

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN WATER )  
COMPANY, INC. FOR (1) AUTHORITY TO )  
INCREASE ITS RATES AND CHARGES FOR WATER )  
AND SEWER UTILITY SERVICE, (2) APPROVAL OF )  
NEW SCHEDULES OF RATES AND CHARGES )  
APPLICABLE THERETO, (3) AUTHORITY TO )  
ESTABLISH AND IMPLEMENT SYSTEM )  
DEVELOPMENT CHARGES, (4) AUTHORITY TO )  
ESTABLISH AND IMPLEMENT CERTAIN )  
CONNECTION FEES AND POLICIES AND NEW )  
RULES AND REGULATIONS APPLICABLE )  
THERETO, AND (5) AUTHORITY TO IMPLEMENT A )  
REVENUE STABILITY MECHANISM )

CAUSE NO. 44450

TESTIMONY OF

RICHARD J. COREY – PUBLIC’S EXHIBIT NO. 4

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

MAY 2, 2014

Respectfully submitted,



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Scott C. Franson, Atty. No. 27839-49  
Deputy Consumer Counselor

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *OUCC Testimony of Richard J. Corey – Public's Exhibit No. 4* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 2, 2014.

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**TESTIMONY OF OUCC WITNESS RICHARD J. COREY**  
**CAUSE NO. 44450**  
**INDIANA-AMERICAN WATER COMPANY, INC.**

**I. INTRODUCTION**

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

2 A: My name is Richard J. Corey, and my business address is 115 West Washington  
3 Street, 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) as a  
6 Utility Analyst.

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

8 A: I graduated from Indiana University in May 1978 with a Bachelor of Science degree  
9 majoring in accounting. Upon graduation, I took a position as an accountant for  
10 Tousley-Bixler Construction Company for whom I worked until 1984. At that time,  
11 I began attending Indiana University School of Law. After graduating from law  
12 school in 1988, I was employed by the public accounting firm of Boyd, Stamper &  
13 Leeds and participated in the preparation of compilations, audits, and corporate,  
14 individual and not-for-profit tax returns. From 1990 to 1993, I worked for the CPA  
15 firm of Myers & Stauffer, which specializes in Medicaid accounting, consulting and  
16 rate setting. After a short tenure with the OUCC as a Principal Accountant in 1993,  
17 I became Controller, Corporate Secretary, and a member of the Board of Directors  
18 of General Acceptance Corporation. I returned to the OUCC in 1998 as an Assistant  
19 Utility Consumer Counselor and represented the interests of the public before the

1 Indiana Utility Regulatory Commission (IURC or Commission) in a variety of Gas,  
2 Water and Telecommunications cases. I assumed my current position as a Utility  
3 Analyst with the OUCC in April of 2005. Since joining the OUCC, I have  
4 attended the NARUC Annual Regulatory Studies Program, the NARUC Utility Rate  
5 School, and other continuing education programs.

6 I became licensed as a Certified Public Accountant (CPA) in 1983.  
7 Having left the practice of public accounting in 1993, my CPA License is  
8 currently inactive. Additionally, I am an inactive member of the Indiana Bar in  
9 good standing.

10 **Q. What is the purpose of your testimony?**

11 A: The purpose of my testimony is to articulate the correct amount of revenue  
12 required to operate the utility based upon certain reasonable and appropriate  
13 modifications to Indiana-American Water Company, Inc's (Indiana-American or  
14 Petitioner) forecasted test year operating expenses. Specifically, I propose: (1) an  
15 increase in Petitioner's forecasted test year chemical expense of \$82,548; (2) an  
16 increase in Petitioner's forecasted test year fuel and power expense of \$266,268;  
17 (3) an increase in Petitioner's customer accounting expense of \$55,789; (4) a  
18 decrease in Petitioner's forecasted test year rents expense of \$7,329; (5) a  
19 decrease in Petitioner's forecasted test year advertising and marketing expense of  
20 \$10,903; and (6) a decrease in Petitioner's forecasted test year property tax  
21 expense of \$1,328,487.

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

23 A: Yes. I've testified in a number of water utility-related matters, including rates and

1 charges, financing, and Certificates of Territorial Authority.

2 **Q: Please describe the review and analysis you conducted to prepare your**  
3 **testimony.**

4 A: I read the testimony of Petitioner's witnesses Gary M. VerDouw and Gregory P.  
5 Roach and reviewed the schedules and workpapers they filed in this Cause. I  
6 participated in the preparation of discovery requests, reviewed discovery  
7 responses and attended a number of meetings with OUCC staff regarding various  
8 aspects of the preparation of testimony in this Cause.

9 **Q: Please describe how your testimony is organized.**

10 A: My testimony is organized in the following sections:

- 11 I. Introduction
- 12 II. Certain Forecasted Test Year Operating Expenses
  - 13 A. Chemical Expense
  - 14 B. Fuel and Power Expense
  - 15 C. Purchased Water Expense
  - 16 D. Customer Growth Adjustment
  - 17 E. Transportation Expense
  - 18 F. Insurance Other than Group Expense
  - 19 G. Building Maintenance and Services Expense
  - 20 H. Rent Expense
  - 21 I. Advertising and Marketing Expense
  - 22 J. Property Tax Expense
  - 23 K. Telecommunications Expense
  - 24 L. Postage, Printing, and Stationery Expense
  - 25 M. Customer Accounting Expense
- 26 III. Accounting Review Issues
- 27 IV. OUCC Recommendations

1 **Q: What type of test year has Indiana-American elected in this case?**

2 A: Indiana-American has chosen to employ a forward-looking test year running from  
3 September 30, 2014 through November 30, 2015.

4 **Q: Is the use of a forward-looking test year significant?**

5 A: Yes. The calculation of operating expenses using a forward-looking test year is  
6 different and more complex than a historical test year. Traditionally, *pro forma*  
7 operating expenses are calculated by taking the amount of expense as of the end  
8 of a specified test year and adjusting it for changes that are fixed in time, known  
9 to occur, and measurable in amount within twelve months of the end of that test  
10 year. This results in *pro forma* revenue requirements upon which the utility's  
11 rates can be calculated.

12 In a forward-looking test year, as Petitioner has filed its case, the operating  
13 expenses are estimated through a budgeting process. These estimated operating  
14 expenses are referred to as forecasted test year expenses and are based on a  
15 variety of assumptions; for example, system delivery volume, projected chemical  
16 price, customer growth, contractual obligations and rate of inflation. The result is  
17 Petitioner's best estimate (forecast) as to what the total operating expense amount  
18 will be during the forward-looking test year.

