less: Contributions-in-aid of Construction ("CIAC")		707,881	
Investor supplied portion of UPIS		<u>57,645</u>	(a)
Divided by: UPIS		<u>765,526</u>	
Percentage of Investor Supplied UPIS		7.53%	
Times: Accumulated Depreciation at 12/31/2001		<u>305,379</u>	
Accumulated Depreciation related to Investor supplied UPIS		<u>22,995</u>	(b)
Original Cost Rate Base at acquisition	\$	<u><u>34,650</u></u>	(a) - (b)
Fair Value Rate Base per final order on remand	\$	70,147	
Less: Depreciated Original Cost Rate Base		<u>34,650</u>	
Acquisition Adjustment authorized by IURC	\$	<u><u>35,497</u></u>	
Annual amortization of Acquisition Adjustment at 1.7%	\$	<u><u>603</u></u>	
Acquisition Adjustment	\$	35,497	
Less: Accumulated Amortization (9.5 years)		<u>5,729</u>	
Net Acquisition Adjustment as of June 30, 2011	\$	<u><u>29,768</u></u>	

**Note: Commission allowed a "return on" the acquisition adjustment but not a "return of."
Therefore, no acquisition adjustment amortization is included in the revenue requirement.**

INDIANA WATER SERVICE, INC.
CAUSE NUMBER 44097

Rate Design

Account Name	Pro Forma	Allocation Basis		Allocation Amount	
		BFC	Gallonge	BFC	Gallonge
Purchased Water	\$ 360,910	-	100.00%	\$ -	\$ 360,910
Electric Power	-	-	100.00%	-	-
Chemicals	210	-	100.00%	-	210
Salaries	131,583	50.00%	50.00%	65,792	65,792
Uncollectible Accounts	11,013	50.00%	50.00%	5,507	5,507
Outside Services-Direct	6,139	50.00%	50.00%	3,070	3,070
Employee Pension & Benefits	27,813	50.00%	50.00%	13,907	13,907
Insurance	14,416	100.00%	-	14,416	-
Rate Case Expense	5,499	100.00%	-	5,499	-
Office Supplies	20,287	50.00%	50.00%	10,144	10,144
Office Utilities	6,271	50.00%	50.00%	3,136	3,136
Miscellaneous Expense	3,194	50.00%	50.00%	1,597	1,597
Maintenance & Repair	3,381	-	100.00%	-	3,381
Maintenance Testing	598	-	100.00%	-	598
Operators Expenses	(40,118)	50.00%	50.00%	(20,059)	(20,059)
Transportation Expense	10,783	50.00%	50.00%	5,392	5,392
Total Water O & M Expenses	\$ 561,979			\$ 108,398	\$ 453,582
Other Revenue Requirements:					
Depreciation/Amortization	14,641	100.00%	-	14,641	-
Taxes Other Than Income:					
Franchise / Gross Receipts Tax	9,973	50.00%	50.00%	4,987	4,987
Payroll Taxes	10,891	50.00%	50.00%	5,446	5,446
Real & Property	5,963	100.00%	-	5,963	-
Provision For Income Taxes	9,764	-	100.00%	-	9,764
Return on Equity	53,148	-	100.00%	-	53,148
Total Operating Revenue Requirements	\$ 666,359			\$ 139,434	\$ 526,926
Less Miscellaneous Income	21,143	50.00%	50.00%	10,572	10,572
Revenue Requirement From Rates	\$ 645,216			\$ 128,862	\$ 516,354
Water Customer Revenue Based on Metered Customers					
Factored Bills				22,708	100.00%
Gallons Sold (000)					130,789
BFC				<u>\$ 5.67</u>	
Gallonge Charge (per 1,000)					<u>\$ 3.95</u>

Indiana Water Service Company, Inc.
 Cause No. 44097
 Analysis of Rate Case Drivers

Comparison of Revenue Requirements

	<u>41710-U</u>	<u>Petitioner 44097</u>	<u>Variance</u>		
Original Cost Rate Base	\$ 33,049	\$ 794,843	\$ 761,794	Increase in Rate Base	\$ 64,996
Times: Weighted Cost of Capital	11.00%	8.5319%	-2.4681%	Decrease in Cost of Capital	(816)
Net Operating Income Required for Return on Rate Base	3,635	67,839	64,204		<u>\$ 64,180</u>
Less: Adjusted Net Operating Income	(3,200)	(107,640)	(104,440)		
Net Revenue Requirement	6,835	175,479	168,644		
Gross Revenue Conversion Factor	100.10%	171.0872%	70.9872%		
Recommended Revenue Increase	<u>\$ 6,842</u>	<u>\$ 300,222</u>	<u>\$ 293,380</u>		
Recommended Percentage Increase	1.53%	63.35%			

Comparison of Proposed Rate Revenue Requirement:

	<u>41710-U</u>	<u>Water Trackers</u>	<u>Adjusted 41710-U</u>	<u>Petitioner 44097</u>	<u>Variance</u>
Operating Revenues	\$ 461,741	\$ 179,970	\$ 641,711	\$ 776,359	\$ 134,648
Purchased Water	182,859	177,485	360,344	360,910	566
Other O&M	238,949	-	238,949	241,228	2,279
Depreciation Expense	15,228	-	15,228	50,476	35,248
Taxes other than Income	21,070	2,485	23,555	28,075	4,520
Income Taxes	-	-	-	27,831	27,831
Total Operating Expenses	<u>458,106</u>	<u>179,970</u>	<u>638,076</u>	<u>708,520</u>	<u>70,444</u>
Proposed Rate Net Operating Income	<u>\$ 3,635</u>	<u>\$ -</u>	<u>\$ 3,635</u>	<u>\$ 67,839</u>	<u>\$ 64,204</u>

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCS Data Request Set No. 1

Date: November 14, 2011

Q1. Please provide the journal entry(s) booked to recognize the purchase of Lincoln Utilities, Inc.

Response: Please see the attached file labeled "OUCS DR 1-1 IWSI Acquisition Entry.xlsx" for the requested information.