## II. CERTAIN FORECASTED TEST YEAR OPERATING EXPENSES

19 **Q: Are there any of Petitioner's forecasted test year expenses for which you do**  
20 **not propose an adjustment?**

21 A: Yes. I do not propose to adjust Petitioner's proposed forecasted test year expense  
22 for transportation, insurance other than group and building maintenance.

1 **Q: Do you accept Petitioner's forecasted amounts for chemical, fuel, and power**  
2 **expense?**

3 A: No. OUCC witness Charles Patrick proposes adjustments to Indiana-American's  
4 forecasted test year revenue. Because production costs such as chemicals and fuel  
5 and power have a linear relationship to revenues, those costs must be adjusted to  
6 reflect the additional costs created by Mr. Patrick's proposed increase to system  
7 deliveries and customer billings.

**A. Chemical Expense**

8 **Q: Please explain how Petitioner derived its forecasted test year chemical**  
9 **expense.**

10 A: Petitioner's chemical expense forecast is derived from estimated system usage  
11 and projected chemical costs for each of Petitioner's districts. For each district,  
12 system usage of water for each month is estimated based on historical gallons of  
13 water delivered to that district, also known as system delivery. This amount is  
14 adjusted by projected non-revenue water, which is also calculated based on  
15 historical data.

16 The historical 2013 cost of each chemical is inflated for both 2014 and  
17 2015 by the projected change in the annual cost per pound as provided in the  
18 Operations and Maintenance Expense Forecast Assumptions found in Petitioner's  
19 Exhibit GPR-2. The projected cost of chemicals is multiplied by the number of  
20 pounds of chemicals used for each thousand gallons of water, which is, in turn,  
21 multiplied by projected system usage. This process is repeated for each month  
22 and for each district for 2014 and 2015. The resulting total projected chemical  
23 costs by district for 2015 are then totaled.

1 **Q: Please explain your adjustment to Petitioner's forecasted chemical expense.**

2 A: As I mentioned above, the OUCC is proposing an increase to Petitioner's  
3 forecasted consumption, which will result in an increase to Petitioner's chemical  
4 expense. Based on the OUCC's increase to Petitioner's forecasted consumption,  
5 chemical expense has been increased by \$82,548. See OUCC Schedule 6,  
6 Adjustment No. 4.

**B. Fuel and Power Expense**

7 **Q: How did Petitioner derive its forecasted fuel and power expense?**

8 A: As with chemical expense, Petitioner's forecasted fuel and power expense for the  
9 forward-looking test year is comprised of expenses at the district level that are  
10 forecasted using Indiana-American's projected system usage. Petitioner inflated  
11 historical fuel and power cost per thousand gallons from the base period by the  
12 estimated price changes found in the schedules supporting the testimony of Mr.  
13 Roach.<sup>1</sup>

14 In turn, Petitioner multiplied the projected cost per thousand gallons by the  
15 projected system usage to derive the total fuel and power cost per month by  
16 district. Petitioner then totaled the projections by district for 2015 and those  
17 forecasts comprise the forecasted test year expense for fuel and power ended  
18 November 30, 2015, found on Petitioner's Exhibit GMV-3, Schedule 2.

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<sup>1</sup> The schedules can be found in Petitioner's filing by completing the following data path: /Exhibits/Data to Complete Exhibits/ 2014-2015 Budget Models/ Production Costs/ Fuel and Power.

1 **Q: Please explain your adjustment to Petitioner's forecasted fuel and power**  
2 **expense.**

3 A: Once again, as mentioned above, the OUCC is proposing an increase to  
4 Petitioner's forecasted consumption, which will result in an increase to  
5 Petitioner's fuel and power expense. Attachment RJC-1 shows that the OUCC's  
6 increase to Petitioner's forecasted consumption results in an increase to  
7 Petitioner's purchase fuel and power expense of \$266,268. See OUCC Schedule  
8 6, Adjustment No. 3.

**C. Purchased Water Expense**

9 **Q: Please explain Petitioner's calculation of its forecasted test year purchased**  
10 **water expense.**

11 A: Petitioner currently purchases water only from the city of East Chicago and the  
12 town of Newburgh. Petitioner no longer purchases water from the City of Terre  
13 Haute due to a new main extension as of 2013. Based on projected purchases  
14 from East Chicago and Newburgh, and due to the discontinuance of the purchase  
15 of water from Terre Haute, Petitioner has forecasted a \$228,494 reduction in  
16 purchased water for the twelve months ended November 30, 2015.

**D. Customer Growth Adjustment**

17 **Q: Please explain the adjustment you propose to Petitioner's customer**  
18 **accounting expense as a result of the OUCC's increase to customer growth.**

19 A: Based on the additional water consumption discussed in Mr. Patrick's testimony,  
20 Petitioner will also need to generate additional billings. The upward adjustment I  
21 propose to customer accounting expense reflects the added cost of these  
22 additional billings. To derive this adjustment, I took the OUCC's forecasted test

1 year customer accounting expense of \$2,610,983 and divided it by the OUCC's  
2 total forecasted test year billings of 3,500,000. This resulted in a cost of \$0.746  
3 per billing. Multiplying the cost per billing by the 74,784 additional billings  
4 results in an increase of \$55,789 to Petitioner's proposed customer accounting  
5 expense. See OUCC Schedule 6, Adjustment No. 7.

6 **Q: Does your customer accounting expense adjustment contain an allowance for**  
7 **the increase in postal rates during 2014?**

8 A: No. As I discuss in the Customer Accounting section of my testimony (Section  
9 M), while the OUCC believes it is appropriate to adjust forecasted customer  
10 accounting expense for the increase in US postal rates, Indiana-American was  
11 unable to provide the OUCC with the information necessary to make this  
12 adjustment.

#### **E. Transportation Expense**

13 **Q: Please explain why you do not propose to adjust Indiana-American's**  
14 **forecasted cost for transportation.**

15 A: In response to OUCC data requests Petitioner provided a variety of Excel  
16 spreadsheets that contain detail relating to lease, maintenance, registration and  
17 fuel costs. This documentation provides support for its forecasted test year  
18 transportation expense of \$1,375,878, which is a reduction of \$362,023 from the  
19 base period. I performed a voucher review of the supporting documentation  
20 related to the actual lease, maintenance, registration, and fuel costs that Petitioner  
21 incurred during the base period (twelve months ended September 30, 2013) and I  
22 believe this documentation supports the transportation expense Petitioner has  
23 forecasted.

1 **Q: Please explain why Petitioner forecasts a reduction in transportation**  
2 **expense.**

3 A: On page 58 of his direct testimony, Indiana-American witness Mr. Roach states  
4 that this adjustment reflects the vehicle leases that will expire. However, it should  
5 be noted that although transportation is being reduced due to the expiration of  
6 leases, Petitioner proposes to purchase additional vehicles and to add those costs  
7 to its rate base. Nonetheless, the Commission should note that reduced expenses  
8 do not always result in a reduced burden on the ratepayer. While the OUCC does  
9 not currently challenge Petitioner's forecasted transportation expense or the  
10 capitalization of purchased vehicles, if Petitioner's proposal is approved, going  
11 forward, Indiana-American will earn a return **on** rate base as well as a return **of**  
12 rate base through depreciation expense for the expense of purchasing additional  
13 vehicles.

**F. Insurance other than Group**

14 **Q: Please explain why you do not propose to adjust Petitioner's forecasted test**  
15 **year expense of \$1,924,809 for insurance other than group insurance.**

16 A: In its initial filing, Indiana-American provided copies of the various insurance  
17 other than group insurance policies that had been most recently purchased by its  
18 parent company, American Water. Along with these policies, Petitioner provided  
19 invoices for insurance billings for general liability, workers compensation,  
20 property, excess casualty, executive risk, directors and officer's liability,  
21 pollution, employed lawyers and information technology. Each invoice included  
22 a detailed breakout of the costs assigned to each of the American Water  
23 subsidiary companies, including Indiana-American. Also included in Petitioner's

1 initial filing was a listing of the annualized amounts for each policy and a  
2 description of the allocation basis used to distribute the costs among the  
3 subsidiaries.

4 In response to OUCC Data Request No. 11-007, Petitioner provided a  
5 summary of the anticipated percentage changes that would be incurred in  
6 insurance other than group insurance expense. In its response, Petitioner stated  
7 that "AW's insurance brokers provide us with their best estimate of future  
8 insurance costs based upon their experience soliciting proposals from the global  
9 insurance market for their client database across different industries."<sup>2</sup> Further,  
10 in response to OUCC Data Request No. 23-002, Petitioner provided copies of  
11 insurance market reports and updates used in projecting the various insurance cost  
12 increases.<sup>3</sup> Finally, in its response to OUCC Data Request No. 65-002, Petitioner  
13 provided step-by-step calculations based on the original invoice allocations and  
14 projected percentage insurance changes that tied to the forecasted test year cost of  
15 \$1,924,809 for insurance other than group insurance expense.<sup>4</sup> In my opinion,  
16 the projected insurance cost calculations are correct and are reasonably based on  
17 the insurance invoice documentation provided in Petitioner's initial filing.

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<sup>2</sup> See Attachment RJC-2.

<sup>3</sup> See Attachment RJC-3.

<sup>4</sup> See Attachment RJC-4.

**G. Building Maintenance and Services Expense**

1 **Q: Do you propose any adjustment to Indiana-American's forecasted building**  
2 **maintenance and services expense?**

3 A: No. Indiana-American has forecasted a test year building maintenance and  
4 services expense of \$945,981, a decrease of \$99,981 from the base period  
5 building and maintenance and services expense of \$1,045,387. These costs  
6 consist principally of grounds keeping, janitorial services, trash removal and  
7 security service. The proposed decrease represents estimated savings for  
8 previously outsourced maintenance services that will be moved in-house. The  
9 OUCC requested supporting documentation for these anticipated savings.<sup>5</sup>  
10 However, in response, Petitioner provided an Excel spreadsheet with hard-coded  
11 base year and forecasted test year costs. While Petitioner failed to provide the  
12 basis for its forecast, I do not propose an adjustment to Petitioner's forecasted  
13 maintenance and service expenses.

**H. Rent Expense**

14 **Q: Please explain how Petitioner derived its forecasted test year cost of \$619,064**  
15 **for rents expense.**

16 A: In its response to OUCC Data Request No. 11-012, Petitioner indicated that the  
17 forecasted test year amount for rents expense consisted of the base period rents, as  
18 of September 30, 2013, of \$585,044 plus rental increases on the Greenwood  
19 office of \$5,256, the reversal of a prior year "Additional Rent" accrual of

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<sup>5</sup> See Attachment RJC-5.

1           \$29,700, and miscellaneous credits of \$936 for a forecasted test year amount of  
2           \$619,064.

3   **Q:   Why do you recommend disallowing part of the base period rental expense?**

4   A:   In its response to OUCC Data Request No. 47-021, Petitioner indicated in 2013  
5           \$5,044 in base period rental expense had been charged to Petitioner's affiliate  
6           Michigan-American. Accordingly, I believe this amount should be removed from  
7           Petitioner's forecasted test year expense.

8   **Q:   Please explain why you recommend disallowing part of Petitioner's**  
9           **scheduled 2015 Greenwood office rental increase.**

10  A:   In its response to OUCC Data Request No. 64-003, Petitioner indicated that only  
11           67% of the 2015 rent increase for the Greenwood office is included in Indiana-  
12           American's forecasted test year expense, with the remaining 33% being allocated  
13           to Indiana-American capital and Michigan-American.<sup>6</sup> Accordingly, I  
14           recommend that 67% of the scheduled 2015 increase should be included in  
15           Petitioner's forward-looking test year expenses. This would result in an increase  
16           to forecasted rents expense of \$4,640. See OUCC Schedule 6, Adjustment No. 6.<sup>7</sup>

**I. Advertising and Marketing Expense**

17  **Q:   Please explain your proposed adjustment for advertising and marketing**  
18           **expense.**

19  A.   Petitioner has forecasted advertising and marketing expense for its forward-  
20           looking test year in the amount of \$54,201, an increase of \$13,956 over the base  
21           period amount of \$40,245. In its response to OUCC Data Request No. 28-005,

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<sup>6</sup> See Attachment RJC-6.

<sup>7</sup> See Attachment RJC-7.

1 Petitioner indicates that the forecasted test year advertising and marketing  
2 expense of \$54,201 is reasonable because it is within 1.5% of the average annual  
3 advertising and marketing expense for the period 2009 through 2012.<sup>8</sup>

4 Minimum Standard Filing Requirements (MSFR) #33 in Petitioner's  
5 original filing purports to list advertising and marketing expenses incurred during  
6 the twelve month ended September 30, 2013, which totals \$39,320. This amounts  
7 to 98% of the advertising and marketing expense for the base period of \$40,245  
8 shown on Petitioner's Exhibit GPR-4, Schedule 5. MSFR #33 categorizes these  
9 costs as being for public health and safety, conservation, explanation of rates  
10 billing practices (items that are of benefit to the utility's customers) and other  
11 advertising programs. The other advertising category consisted of 40.23% of the  
12 base period advertising and marketing expense.