Apr-02

IWSI Acquisition Entry	DR	CR
2413000 Advances from Utilities Inc.		71,948
3011001 Organization	71,948	
3033020 Land and Land Rights	1,200	
3315043 Transmission and Distribution Mains	397,588	
3335045 Service Lines	204,194	
3345046 Meters	138,082	
3466094 Tools Shop & Misc. Equipment	21,510	
1083043 Accumulated Depreciation - Trans & Dist Mains		150,903
1083045 Accumulated Depreciation - Service Lines		75,336
1083046 Accumulated Depreciation - Meters		38,898
1083094 Accumulated Depreciation - Tools Shop & Misc. Equipment		13,070
2711000 CIAC - Water Undistributed		707,881
2722000 Accumulated Amortization - CIAC Water	264,011	
1141010 Utility Plant Acquisition Adjustment - Sewer	1,209,503	
2021010 Common Stock		1,000
2111000 Paid In Capital		1,249,000
4081121 Real Estate Tax		13,091
2413000 Advances from Utilities Inc.	13,091	
	2,321,127	2,321,127

Apr-02

IWSI Acquisition Entry	DR	CR
2413000 Advances from Utilities Inc.		71,948
3011001 Organization	71,948 (A)	
3033020 Land and Land Rights	1,200 (A)	
3315043 Transmission and Distribution Mains	397,588 (A)	
3335045 Service Lines	204,194 (A)	
3345046 Meters	138,082 (A)	
3466094 Tools Shop & Misc. Equipment	21,510 (A)	
1083043 Accumulated Depreciation - Trans & Dist Mains	(C)	150,903
1083045 Accumulated Depreciation - Service Lines	(C)	75,336
1083046 Accumulated Depreciation - Meters	(C)	38,898
1083094 Accumulated Depreciation - Tools Shop & Misc. Equipment	(C)	13,070
2711000 CIAC - Water Undistributed	(B)	707,881
2722000 Accumulated Amortization - CIAC Water	264,011	
1141010 Utility Plant Acquisition Adjustment - Sewer	1,209,503	
2021010 Common Stock		1,000
2111000 Paid In Capital		1,249,000
4081121 Real Estate Tax		13,091
2413000 Advances from Utilities Inc.	13,091	
	<u>\$ 2,321,127</u>	<u>\$ 2,321,127</u>
(A) Utility Plant in Service	834,522	
(B) Contributed Plant	707,881	
(C) Accumualted Depreciation	278,207	

1312 *ml*

CLASS B
PRIVATE WATER UTILITY
ANNUAL REPORT

LINCOLN UTILITIES, INC.

NAME OF UTILITY

5180 E. 81ST AVE.

STREET ADDRESS

MERRILLVILLE, IN 46410

CITY, STATE & ZIP CODE

RECEIVED
MAR 25 2002
ACCOUNTING DIVISION
INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY REGULATORY COMMISSION

FOR THE YEAR ENDED December 31, 2001

OFFICER TO WHOM CORRESPONDENCE CONCERNING THIS REPORT SHOULD BE ADDRESSED:

NAME: JAMES G. HOLLIS TITLE: PRESIDENT TELE. NO. 219-942-2131
ADDRESS: 5180 E. 81ST AVE. ; MERRILLVILLE, IN 46410
E-MAIL ADDRESS: vss4@lincolnwater.com

LINCOLN UTILITIES, INC.

YEAR OF REPORT

NAME OF UTILITY

12/31/2001

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	CURRENT YEAR (d)	PREVIOUS YEAR (e)
DEFERRED CREDITS				
251	Unamortized Premium on Debt.....	F-12	0	0
252	Advances for Construction.....	F-19	0	0
253	Other Deferred Credits.....			
255	Accumulated Deferred Investment Tax Credits.....			
	Total Deferred Credits.....		0	0
OPERATING RESERVES				
261	Property Insurance Reserve.....		0	0
262	Injuries and Damages Reserve.....			
263	Pensions and Benefits Reserve.....			
265	Miscellaneous Operating Reserves.....			
	Total Operating Reserves.....		0	0
CONTRIBUTIONS IN AID OF CONSTRUCTION				
271	Contributions In Aid of Construction.....	F-20	707,881	707,881
272	Accumulated Amortization of Contributions In Aid of Construction.....	F-20	0	0
	Total Net Contributions In Aid of Construction.....	F-20	707,881	707,881
ACCUMULATED DEFERRED INCOME TAXES				
281	Accumulated Deferred Income Taxes - Accelerated Amortization.....		\$	\$
282	Accumulated Deferred Income Taxes - Liberalized Depreciation.....			
283	Accumulated Deferred Income Taxes - Other.....			
	Total Accumulated Deferred Income Taxes.....		0	0
	TOTAL EQUITY CAPITAL AND LIABILITIES.....		521,608	502,559

Apr-02

IWSI Acquisition Entry		DR	CR
2413000	Advances from Utilities Inc.		71,948
3011001	Organization	71,948	(A)
3033020	Land and Land Rights	1,200	(A)
3315043	Transmission and Distribution Mains	397,588	(A)
3335045	Service Lines	204,194	(A)
3345046	Meters	138,082	(A)
3466094	Tools Shop & Misc. Equipment	21,510	(A)
1083043	Accumulated Depreciation - Trans & Dist Mains		(C) 150,903
1083045	Accumulated Depreciation - Service Lines		(C) 75,336
1083046	Accumulated Depreciation - Meters		(C) 38,898
1083094	Accumulated Depreciation - Tools Shop & Misc. Equipment		(C) 13,070
2711000	CIAC - Water Undistributed		(B) 707,881
2722000	Accumulated Amortization - CIAC Water	264,011	
1141010	Utility Plant Acquisition Adjustment - Sewer	1,209,503	
2021010	Common Stock		1,000
2111000	Paid In Capital		1,249,000
4081121	Real Estate Tax		13,091
2413000	Advances from Utilities Inc.	13,091	
		<u>\$ 2,321,127</u>	<u>\$ 2,321,127</u>
(A)	Utility Plant in Service	834,522	
(B)	Contributed Plant	707,881	
(C)	Accumualted Depreciation	278,207	

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCC Data Request Set No. 1

Date: November 14, 2011

Q9. Pro forma rate case expense includes \$60,000 for legal fees, \$88,143 for Service Company support, \$1,600 for travel and \$1,896 for miscellaneous expenses. Please state all fees (by type) incurred to date.

Response: Please see the attached file labeled "OUCC DR 1-9 IWSI RC Exp 2011.10.31.xlsx" for the requested information.