13 In response to OUCC Data Request No. 88-001, Petitioner indicated that  
14 the "other advertising programs" category consisted of promotional advertising,  
15 and the cost of notification to its customer of main flushing.<sup>9</sup> Since the other  
16 advertising programs category consists of expenditures that benefit both Indiana-  
17 American's customers and shareholders, I propose to disallow 50% of those costs.  
18 (One half of 40.23% of \$54,201, or \$10,903) See OUCC Schedule 6, Adjustment  
19 No. 8.<sup>10</sup>

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<sup>8</sup> See Attachment RJC-8.

<sup>9</sup> See Attachment RJC-9.

<sup>10</sup> See Attachment RJC-10.

1 **Q: Why do you propose to eliminate those advertising expenses that do not**  
2 **provide a benefit to the customer?**

3 A: I propose to eliminate the expenses that don't benefit the customer, which include  
4 community relations, marketing, and lobbying expenses. These expenses are not  
5 allowed for ratemaking purposes because they are either institutional or image  
6 building in nature, provide no material benefit to ratepayers, or are not necessary  
7 for the provision of water utility service. It would be inappropriate to require  
8 ratepayers to bear the burden of these expenses.

9 **Q: Do you have any statutory support for recommending exclusion of these**  
10 **costs?**

11 A: Yes. Indiana Code § 8-1-2-6(c) states:

12 In determining the amount of allowable operating expenses  
13 of a utility, the commission may not take into consideration  
14 or approve any expense for institutional or image building,  
15 advertising, charitable contributions, or political  
16 contributions.

**J. Property Tax Expense**

17 **Q: Please describe Petitioner's forecasted test year real estate and personal**  
18 **property tax expense.**

19 A: In his testimony, Petitioner's witness Mr. Roach proposes a forecasted property  
20 tax expense adjustment of \$13,521,878 to provide for increased real estate and  
21 personal property taxes to be paid on the net new additions to utility plant in this  
22 case. Petitioner's calculation is shown on Petitioner's Exhibit GPR-4, Schedule  
23 14.

24 **Q: Does the OUCC accept Petitioner's adjustment for real estate and personal**  
25 **property taxes?**

26 A: No. The OUCC disagrees with Petitioner's forecasted real estate and personal  
27 property taxes. Petitioner's calculation is based on baseline accrued property

1 taxes as of December 31, 2013 that is adjusted by forecasted additions and  
2 retirements Petitioner anticipates will occur during 2014 and 2015. This  
3 methodology overstates tax expense because the utility plant placed in service  
4 during 2015 will not be reported to the various county assessors' offices until  
5 May of 2016. At that time, the individual assessor's offices will calculate tax  
6 assessments based on individual county budget requirements. The personal and  
7 real property Indiana-American anticipates will be placed in service in 2015 will  
8 not be assessed until late 2016 and payment will not be made on this property  
9 until 2017. Because Petitioner will not incur the real estate and personal property  
10 tax expenses during the forward-looking test year, the revenue necessary to make  
11 this payment should not be included in the budget for the twelve months ended  
12 November 30, 2015.

13 **Q: Please explain your understanding as to how personal property taxes are**  
14 **calculated in Indiana.**

15 A: Personal property tax returns are filed on or before May 10 of each year based on  
16 the utility plant in service (UPIS) either at the end of the prior calendar year or as  
17 of February 28 of the current year in each township within each county where the  
18 property resides. Because it is a challenge for corporations to make an accurate  
19 determination of UPIS at the end of February each year, most corporations,  
20 including Indiana-American, base their personal property filings on the end of the  
21 prior calendar year. In this case that would be December 31, 2013.

1 **Q: Has the Commission acknowledged this method of calculating property tax**  
2 **expense?**

3 A: Yes. In its final order in Cause No. 44022, the Commission noted, pursuant to the  
4 testimony of OUCC Analyst Charles Patrick, property tax returns are filed on or  
5 before May 10 of each year based on the UPIS at the end of the prior calendar  
6 year or February 28 of the current year, and are payable in the following year. *In*  
7 *re the Petition of Indiana American-Water Company, Inc.*, Cause No. 44022,  
8 Final Order, p. 93 (Ind. Util. Reg. Comm'n, June 6, 2012.)

9 Petitioner also acknowledged this timing in its response to OUCC Data  
10 Request No. 042-001. In Attachment OUCC 042-001-R1, Petitioner notes that  
11 for the year ending December 31, 2011, the property taxes will be accrued in 2012  
12 and the taxes actually paid in 2013.<sup>11</sup>

13 **Q: How has Petitioner calculated its forecasted property tax expense?**

14 A: In Petitioner's response to OUCC Data Request No. 11-015, Indiana-American's  
15 forecasted property tax expense is calculated by taking a baseline for 2013 (to be  
16 paid in 2014) that is increased by an estimate of the property tax that will be due  
17 on the net 2014 capital expenditures (less average retirements). This process is  
18 repeated for 2015 net additions and retirements. After the estimated additional  
19 property tax for 2014 and 2015 are calculated, those figures are added to the  
20 calendar year 2013 baseline and result in the calendar year property tax for 2014  
21 and 2015.<sup>12</sup>

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<sup>11</sup>See Attachment RJC-11.

<sup>12</sup> See Attachment RJC-12.

1 **Q: Do you agree with Petitioner's calculation of its forecasted property tax**  
2 **expense?**

3 A: No. I believe Petitioner has made an error in calculating its forecasted property  
4 tax expense. In order to correctly estimate property tax expense, Petitioner should  
5 have multiplied its blended property tax rate of 2.7% by its assessed value.  
6 Instead, Indiana-American multiplied its blended property tax rate by the tax  
7 basis, before that amount was reduced by county level adjustments. In other  
8 words, the tax calculation is made on a property value that is 56% higher than the  
9 actual assessed value, causing the projected property tax expense to be  
10 overstated.<sup>13</sup>

11 **Q: Please explain the OUCC's \$1,328,487 downward adjustment to Indiana-**  
12 **American Water' future test year property tax.**

13 A: Because the OUCC proposes a rate base cutoff date of March 31, 2014, which  
14 also includes Petitioner's major project and other specified capital additions as of  
15 November 30, 2014, the OUCC's proposed UPIS amount is \$1,373,279,268.  
16 Following several adjustments to arrive at the assessed value of the increase in  
17 UPIS, this amount is then multiplied by the blended tax rate of 2.68% to  
18 determine the estimated additional tax on UPIS increase. Finally, this amount is  
19 added to the taxes paid on the 2011 UPIS to arrive at the estimated taxes due in  
20 2015 of \$12,193,209. The OUCC's amount of property tax expense is \$1,328,487  
21 less than Petitioner's proposed future test year property tax expense of  
22 \$13,521,696.<sup>14</sup> See OUCC Schedule 7, Adjustment No. 4.

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<sup>13</sup>See Attachment RJC-13.

<sup>14</sup>See Attachment RJC-14.

1 **Q: If Petitioner had used the correct methodology in its property tax calculation,**  
2 **how would it differ from the OUCC's proposed future test year property**  
3 **tax?**

4 A: As can be seen on the right side of Attachment RJC – 14, using the OUCC's  
5 methodology Petitioner's proposed future test year property tax expense would be  
6 more than \$900,000 less than the amount proposed in its filing. The disparity is  
7 due to differences in the balance of projected UPIS between the OUCC and  
8 Petitioner.

9 **Q: Why did the OUCC begin its calculation with actual utility plant in service at**  
10 **March 31, 2014?**

11 A: Rate base and the rate base cutoff date of March 31, 2014 is discussed in the  
12 testimony of OUCC witness Margaret Stull.

**K. Telecommunications Expense**

13 **Q: How was Petitioner's proposed forecasted test year telecommunications**  
14 **expense developed?**

15 A: Petitioner states that it developed its forecasted test year telecommunications  
16 expense by auditing its telecommunications services, modifying contracts, and  
17 deleting unnecessary lines.

18 **Q: Please explain.**

19 A: In response to the OUCC's Data Request No. 56-001,<sup>15</sup> Petitioner indicated that  
20 Petitioner's IT organization performed the audit of telecommunications lines by  
21 reviewing past usage, determining the lines with low or no usage, and discussing  
22 the business needs for the telecommunication lines with the impacted organization  
23 as well as within the IT organization. Lines that were deemed unnecessary for  
24 business purposes were disconnected. This resulted in an approximate \$86,250

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<sup>15</sup> See Attachment RJC-15.

1 decrease, which was included in Petitioner's base year telecommunications  
2 expense as of September 30, 2013, of \$865,146.<sup>16</sup> Telecommunications contracts  
3 were also reviewed as part of the audit by Petitioner's operations personnel and  
4 the American Water Works Company, Inc. and its regulated subsidiaries' supply  
5 chain organization, wherein it was determined that a contract had expired and  
6 Petitioner was being charged tariff rates instead of contractual rates. The  
7 American Water supply chain organization renegotiated the contract resulting in  
8 an annual reduction in costs of approximately \$36,000.

9 In response to the OUCC's Data Request No. 56-002,<sup>17</sup> Petitioner  
10 described its adjustment to remove one-time charges that were included in the  
11 base year and for the capitalization of phones and lines of service. One-time  
12 charges of approximately \$17,000 included the transfer of Nextel phone service to  
13 Verizon phone service (of approximately \$5,000) and a two month overlap of air-  
14 cards and wireless hotspots (of approximately \$12,000) during the time the  
15 computer software systems were being converted to SAP, including the Customer  
16 Information Systems (CIS) and Enterprise Asset Management (EAM) modules in  
17 2013, in order to ensure system conductivity for field employees.

18 After decreasing the base year telecommunications expense for the  
19 reduction in contract costs and one-time charges, a projected labor capitalization

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<sup>16</sup> See Attachment RJC-16, Petitioner's Attachment OUCC 56-001-R1 in response to OUCC Data Request 56-001(b). *Also See* Attachment RJC-17, Petitioner's response to OUCC's informal email request.

<sup>17</sup> See Attachment RJC-18.

1 rate averaging 28.8%<sup>18</sup> for the twelve months ended November 2015 was applied  
2 to telecommunications expense for capitalization of some phones and lines of  
3 service.

4 The reduction in contract costs, removal of one-time charges and the  
5 capitalization of phones and lines of service, results in the approximate decrease  
6 of \$(287,518), which is the difference between Petitioner's Base Year  
7 Telecommunications Expense of \$865,146 and Forecasted Test Year  
8 Telecommunications Expense of \$577,628.

9 **Q: Does the OUCC propose any adjustments to telecommunications expense?**

10 A: No.

11 **Q: Please describe how Petitioner has reduced its telecommunications expense.**

12 A: Of Petitioner's proposed decrease in telecommunications expense of \$287,518,  
13 approximately \$233,859 or 81% represents capitalization credits. In other words,  
14 \$233,859 (81%) of Petitioner's base year telecommunications expense has not  
15 been removed from rates, but, instead, these expenses are now included as  
16 capitalized costs in Petitioner's rate base. Petitioner will earn a return on these  
17 capitalized costs in this case and in future cases. While capitalizing costs reduces  
18 Petitioner's operating expenses, these costs are still being recovered from  
19 ratepayers albeit through a different accounting treatment.

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<sup>18</sup> Monthly labor capitalization rate ranges from 28.3% to 29.4% for the twelve months ended 11/30/15. See Attachment RJC-19, Petitioner's Attachment OUCC 56-002-R1 in response to OUCC Data Request 56-002(b).

**L. Postage, Printing, and Stationery Expense**

1 **Q: Did the United States (U.S.) Postal Service increase postage rates in 2014?**

2 A: Yes. The U.S. Postal Service issued a press release on September 25, 2013  
3 announcing the proposed price changes, including an increase in the price of a  
4 First-Class Mail single-piece letter from 46 cents to 49 cents.<sup>19</sup> The press release  
5 further indicated that pricing for Standard Mail, Periodicals, Package Services,  
6 and Extra Services would also be adjusted as part of the U.S. Postal Service's  
7 filing to the Postal Regulatory Commission (PRC) on September 26, 2013. New  
8 price proposals were available on the PRC and U.S. Postal Service websites as of  
9 September 26, 2013, and ultimately went into effect beginning January 26, 2014.