Indiana Water Service, Inc.
 Rate Case Expense
 Test Year Ended June 29, 2007

Line No.	A	B	C	D	E	F	G	H	I	J	K	L	M
							10/31/2011 Actual Total				Estimate Remaining		Actual & Estimate Total
1	Legal Fees						1,913				58,088		60,000
2													
3													
4	Customer Notices :												
5	Postage		1,651 =		customers x \$0.44		0				726		726
6	Stock		1,651 =		notices x (.103)		0				170		170
7													
8	Fed Ex, mailings, postage, and miscellaneous costs												
9	Administrative Temp Agency						0				900		900
10	Customer Notices						0				0		0
11	Legal Publication						0				100		100
12													
13													
14				Personnel	Cost	# of Trips/ Nights							
15	Travel												
16	Airfare			2	500	1	0				1,000		1,000
17	Hotel/Meals			2	200	1	0				400		400
18	Rental Car			-	200	1	0				200		200
19													
20	Water Service Personnel		Actual to date		Actual to date								
21			hours	rate	\$			Estimated	Remaining	Current	Remaining	Actual and	
22								Total Hours	Hours	Rate	\$	Estimated	
23	Hoy, John P.		1.00	\$ 132.00	132.00			5	4.00	132.00	528	660	
24	Stover, John		0.00	\$ 127.00	0.00			5	5.00	127.00	635	635	
25	Williams III, John D.		2.00	\$ 61.00	122.00			10	8.00	61.00	488	610	
26	Lubertozzi, Steven M.		17.00	\$ 90.00	1,530.00			75	58.00	90.00	5,220	6,750	
27	Georgiev, Lena		21.00	\$ 57.00	1,197.00			150	129.00	57.00	7,353	8,550	
28	Neyzelman, Dimitry		192.00	\$ 42.00	8,064.00			600	408.00	42.00	17,136	25,200	
29	Kulov, Michael B		14.00	\$ 35.00	490.00			100	86.00	35.00	3,010	3,500	
30	Yap Jr., Lowell M.		24.00	\$ 33.00	792.00			100	76.00	33.00	2,508	3,300	
31	Valrie, LaWanda N.		12.00	\$ 22.00	264.00			50	38.00	22.00	836	1,100	
32	Feathergill, Adam K		5.72	\$ 21.00	120.21			25	19.28	21.00	405	525	
33	Krugler, Adrienne Randi		0.00	\$ 49.00	0.00			5	5.00	49.00	245	245	
34	Sverida, Agnes		0.00	\$ 27.00	0.00			5	5.00	27.00	135	135	
35	McLean, Pamela J.		2.00	\$ 39.00	78.00			5	3.00	39.00	117	195	
36	Arnoux, Diane		0.00	\$ 36.00	0.00			5	5.00	36.00	180	180	
37	Daniel, Carl		6.00	\$ 123.19	739.14			75	69.00	123.19	8,500	9,239	
38	Sasic, Karen L.		2.50	\$ 65.00	162.50			50	47.50	65.00	3,088	3,250	
39	Raponi, Ann M.		0.50	\$ 38.05	19.03			1	(0.00)	38.05	(0)	19	
40	Sillitoe, Jacqueline M.		2.00	\$ 38.05	76.10			2	0.00	38.05	0	76	
41	Haas, Bruce T.		19.00	\$ 77.00	1,463.00			100	81.00	77.00	6,237	7,700	
42	Tapella, Thomas A.		24.75	\$ 43.65	1,080.37			150	125.25	43.65	5,467	6,548	
43	Alexander, Charles L.		2.00	\$ 43.65	87.30			150	148.00	43.65	6,460	6,548	
44	Anderson, Angelica		0.00	\$ 43.65	0.00			75	75.00	43.65	3,274	3,274	
45													
46	Total						16,417						88,238
47													
48	Total Cost of current case - estimated cost to complete						18,329				133,405		151,735
49													
50	Amortized over 3 years						3						3
51													
52													
53	Amortization Expense per year						\$ 6,110						\$ 50,578

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCS Data Request Set No. 1

Date: November 14, 2011

Q11. Please provide all invoices and receipts for rate case expense in this Cause. (Note: itemized invoices may be redacted to avoid conveying attorney-client communication or work product).

Response: Please see response to OUCS DR 1-9.

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCS Data Request Set No. 6

Date: February 20, 2012

Q 6-1: Pro forma rate case expense includes \$60,000 for legal fees, \$88,143 for Service Company support, \$1,600 for travel and \$1,896 for miscellaneous expenses. Please state all fees (by type) incurred to date.

Response: Please see the attached file labeled, "OUCS DR 6-1 IWSI RC Exp 2011043 2012.01.31.xlsx" for the requested information.

Indiana Water Service, Inc.
 Rate Case Expense
 Test Year Ended June 30, 2011

Line No.	A	B	C	D	E	F	G	H	I	J	K	L	M
							1/31/2012 Actual Total				Estimate Remaining		Actual & Estimate Total
1	Legal Fees						5,368 [1]				54,632		60,000
2													
3													
4	Customer Notices :												
5	Postage		1,651 =		customers x \$0.44		0				726		726
6	Stock		1,651 =		notices x (.103)		0				170		170
7													
8	Fed Ex, mailings, postage, and miscellaneous costs												
9	Administrative Temp Agency						0				900		900
10	Customer Notices						100				100		200
11	Legal Publication						50				100		150
12													
13													
14			Personnel		Cost	# of Trips/ Nights							
15	Travel												
16	Airfare		2		500	1	0				1,000		1,000
17	Hotel/Meals		2		200	1	0				400		400
18	Rental Car				200	1	0				200		200
19													
20	Water Service Personnel		Actual to date		Actual to date								
21			hours	rate	\$			Estimated	Remaining	Current	Remaining	Actual and	
22								Total Hours	Hours	Rate	\$	Estimated	
23	Hoy, John P.		1.00	\$ 132.00	132.00			5	4.00	132.00	528	660	
24	Stover, John		0.00	\$ 127.00	0.00			5	5.00	127.00	635	635	
25	Williams III, John D.		2.00	\$ 61.00	122.00			10	8.00	61.00	488	610	
26	Lubertozzi, Steven M.		17.00	\$ 90.00	1,530.00			75	58.00	90.00	5,220	6,750	
27	Georgiev, Lena		31.00	\$ 57.00	1,767.00			150	119.00	57.00	6,783	8,550	
28	Neyzeiman, Dimitry		278.00	\$ 42.00	11,676.00			600	322.00	42.00	13,524	25,200	
29	Kulov, Michael B		14.00	\$ 35.00	490.00			100	86.00	35.00	3,010	3,500	
30	Yap Jr., Lowell M.		24.00	\$ 33.00	792.00			100	76.00	33.00	2,508	3,300	
31	Valrie, LaWanda N.		28.50	\$ 22.00	627.00			50	21.50	22.00	473	1,100	
32	Feathergill, Adam K		11.70	\$ 21.00	245.79			25	13.30	21.00	279	525	
33	Krugler, Adrienne Randi		0.00	\$ 49.00	0.00			5	5.00	49.00	245	245	
34	Sverida, Agnes		0.00	\$ 27.00	0.00			5	5.00	27.00	135	135	
35	McLean, Pamela J.		2.00	\$ 39.00	78.00			5	3.00	39.00	117	195	
36	Arnoux, Diane		0.00	\$ 36.00	0.00			5	5.00	36.00	180	180	
37	Daniel, Carl		11.00	\$ 123.19	1,355.14			75	64.00	123.19	7,884	9,239	
38	Sasic, Karen L.		5.50	\$ 65.00	357.50			50	44.50	65.00	2,893	3,250	
39	Raponi, Ann M.		0.50	\$ 38.05	19.03			1	(0.00)	38.05	(0)	19	
40	Sillitoe, Jacqueline M.		2.00	\$ 38.05	76.10			2	0.00	38.05	0	76	
41	Haas, Bruce T.		31.00	\$ 77.00	2,387.00			100	69.00	77.00	5,313	7,700	
42	Tapella, Thomas A.		47.50	\$ 43.65	2,073.37			150	102.50	43.65	4,474	6,548	
43	Guttormsen, Robert		6.90	\$ 29.00	200.00			0	(6.90)	29.00	(200)	0	
44	Alexander, Charles L.		14.51	\$ 43.65	633.30			150	135.49	43.65	5,914	6,548	
45	Anderson, Angelica		0.00	\$ 43.65	0.00			75	75.00	43.65	3,274	3,274	
46													
47	Total						24,561						88,238
48	Total Cost of current case - estimated cost to complete										121,906		151,985
49							30,079						
50	Amortized over 3 years												
51							3						3
52													
53	Amortization Expense per year						\$ 10,026						\$ 50,662

[1] Invoices have been received by IWSI but not yet recorded into the general ledger. Please refer to the Summary tab, column E line 9

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCS Data Request Set No. 6

Date: February 20, 2012

Q 6-2: Please provide all invoices and receipts for rate case expense in this cause. (Note: itemized invoices may be redacted to avoid attorney-client communication or work product).

Response: Please see response to OUCS DR 6-1. Please also see the invoices included in the attached files labeled, "IWSI Legal Invoice 2011.12.31 Redacted.pdf", "IWSI Legal Invoice 2011.11.30 Redacted.pdf", "IWSI Legal Invoice 2011.10.31 Redacted.pdf", "IWSI Legal Invoice 2011.09.30 Redacted.pdf", "IWSI Travel Invoice.pdf", "IWSI Admin Invoices – Infosend.pdf", and "IWSI Admin Invoices – The Times.pdf".

**TRAVEL EXPENSE
DOCUMENTATION**

Employee Travel and Business Expense Reimbursement Form



Employee Name: Bruce Haas
 Business Unit:

ACCOUNTING USE		
	Object Code	Amount
1.	102105.6185	\$ 412.16
2.	117100.6200	17.84
3.	800100.5780	21.95
4.	800100.5820	55.00
5.	800100.6190	620.80
6.	800100.6200	408.21
7.	800100.6207	42.00
8.	850100.6200	131.77
9.	2011043.6185 2900 0090	101.97
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
		\$ 1,811.70 ✓

EMPLOYEE USE	
EXPENSE SUMMARY	
Total expenses	\$ 1,811.70
Less cash advances	-
Less amounts charged on corporate credit card	-
Net amount due employee	\$ 1,811.70
MILEAGE REIMBURSEMENT CALCULATOR	
Miles driven	-
IRS mileage rate	\$ 0.555
Mileage reimbursement	\$ -
<i>Note that the mileage reimbursement calculated above must be manually entered on page two of this form.</i>	
PURPOSE OF EMPLOYEE TRAVEL	

Employee Signature Bruce J. Haas Date _____ Approved By [Signature] Date 11/22/11

Employee Travel and Business Expense Reimbursement Form



Employee Name	Bruce Haas
Business Unit	

	Date	Type of Expense	Vendor	Description	BU or Project Code	Object Code	Amount	
1.	10/06/11	Meals-dinner	Johnny's Kitchen	MW Issues-BTR, Tom T, Brian R, John S	800100	6200	152.00	✓
2.	10/08/11	Airfare	US Airways	Midwest Travel	800100	6190	570.80	✓
3.	10/07/11	Lodging	Courtyard by Marriott	Karen Sack trip to NB	102105	6185	412.16	✓
4.	10/10/11	Meals-lunch	Finchouse Subs	BTH/Martin L - budget issues	800100	6200	18.47	✓
5.	10/12/11	Meals-lunch	Jimmy Johns	Delmar Meeting	117100	6200	17.84	✓
6.	10/13/11	Meals-lunch	Somonauk Country Kitch	IL-BTH, Dennis C, John S	850100	6200	29.70	✓
7.	10/14/11	Airfare	US Airways	Baggage fee	800100	6190	25.00	✓
8.	10/16/11	Airfare	US Airways	Baggage fee	800100	6190	25.00	✓
9.	10/16/11	Parking	O'Hare Park E Lot	Midwest Travel	800100	6207	42.00	✓
10.	10/17/11	Meals-dinner	TGI Fridays	IL travel-BTH, Tom T	850100	6200	31.76	✓
11.	10/18/11	Meals-dinner	Colivars	IL travel-BTH, Tom T, Brian R	850100	6200	70.31	✓
12.	10/19/11	Meals-lunch	Bajas Restaurant	MW staff-NB Tour of Twin Lakes	800100	6200	237.74	✓
13.	10/21/11	Lodging	Holiday Inn Exp.	WSPR Rns Case	2011043	6185	101.97	✓
14.	11/01/11	Miscellaneous	Sunset Car Wash	Carwash Veh. #0701	800100	5780	21.95	✓
15.	11/06/11	Training	PayPal-NC Rural Water	System Ops Training	800100	5820	55.00	✓
16.								
17.								
18.								
19.								
20.								
21.								
22.								
23.								
24.								
25.								
26.								
27.								
28.								
29.								
30.								
	Total						1811.56	