10 Additionally, the U.S. Postal Service's Domestic Mail Manual (DMM<sup>®</sup>)  
11 Advisory,<sup>20</sup> posted an announcement on November 21, 2013, stating that the  
12 Federal Register published the Postal Regulatory Commission's (PRC) final rule  
13 for the U.S. Postal Service's International and Domestic Shipping Services price  
14 change making the price change for *international and domestic shipping services*  
15 effective January 26, 2014. On December 18, 2013, an announcement was made  
16 on the DMM<sup>®</sup> Advisory that the Federal Register published the PRC's final rule  
17 for the U.S. Postal Service's Domestic Mailing Services price change making the  
18 price change for *domestic mailing services* effective January 26, 2014.<sup>21</sup> On

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<sup>19</sup> [http://about.usps.com/news/national-releases/2013/pr13\\_077.htm](http://about.usps.com/news/national-releases/2013/pr13_077.htm)

<sup>20</sup> <http://pe.usps.gov/dmmadvisory.asp>

<sup>21</sup> The final rule for domestic mailing services contains revisions to the DMM<sup>®</sup> to accompany the price adjustments filed with the PRC on September 26, 2013, including new pricing eligibility for retail and commercial non-presorted First-Class Mail<sup>®</sup> letters, several mail classification changes, and some condensing of current standards for Periodicals publications.

1 January 23, 2014, an announcement was made on the DMM<sup>®</sup> Advisory that the  
2 Federal Register published the PRC's final rule for the U.S. Postal Service's  
3 International Mailing Services price change making the price change for  
4 *international mailing services* effective January 26, 2014.<sup>22</sup>

5 **Q: Did Petitioner account for the increase in postage rates, implemented by the**  
6 **U.S. Postal Service on January 26, 2014, for mail classes in its forecasted test**  
7 **year postage, printing, and stationery expense amount of \$54,379?**

8 A: No. In response to the OUCC's Data Request No. 56-008(b) and (c),<sup>23</sup> Petitioner  
9 indicated that the January 26, 2014, postage rate increases were not included in  
10 Petitioner's forecasted test year postage, printing, and stationery expense amount,  
11 as the U.S. Postal Service's proposed price changes were announced after  
12 Petitioner's forecasted test year was developed.

13 **Q: Should Petitioner's forecasted test year postage, printing, and stationery**  
14 **expense amount reflect the increase in postage rates effective January 26,**  
15 **2014?**

16 A: Yes. In Data Request No. 86-001, the OUCC requested Petitioner provide  
17 postage support documentation for the twelve months ended November 30, 2015,  
18 based on the postage rates at the time Petitioner developed its forecasted test year  
19 for postage, printing, and stationery expense (postage rates that were effective  
20 April 17, 2011 through January 25, 2014). The OUCC requested Petitioner  
21 provide such documentation in a similar format to the mailing volume by mail  
22 class and the cost of mailing for each mail class information provided on

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<sup>22</sup> On October 24, 2013, the U.S. Postal Service published two proposed rules to revise various sections of Mailing Standards of the U.S. Postal Service, International Mail Manual (IMM<sup>®</sup>) to accompany a notice of price adjustment filed with the PRC. The PRC agreed that the price adjustments could go into effect on January 26, 2014. This final rule revises the IMM to reflect these changes.

1 Petitioner's Exhibit LEK-1, Workpaper for Support Schedule 6b, Page 1 of 1  
2 (MSFR #10, Page 759 of 1286) in Cause No. 44022.<sup>24</sup>

3 In response to the OUCC's Data Request No. 86-001,<sup>25</sup> Petitioner  
4 indicated that postage amounts recorded to postage, printing, and stationery  
5 expense are mailings between Indiana-American and its affiliates and any other  
6 postage not related to customer billings. These mailings are not tracked per item  
7 and, therefore, the documentation requested could not be provided.

8 Although the OUCC believes it is appropriate to increase forecasted test  
9 year postage, printing, and stationery expense in order to reflect the postage rate  
10 increases that became effective January 26, 2014, the OUCC does not have  
11 adequate information to calculate and propose a precise adjustment.

12 **Q: Are you concerned Petitioner failed to account for the increase in U.S.**  
13 **postage rates?**

14 **A:** Yes. The increase to Petitioner's postage expense for the forward-looking test  
15 year was entirely public knowledge and predictable. This is the kind of expense  
16 increase that I would have expected Petitioner to capture in its forecasts for the  
17 forecasted test year. By not including this increase, I am concerned that  
18 Petitioner's budget process may not be as comprehensive and accurate as it should  
19 be.

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<sup>23</sup> See Attachment RJC-20.

<sup>24</sup> See Attachment RJC-21.

<sup>25</sup> See Attachment RJC-22.

**M. Customer Accounting Expense**

1 **Q: Did Petitioner account for the increase in postage rates, implemented by the**  
2 **U.S. Postal Service on January 26, 2014, in its customer accounting postage**  
3 **expense amount of \$1,254,583 that was included in its total forecasted test**  
4 **year customer accounting expense amount of \$2,610,983?**

5 A: No. In response to the OUCC's Data Request No. 60-008(d) and (e),<sup>26</sup> Petitioner  
6 indicated that the January 26, 2014, postage rate increase was not included in  
7 Petitioner's forecasted test year customer accounting postage expense amount, as  
8 the U.S. Postal Service's proposed price changes were announced after  
9 Petitioner's forecasted test year was developed.

10 **Q: Should Petitioner's forecasted test year customer accounting expense reflect**  
11 **the increase in postage rates effective January 26, 2014?**

12 A: Yes. In Data Request No. 86-002, the OUCC requested Petitioner provide  
13 postage support documentation for the twelve months ended November 30, 2015,  
14 based on the postage rates at the time Petitioner developed its forecasted test year  
15 for customer accounting postage expense amount (postage rates that were  
16 effective April 17, 2011 through January 25, 2014). The OUCC requested  
17 Petitioner provide such documentation in a similar format to the mailing volume  
18 by mail class and the cost of mailing for each mail class information provided on  
19 Petitioner's Exhibit LEK-1, Workpaper for Support Schedule 6b, Page 1 of 1  
20 (MSFR #10, Page 459 of 1286) in Cause No. 44022.

21 In response to the OUCC's Data Request 86-002,<sup>27</sup> Petitioner indicated the  
22 requested documentation does not exist for the forecasted test year and the

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<sup>26</sup> Attachment RJC-23.

<sup>27</sup> Attachment RJC-24.

1 requested schedule was not used in forecasting the future test year amounts for  
2 customer accounting postage.