10/8 to 11/7/11

10/06	JOHNNY'S KITCHEN & TAP GLENVIEW IL	162.00
10/08	USAIRWAYS 0378716582498 SAN ANTONIO TX	670.80
	101411 1 L ORD CLT	
	2 L CLT CAE	
	3 LX CAE CLT	
	4 L CLT ORD	
10/07	COURTYARD BY MARRIOTT GLN GLENVIEW IL	412.16
10/10	FIREHOUSE SUBS - # CHARLOTTE NC	18.47
10/12	JIMMY JOHN'S # 483 PROSPECT HEIG IL	17.84
10/13	SOMONAUK COUNTRY KITCHEN SOMONAUK IL	29.70
10/14	USAIRWAYS 0372448188473 CHICAGO IL	25.00
	101411 1 Y EBC FEE	
10/16	O'HARE PARK E LOT CHICAGO IL	42.00
10/16	USAIRWAYS 0372448363183 COLUMBIA SC	25.00
	101611 1 Y EBC FEE	
10/17	TGL FRIDAYS #0194 GLENVIEW IL	31.76
10/18	GULLIVERS PIZZA AN GLENVIEW IL	70.91
10/19	BAJAS FAMILY RESTAURAN CROWN POINT IN	237.74
10/21	HOLIDAY INN EXPRESS LONDON KY	101.97
11/01	SUNSET CAR WASH & DETA WEST COLUMBIA SC	21.96
11/05	PAYPAL *NORTHCAROLI 402-935-7733 CA	65.00

BRUCE T HAAS
 TRANSACTIONS THIS CYCLE (CARD 3166) \$1,811.70

BPH - Travel from Indiana - Re: DWSZ R/C
 Proj. #2011043



110 10-21-11

Bruce Haas	Folio No. :	Room No. : 301
5 Heritage Hills Ct	A/R Number :	Arrival : 10-20-11
Columbia Sc 29203-9292	Group Code :	Departure : 10-21-11
US	Company :	Conf No. : 61215494
	Membership No : PC 102461090	Rate Code : ILCOR2
	Invoice No. :	Page No. : 1 of 1

Date	Description	Charges	Credits
10-20-11	*Accommodation	92.49	
10-20-11	State Tax - Room	5.55	
10-20-11	City Tax - Room	2.94	
10-20-11	Transient / Lodging Tax	0.99	
10-21-11	Visa XXXXXXXXXXXXX3158		101.97

Thank you for staying at the Holiday Inn Express & Suites London, KY. Qualifying points for this stay will automatically be credited to your account. To make additional reservations online, update your account information or view your statement please visit www.priorityclub.com. We look forward to welcoming you back soon.

Total	101.97	101.97
Balance	0.00	

Guest Signature: _____

I have received the goods and / or services in the amount shown herein. I agree that my liability for this bill is not waived and agree to be held personally liable in the event that the indicated person, company, or associate fails to pay for any part or the full amount of these charges. If a credit card charge, I further agree to perform the obligations set forth in the cardholder's agreement with the issuer.

Owned & Operated by LAXMI LLC

Holiday Inn Express & Suites
 508 Minton Drive
 London, KY 40741
 Telephone: (606)862-0077 Fax: (606) 864-0688

**ADMINISTRATION EXPENSE
DOCUMENTATION**

3/32208

THE TIMES

MEDIA COMPANY

ADVERTISING INVOICE AND STATEMENT

ACCOUNT NUMBER 170-60042885	PAGE NO. 1 of 1
BILLING PERIOD November 2011	TERMS OF PAYMENT Due upon receipt
ADVERTISER NAME UTILITIES, INC.	ADVERTISER NUMBER 170-60042885

Date	Order Number	Newspaper Reference	Description Other Comments	Size Billed Units	Times Run	Net Amount
11/11/2011	20437711	Classified Package	Ret 2011043.2908 IWSI 2011 Rate Case Start: 11/11/11 End: 11/11/11	Lines 10	1	50.00
				Batch	119411	
				Doc	398410	

RECEIVED
DEC 09 2011

CURR NET AMT DUE	30 DAYS	60 DAYS	90 DAYS	OVER 120 DAYS	TOTAL AMOUNT DUE
50.00	0.00	0.00	0.00	0.00	50.00

Please remit payment within 15 days. For questions, please call your sales rep or contact our business off at: 888-460-8729 or martin.poley@lee.net.

The Times of NW Indiana
PO Box 4001 12/9/2011
LaCrosse, WI 54602-4001

Batch 118649
Doc 395748

Info Send Vendor # 3035654

Date 2011 Invoice # 20110439

20110439	6050	\$100.14
102105	5525	\$462.29
102105	6050	\$1,762.02
102105	5535	\$920.81
102105	5540	\$13,717.14

Invoice Total \$16,962.38

Approval Adrienne R. Krugler

Date 11/18/2011

RECEIVED
NOV 21 2011
BY: _____



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690 • Fax: 714.993.1306

INVOICE

AMOUNT PAID	DATE	INVOICE NO.
	11/14/2011	54571

CUSTOMER

MAKE CHECKS PAYABLE TO

ATTN: Adrienne Krugler
 UTILITIES, INC
 2335 Sanders Road
 Northbrook, IL 60062



INFOSEND, INC
 4240 E. La Palma Ave.
 Anaheim, CA 92807-1816

CHECK BOX FOR MAILING ADDRESS CHANGE. PLEASE INDICATE CHANGES ON THE REVERSE SIDE.

PLEASE DETACH AND RETURN UPPER SECTION WITH PAYMENT



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690
 Fax: 714.993.1306

TERMS	DUE DATE	P.O #	ACCOUNT #	INVOICE
NET 20	12/5/2011		2966	54571

DATE	DESCRIPTION	QTY	RATE	AMOUNT
③	UT11107B : Address Update	87	0.25	21.75
	UT11107B : Data Processing/Mail Prep Services	7,987	0.0465	371.40
	UT11107B : Paper Stock	7,987	0.0122	97.44
	UT11107B : Large Flat Envelope	2	0.15	0.30
	UT11107B : UTI # 10 Outgoing Envelope	7,891	0.0142	112.05
	UT11107B : # 9 Return Envelope	6,397	0.0121	77.40
	UT11107B : UTI.STMT.902B.PDF			
11/08/11	UTF1107B : Statement Postage (Level-1 Sort) (844 Mailpieces)	1	295.03	295.03
	UTF1107B : Multiple Page Statement Postage(2 Pages: 1 Accts)	1	0.39	0.39
	UTF1107B : Statement Postage (Non Bar-Coded)	6	0.44	2.64
	UTF1107B: Foreign Mail Additional Postage-CANADA	2	0.41	0.82
	UTF1107B : Address Update	10	0.25	2.50
	UTF1107B : Data Processing/Mail Prep Services	852	0.0465	39.62
	UTF1107B : Paper Stock	852	0.0122	10.39
	UTF1107B : UTI # 10 Outgoing Envelope	851	0.0142	12.08
	UTF1107B : # 9 Return Envelope	763	0.0121	9.23
	UTF1107B : UTI.STMT.902B.PDF			
11/08/11	UTF1107A : Statement Postage (Level-1 Sort) (827 Mailpieces)	1	289.16	289.16
	UTF1107A : Multiple Page Statement Postage(4 Pages: 2 Accts)	1	0.78	0.78
	UTF1107A : Statement Postage (Non Bar-Coded)	3	0.44	1.32
	UTF1107A : Address Update	8	0.25	2.00
	UTF1107A : Data Processing/Mail Prep Services	834	0.0465	38.78
	UTF1107A : Paper Stock	834	0.0122	10.17
	UTF1107A : UTI # 10 Outgoing Envelope	832	0.0142	11.81
	UTF1107A : # 9 Return Envelope	741	0.0121	8.97
	UTF1107A : UTI.STMT.902A.PDF			
	UTF1107A : UTI.STMT.902A.PDF			
11/08/11	UT11107A : Statement Postage (Level-1 Sort) (7931 Mailpieces)	1	2,812.80	2,812.80
	UT11107A : Multiple Page Statement Postage(123 Pages: 57 Accts)	1	22.605	22.61
	UT11107A : Statement Postage (Non Bar-Coded)	66	0.44	29.04
	UT11107A: Foreign Mail Additional Postage-MEXICO	1	0.41	0.41
	UT11107A: Foreign Mail Additional Postage-CANADA	4	0.41	1.64
	UT11107A: Foreign Mail Additional Postage-INTERNATIONAL	1	0.59	0.59
	UT11107A : Address Update	62	0.25	15.50
	UT11107A : Address Update			

THANK YOU FOR YOUR BUSINESS

Total



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690 • Fax: 714.993.1306

INVOICE

AMOUNT PAID	DATE	INVOICE NO.
	11/14/2011	54571

CUSTOMER

MAKE CHECKS PAYABLE TO

ATTN: Adrienne Krugler
 UTILITIES, INC
 2335 Sanders Road
 Northbrook, IL 60062



INFOSEND, INC
 4240 E. La Palma Ave.
 Anaheim, CA 92807-1816

CHECK BOX FOR MAILING ADDRESS CHANGE. PLEASE INDICATE CHANGES ON THE REVERSE SIDE.

PLEASE DETACH AND RETURN UPPER SECTION WITH PAYMENT



4240 E. La Palma Avenue
 Anaheim, CA 92807-1816
 Phone: 714.993.2690
 Fax: 714.993.1306

TERMS	DUE DATE	P.O #	ACCOUNT #	INVOICE
NET 20	12/5/2011		2966	54571

DATE	DESCRIPTION	QTY	RATE	AMOUNT
⑥ 11/08/11	UTL1107A : Data Processing/Mail Prep Services	8,120	0.0465	377.58
	UTL1107A : Paper Stock	8,120	0.0122	99.06
	UTL1107A : UTI # 10 Outgoing Envelope	8,054	0.0142	114.37
	UTL1107A : # 9 Return Envelope	6,470	0.0121	78.29
	UTL1107A : UTI.STMT.902A.PDF			
11/08/11	UTL1107A : Letter Postage (Level-2 Sort)	271	0.39	105.69
	UTL1107A : Multiple Page Statement Postage(2 Pages: 1 Accts)	1	0.39	0.39
	UTL1107A : Letter Postage (Non Bar-Coded)	9	0.44	3.96
	UTL1107A : Foreign Mail Additional Postage-CANADA	1	0.41	0.41
	UTL1107A : Foreign Mail Additional Postage-INTERNATIONAL	1	0.59	0.59
	UTL1107A : Address Update	28	0.25	7.00
	UTL1107A : Data Processing/Mail Prep Services	282	0.0465	13.11
	UTL1107A : Paper Stock	282	0.0122	3.44
	UTL1107A : UTI # 10 Outgoing Envelope	281	0.0142	3.99
	UTL1107A : # 9 Return Envelope	273	0.0121	3.30
	UTL1107A : UTI LETTERS 887.PDF			
11/09/11	UTL1108A : Statement Postage (Level-1 Sort) (5541 Mailpieces)	1	1,934.12	1,934.12
	UTL1108A : Multiple Page Statement Postage(2717 Pages: 1355 Accts)	1	529.89	529.89
	UTL1108A : Statement Postage (Non Bar-Coded)	100	0.44	44.00
	UTL1108A : Foreign Mail Additional Postage-CANADA	22	0.41	9.02
	UTL1108A : Foreign Mail Additional Postage-INTERNATIONAL	8	0.59	4.72
	UTL1108A : Address Update	78	0.25	19.50
	UTL1108A : Data Processing/Mail Prep Services	8,358	0.0465	388.65
	UTL1108A : Paper Stock	8,358	0.0122	101.97
	UTL1108A : Large Flat Envelope	1	0.15	0.15
	UTL1108A : UTI # 10 Outgoing Envelope	6,995	0.0142	99.33
	UTL1108A : # 9 Return Envelope	6,089	0.0121	73.68
UTL1108A : UTI.STMT.903.PDF				
11/09/11	UTL1108A : Letter Postage (Level-1 Sort) (817 Mailpieces)	1	301.85	301.85
	UTL1108A : Multiple Page Statement Postage(2 Pages: 1 Accts)	1	0.39	0.39
	UTL1108A : Letter Postage (Non Bar-Coded)	17	0.44	7.48
	UTL1108A : Foreign Mail Additional Postage-CANADA	1	0.41	0.41
	UTL1108A : Address Update	36	0.25	9.00

THANK YOU FOR YOUR BUSINESS

Total



3

PROCESS SUMMARY REPORT

Job Code	File Name Company Name	Page No	# of Accounts	Total Non Bar- Pages	Coded	Dupl.	Total Amount
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	1	7,819	7,819	88	0	\$697,719.42
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	2	67	134	1	0	\$55,108.75
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	3	4	12	0	0	\$3,595.74
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	4	1	4	0	0	\$1,327.93
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	8	1	8	0	0	\$4,690.46
UTI1107B	UTI.STMT.902B.PDF Utilities, Inc	10	1	10	0	0	\$2,226.99
Totals:			7,893	7,987	89	0	\$764,669.29

IWSI NOTICE

see UTI 1107A

pg. 6



Dimitry
 (6)