3 Petitioner had access to the U.S. Postal Service notification of proposed  
4 postage rate increases in September 2013 that became effective January 26, 2014.  
5 Although the OUCC believes it is appropriate to increase forecasted test year  
6 customer accounting expense in order to reflect these postage rate increases, the  
7 OUCC does not have adequate information to calculate and propose a precise  
8 adjustment. Again, the increase in U.S. postage rates was public knowledge. I am  
9 concerned that Petitioner's expense forecasts are not as comprehensive as they  
10 should be because Petitioner did not budget for this predictable expense increase.

### **III. ACCOUNTING REVIEW ISSUES**

11 **Q: What is American Water's Hyperion financial system?**

12 A: It is my understanding that the Hyperion Financial Management system is a  
13 program that provides American Water's financial managers the ability to rapidly  
14 consolidate and report financial results. It has been used extensively in the  
15 preparation of the Indiana-American forward-looking test year expenses.

16 **Q: How does Petitioner use the Hyperion system?**

17 A: American Water Works (and Indiana-American) use Hyperion to both collect and  
18 report pertinent data. Much of the data used by Indiana-American in the Excel  
19 files provided with its rate case tie back to Hyperion.

1 **Q: What difficulties have you encountered in formulating your opinions**  
2 **regarding Indiana-American's operating expenses due to Petitioner's use of**  
3 **the Hyperion system?**

4 A: Because Hyperion is a collection system, it is not the ultimate source of data. As  
5 a result, the figures in Hyperion are hard-coded figures and not calculations.  
6 Thus, when attempting to determine if a proposed adjustment is reasonable,  
7 figures in Hyperion do not provide information about how the figure is  
8 determined and Hyperion is effectively a road block.

9 **Q: Please provide specific examples of this problem.**

10 A: Petitioner's spreadsheet entitled "Test Year Budget" contains forecasted test year  
11 budget information for the Company and by each district for the years 2014 and  
12 2015 that tie back to Petitioner's filing. In tracing back to other Excel  
13 calculations that support the various expense and revenue line items, I found that  
14 the ultimate source of the budgeting information for certain operating expenses is  
15 a hard-input cell or a cell that states it is pulling its information from the Hyperion  
16 system. There is no reference to the source data, calculations, or assumptions  
17 made in determining the hard-coded inputs or the items pulled from the Hyperion  
18 system. Specific examples of forecasted test year expenses that are traced back to  
19 hard input numbers or a note that the figure is from the Hyperion system are:  
20 insurance other than group insurance expense, building maintenance expense and  
21 rents. Because many of the files that are supposed to support Petitioner's  
22 forecasted test year expenses do not contain calculations or assumptions, I believe  
23 Indiana-American's case-in-chief filing did not adequately support its expense

1 requests. The inadequacy of the Hyperion system will be more fully discussed in  
2 the pre-filed testimony of OUCC witness Margaret Stull.

3 **Q: If Indiana-American did not provide you with adequate information to**  
4 **support its projected budget, why did you accept Petitioner's forecasted test**  
5 **year expenses for insurance other than group insurance, rents, and building**  
6 **maintenance expense?**

7 A: I was able to obtain support for these forecasted test year expenses through the  
8 discovery process to determine the reasonableness of forecasted future test year  
9 insurance other than group insurance expense, rents expense, and building  
10 maintenance expense. Without this information, I would not have been able to  
11 determine what adjustments needed to be made in order to correctly reflect  
12 forecasted test year expenses.

#### IV. OUCC RECOMMENDATIONS

13 **Q: Please summarize your recommendations.**

14 A: I recommend the following changes in Petitioner's proposed forecasted test year  
15 operating expenses.

16 1. Petitioner's forecasted test year chemical expense should be increased by  
17 4.5% or \$82,548 in order to reflect the increased revenue proposed in the pre  
18 filed testimony of OUCC witness Charles Patrick.

19 2. Petitioner's forecasted test year fuel and power expense should be  
20 increased by 3.9% or \$266,268 in order to reflect the increased revenue proposed  
21 in the pre filed testimony of OUCC witness Charles Patrick.

22 3. Petitioner's forecasted test year customer accounting expense should be  
23 increased by 2.1% or \$55,789 to reflect the increase billings necessitated by the

1 increased revenue proposed in the pre-filed testimony of OUCC witness Charles  
2 Patrick.

3 4. Petitioner's forecasted test year rents expense should be reduced by  
4 1.18% or \$7,329.

5 5. Petitioner's forecasted test year advertising and marketing expense should  
6 be reduced by 20.1% or \$10,903.

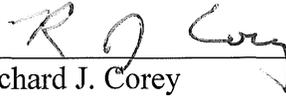
7 6. Petitioner's forecasted future test year property tax expense should be  
8 reduced by 9.8% or \$1,328,487.

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

10 A: Yes.

**AFFIRMATION**

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



\_\_\_\_\_  
Richard J. Corey  
Indiana Office of Utility Consumer Counselor

May 2, 2014

Date

Cause No. 44450  
Indiana-American Water Co., Inc.

Indiana American Water  
Additional Purchased Power and Chemicals due to Additional Water Consumption

Usage per OUCC Billing Determinants Model	33,455,059,000	
Usage per Indiana American Billing Determinants Model	<u>31,881,975,000</u>	
Additional Consumption (Gallons)	<u>1,573,084,000</u>	
Less: Declining Revenue Usage Adjustment (Gallons):		
Residential	(296,510,513)	
Commercial	<u>(198,359,392)</u>	
Net Additional Consumption (Gallons)	<u>1,078,214,095</u>	
	<b>Purchased Power</b>	<b>Chemical Expense</b>
Additional Consumption (Gallons)	1,078,214,095	1,078,214,095
Convert to Hundreds of Cubic Feet (CCF) (7.48 cu feet times 100)	<u>748</u>	<u>748</u>
CCF	1,441,463	1,441,463
Cost per CCF	<u>\$ 0.1487</u>	<u>\$ 0.0461</u>
Additional Expense	\$ 214,346	\$ 66,451
Gross up for lost water of 19.5%	<u>0.8050</u>	<u>0.8050</u>
Total Additional Expense	<u>266,268</u>	<u>82,548</u>
Total billings per OUCC Billing Determinants Model	3,513,780	
Total billings per Indiana American Billing Determinants Model	<u>3,438,996</u>	
Additional customer billings	<u>74,784</u>	
		<b>Customer Accounting</b>
Future Test Year Customer Accounting Expense	\$ 2,610,983	
Divided by Total Future Test Year Billings	<u>3,500,000</u>	
Cost per billing	<u>\$ 0.7460</u>	
Additional Billings		74,784
Times: Cost per billing		<u>\$ 0.7460</u>
Additional Customer Accounting Expense		<u>\$ 55,789</u>

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Page 33, line 5 of Mr. VerDouw's original testimony states that the \$258,642 increase in Insurance Other Than Group Expense is based on guidance from the American Water Risk Management Group. Please provide the guidance from the American Water Risk Management Group, and any documentation that supports or explains this guidance. Please include all analysis, reports and documentation that support this increase, including any Excel spreadsheets with all formulae intact.