PROCESS SUMMARY REPORT

Job Code	File Name Company Name	Page No	# of Accounts	Total Non Bar- Pages	Coded	Dupl.	Total Amount
UT11107A	UTI.STMT.902A.PDF Utilities, Inc	1	7,997	7,997	66	0	\$593,090.99
UT11107A	UTI.STMT.902A.PDF Utilities, Inc	2	51	102	0	0	\$4,797.65
UT11107A	UTI.STMT.902A.PDF Utilities, Inc	3	3	9	0	0	\$14,347.05
UT11107A	UTI.STMT.902A.PDF Utilities, Inc	4	3	12	0	0	\$4,150.39
Totals:			8,054	8,120	66	0	\$616,386.08

CIS Sub
 152 201 IWS1 Route NT

Cust
 1706

BU #
 2011 043-291

**LEGAL EXPENSE
DOCUMENTATION**

Invoice 1438674

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

October 20, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	1,912.50
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	1,912.50

Invoice 1438674

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

October 20, 2011
Nicholas K. Kile

PAYABLE UPON RECEIPT

00051608-000001
IURC MATTERS
2011043



Fees for Services	\$	1,912.50
TOTAL THIS INVOICE	\$	1,912.50

00051608-000001 INDIANA WATER SERVICE, INC.

IURC MATTERS
2011043

<u>Date</u>	<u>Name</u>	<u>Description</u>	<u>Hours</u>
09/21/11	Jeffrey M. Peabody	[REDACTED]	3.40
09/22/11	Jeffrey M. Peabody	[REDACTED]	2.70
09/28/11	Jeffrey M. Peabody	[REDACTED]	0.50
09/29/11	Jeffrey M. Peabody	[REDACTED]	0.70
09/30/11	Jeffrey M. Peabody	[REDACTED]	0.20

Fees for Services Total \$ 1,912.50

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1438674

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

October 20, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	1,912.50
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	1,912.50

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1446276

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

November 18, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	960.50
Other Charges	\$	<u>6.75</u>
TOTAL THIS INVOICE	\$	967.25

REMITTANCE

To remit payments by check, please return this page with remittance to:
Barnes & Thornburg LLP, 11 South Meridian Street, Indianapolis, Indiana 46204-3535 U.S.A

To remit payments by ACH or Wire, send remittance advice to wireconfirmations@btlaw.com Send payment to:
Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1446276

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

November 18, 2011
Nicholas K. Kile

PAYABLE UPON RECEIPT

00051608-000001
IURC MATTERS
2011043

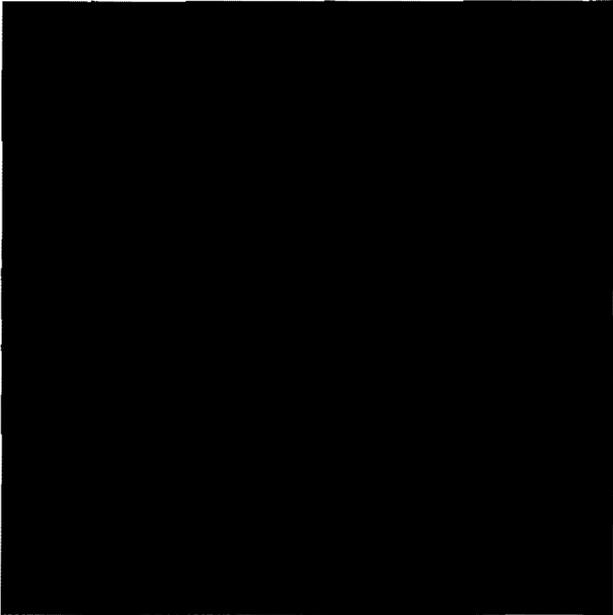
For legal services rendered in connection with the above matter
for the period ending October 31, 2011 as described on the attached detail.

Fees for Services	\$	960.50
Other Charges		
Copying Charges	6.75	
	\$	6.75
TOTAL THIS INVOICE	\$	967.25

00051608-000001 INDIANA WATER SERVICE, INC.

Page 1

IURC MATTERS
2011043

<u>Date</u>	<u>Name</u>	<u>Description</u>	<u>Hours</u>	
10/04/11	Jeffrey M. Peabody		0.90	
10/11/11	Jeffrey M. Peabody		0.50	
10/18/11	Nicholas K. Kile		0.10	
10/25/11	Jeffrey M. Peabody		0.70	
10/26/11	Jeffrey M. Peabody		0.70	
10/28/11	Jeffrey M. Peabody		0.20	
10/31/11	Jeffrey M. Peabody		0.60	
Fees for Services Total			\$ 960.50	

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1446276

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

November 18, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services		960.50
Other Charges	\$	<u>6.75</u>
TOTAL THIS INVOICE	\$	967.25

REMITTANCE

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Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

Invoice 1456137

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

December 29, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	2,040.00
Other Charges	\$	62.95
TOTAL THIS INVOICE	\$	2,102.95

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Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

Invoice 1456137

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

December 29, 2011
Nicholas K. Kile

PAYABLE UPON RECEIPT

00051608-000001
IURC MATTERS
2011043



Fees for Services \$ 2,040.00

Other Charges

	5.00	
	0.20	
	57.75	
		\$ 62.95

TOTAL THIS INVOICE \$ 2,102.95

00051608-000001 INDIANA WATER SERVICE, INC.

IURC MATTERS
2011043

<u>Date</u>	<u>Name</u>	<u>Description</u>	<u>Hours</u>
11/10/11	Jeffrey M. Peabody	[REDACTED]	3.70
11/11/11	Jeffrey M. Peabody	[REDACTED]	0.40
11/14/11	Jeffrey M. Peabody	[REDACTED]	1.50
11/15/11	Jeffrey M. Peabody	[REDACTED]	1.10
11/21/11	Jeffrey M. Peabody	[REDACTED]	0.40
11/23/11	Jeffrey M. Peabody	[REDACTED]	0.50
11/28/11	Jeffrey M. Peabody	[REDACTED]	0.40
Fees for Services Total		\$	2,040.00

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1456137

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

December 29, 2011
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	2,040.00
Other Charges	\$	62.95
TOTAL THIS INVOICE	\$	2,102.95

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Fifth Third Bank, Indianapolis, IN, Account Number: 7653510706 SWIFT CODE: FTBCUS3C
ABA #074908594 for ACH ABA #042000314 for Wires

Invoice 1458831

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

January 20, 2012
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	385.00
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	385.00

Invoice 1458831

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

January 20, 2012
Nicholas K. Kile

PAYABLE UPON RECEIPT

00051608-000001
IURC MATTERS
2011043



Fees for Services	\$	385.00
TOTAL THIS INVOICE	\$	385.00

00051608-000001 INDIANA WATER SERVICE, INC.

Page 1

IURC MATTERS
2011043

<u>Date</u>	<u>Name</u>	<u>Description</u>	<u>Hours</u>
12/06/11	Jeffrey M. Peabody	[REDACTED]	0.40
12/07/11	Jeffrey M. Peabody	[REDACTED]	1.00
Fees for Services Total			\$ 385.00

BARNES & THORNBURG LLP

11 South Meridian Street
Indianapolis, Indiana 46204-3535 U.S.A.
E.I.N. 35-0900596
(317) 236-1313

Invoice 1458831

INDIANA WATER SERVICE, INC.
ATTN: MR. JOHN STOVER
2335 S. SANDERS ROAD
NORTHBROOK, IL 60062

January 20, 2012
Nicholas K. Kile
00051608-000001
2011043

PAYABLE UPON RECEIPT

Fees for Services	\$	385.00
Other Charges	\$	0.00
TOTAL THIS INVOICE	\$	385.00

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DATA REQUEST

INDIANA WATER SERVICE, INC.

CAUSE NO. 44097

OUCS Data Request Set No. 4

Date: February 6, 2012

Q 4-9: Has IWSI included any adjustment to its federal income taxes to account for the benefit of being a member of a consolidated federal income tax return?

Response: No. For purposes of this rate proceeding, IWSI calculated its tax expenses as if it filed federal income taxes on a stand-alone basis. However, IWSI's filing includes ADIT in its rate base which decreases the Company's revenue requirement and thus benefits the customer.

Line 17, Column (a)

Include the following.

1. Dividends (other than capital gain distributions reported on Schedule D (Form 1120) and exempt-interest dividends) that are received from RICs and that are not subject to the 70% deduction.

2. Dividends from tax-exempt organizations.

3. Dividends (other than capital gain distributions) received from a REIT that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.

4. Dividends not eligible for a dividends-received deduction, which include the following.

a. Dividends received on any share of stock held for less than 46 days during the 91-day period beginning 45 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details.

b. Dividends attributable to periods totaling more than 366 days that the corporation received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When counting the number of days the corporation held the stock, you cannot count certain days during which the corporation's risk of loss was diminished. See section 246(c)(4) and Regulations section 1.246-5 for more details. Preferred dividends attributable to periods totaling less than 367 days are subject to the 46-day holding period rule, above.

c. Dividends on any share of stock to the extent the corporation is under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.

5. Any other taxable dividend income not properly reported elsewhere on Schedule C.

If patronage dividends or per-unit retain allocations are included on line 17, identify the total of these amounts in a statement attached to Form 1120.

Line 18, Column (c)

Section 247 allows public utilities a deduction of 40% of the smaller of (a) dividends paid on their preferred stock during the tax year, or (b) taxable income computed without regard to this deduction. In a year in which an NOL occurs, compute the deduction without regard to section 247(a)(1)(B). See section 172(d).

**Schedule J.
 Tax Computation and
 Payment**

Part I—Tax Computation

Line 1

If the corporation is a member of a controlled group, check the box on line 1. Complete and attach Schedule O (Form 1120), Consent Plan and Apportionment Schedule for a Controlled Group. Component members of a controlled group must use Schedule O to report the apportionment of taxable income, income tax, and certain tax benefits between the members of the group. See Schedule O and the Instructions for Schedule O for more information.

Line 2

If the corporation is a member of a controlled group and is filing Schedule O (Form 1120), enter the corporation's tax from Part III of Schedule O. Most corporations that are not members of a controlled group and not filing a consolidated return figure their tax by using the Tax Rate Schedule below. Qualified personal service corporations should see instructions below.

Tax Rate Schedule

If taxable income (line 30, Form 1120) on page 1 is:

Over—	But not over—	Tax is:	Of the amount over—
\$0	\$50,000	15%	\$0
50,000	75,000	\$ 7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	-----	35%	0

Qualified personal service corporation.

A qualified personal service corporation is taxed at a flat rate of 35% on taxable income. If the corporation is a qualified personal service corporation, check the box on line 2 even if the corporation has no tax liability.

A corporation is a qualified personal service corporation if it meets both of the following tests.

1. Substantially all of the corporation's activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting.

2. At least 95% of the corporation's stock, by value, is directly or indirectly owned by

a. Employees performing the services,

b. Retired employees who had performed the services listed above,

c. Any estate of an employee or retiree described above, or

d. Any person who acquired the stock of the corporation as a result of the death of an employee or retiree (but only for the 2-year period beginning on the date of the employee's or retiree's death).

Mutual savings bank conducting life insurance business. The tax under section 594 consists of the sum of (a), a partial tax computed on Form 1120 on the taxable income of the bank, determined without regard to income or deductions allocable to the life insurance department, and (b), a partial tax on the taxable income computed on Form 1120-L of the life insurance department. Enter the combined tax on line 2. Attach Form 1120-L as a schedule (and identify it as such), together with the annual statements and schedules required to be filed with Form 1120-L. See Regulations section 1.6012-2(c)(1)(ii).

Exception for insurance companies filing their Federal income tax returns electronically. If an insurance company files its income tax return electronically, it should not include the annual statements and schedules required to be filed with Form 1120-L. However, such statements must be available at all times for inspection by the IRS and retained for so long as such statements may be material in the administration of any internal revenue law.

Deferred tax under section 1291. If the corporation was a shareholder in a PFIC and received an excess distribution or disposed of its investment in the PFIC during the year, it must include the increase in taxes due under section 1291(c)(2) (from Form 8621, Part IV, line 11e) in the total for line 2. On the dotted line next to line 2, enter "Section 1291" and the amount.

Do not include on line 2 any interest due under section 1291(c)(3). Instead, show the amount of interest owed in the bottom margin of page 1, Form 1120, and label it as "Section 1291 interest."

See the instructions for Form 8621, Part IV, lines 11e and 11f.

Additional tax under section 197(f). A corporation that elects to pay tax on the gain from the sale of an intangible under the related person exception to the anti-churning rules should include any additional tax due under section 197(f)(9)(B) in the total for line 2. On the dotted line next to line 2, enter "Section 197" and the amount.

Line 3

 **A corporation that is not a small corporation exempt from the AMT may be required to file Form 4626, Alternative Minimum Tax—Corporations, if it claims certain credits, even though it does not owe any AMT. See Instructions for Form 4626 for details.**

Unless the corporation is treated as a small corporation exempt from the AMT, it