**Requested By:** Daniel M. LeVay – dlevay@oucc.in.gov – 317-232-2494  
Scott Franson – sfranson@oucc.in.gov – 317-232-2786  
Tiffany Murray - timurray@oucc.in.gov – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witnesses: Gary M. VerDouw**

**Information Provided:**

AW's insurance brokers provide us with their best estimate of future insurance costs based upon their experience soliciting proposals from the global insurance market for their client database across different industries. At American Water's request, they provided us with their 5 year projections of premium adjustments for the different lines of insurance they broker for the Company.

See Attachment OUC DR 11-007-R1.pdf

American Water Works Company, Inc.  
 Summary of Percentage Changes

<u>Coverage</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Property Insurance *	1.050	1.300	1.030	1.030	1.030
Workers Compensation	1.050	1.050	1.040	1.030	1.030
Assessments	1.040	1.040	1.030	1.030	1.030
Loss					
General Liability	1.050	1.050	1.040	1.030	1.030
Auto Liability	1.050	1.050	1.040	1.030	1.030
Umbrella/Excess Liability *	1.050	1.050	1.040	1.030	1.030
Executive Risk Coverages					
Directors & Officers Liability *					
Errors & Omissions Liability *					
Marsh Consultation Fee	1.020	1.020	1.020	1.020	1.020
Pollution Liability					
Employed Lawyers Liability					
Information Technology Insurance	1.030	1.020	1.020	1.020	1.020
Non Owned Aviation Liability	1.030	1.020	1.020	1.020	1.020
Retro Accrual					

American Water Works Company, Inc.  
Summary of Percentage Changes

<u>Coverage</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Property Insurance *	1.000	1.000	1.000	1.000	1.000
Workers Compensation Assessments	1.000	1.000	1.000	1.000	1.000
Loss	1.000	1.000	1.000	1.000	1.000
General Liability	1.000	1.000	1.000	1.000	1.000
Auto Liability	1.000	1.000	1.000	1.000	1.000
Umbrella/Excess Liability *	1.000	1.000	1.000	1.000	1.000
Executive Risk Coverages	1.000	1.000	1.000	1.000	1.000
Directors & Officers Liability *	10%	5%	0%	0%	0%
Errors & Omissions Liability *	2%	2%	2%	2%	2%
Marsh Consultation Fee	1.000	1.000	1.000	1.000	1.000
Pollution Liability	3%	3%	3%	3%	3%
Employed Lawyers Liability	0%	0%	0%	0%	0%
Information Technology Insurance	1.000	1.000	1.000	1.000	1.000
Non Owned Aviation Liability	1.000	1.000	1.000	1.000	1.000
Retro Accrual	1.00	1.00	1.00	1.00	1.00
Employment Practices	15%	5%	0%	0%	0%
Fiduciary Liability	10%	5%	0%	0%	0%
Crime	0%	0%	0%	0%	0%



Marsh Risk Management Research

MARKET PERSPECTIVE

# UNITED STATES INSURANCE MARKET REPORT 2013



FEBRUARY 2013

 MARSH

 GUY CARPENTER

 MERCER

 OLIVER WYMAN



MARSH & McLENNAN  
COMPANIES

OUC 65-002

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

For the period of December 2014 through November 2015, please show the calculations used to derive the amounts listed in the spreadsheet entitled "2014\_2015 In Plan by month (no rates)" for the following insurance other than group categories:

- a) insurance vehicle,
- b) insurance general liability,
- c) insurance workers compensation,
- d) insurance WC capitalized credits, and
- e) insurance other.

Please incorporate the current policy amounts for each category as found on the spreadsheet entitled "In 2013 rate case IOTG req reporting summary" (Path: 2014 Rate Case Exhibits/expense/insurance other than group) in your response. Please incorporate the summary of percentage changes provided in the attachment entitled OUC 11-007-R1 that was provided in Petitioner's response to OUC Data Request 11-007.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a) The Auto Liability amount on the schedule "In 2013 rate case IOTG req reporting summary" is \$69,137. The percentage increase listed in OUC 11-007-R1 is 5% for 2014 and 2015.  
 $\$69,137 * 1.05 = \$72,594$   
 $\$72,594 * 1.05 = \$76,224$

OUCC 65-002

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Provided (Continued):**

- b) The General Liability amount on the schedule “In 2013 rate case IOTG req reporting summary” is \$678,434. The percentage increase listed in OUCC 11-007-R1 is 5% for 2014 and 2015.

$$\begin{aligned} \$678,434 * 1.05 &= \$712,356 \\ \$712,356 * 1.05 &= \$747,974 \end{aligned}$$

- c) The Workers Compensation amount on the schedule “In 2013 rate case IOTG req reporting summary” is \$255,456. The percentage increase listed in OUCC 11-007-R1 is 4% for 2014 and 2015.

$$\begin{aligned} \$255,456 * 1.04 &= \$265,674 \text{ (rounding)} \\ \$265,674 * 1.04 &= \$276,301 \text{ (rounding)} \end{aligned}$$

- d) The WC Capitalized Credits amount is based on the Workers Compensation amount (in response c) multiplied by the labor cap rate. Please see attached OUCC 65-002-R1.

- e) The Insurance Other calculations are below. The dates of these policies vary, and are not all based on the calendar year. As a result, the 2013 amount, which was used to determine the 2014 and 2015 budgets, include actual and budgeted amounts. The actual amounts are the ones that are found on the schedule “In 2013 rate case IOTG req reporting summary” and the percent change values match those listed in OUCC 11-007-R1.

	<u>Property</u>	<u>Excess Casualty</u>	<u>Executive Risk</u>	<u>Consultation Fee</u>	<u>D&amp;O</u>	<u>Pollution</u>	<u>Employed Lawyers</u>	<u>Information Technology</u>	<u>Total Insurance Other</u>
2013 Actual	\$583,124	\$174,086		\$ 14,896	\$ 17,066			\$ 12,134	
2013 Budget			\$ 17,807			\$ 5,021	\$ 1,762		
% Change	<u>1.05</u>	<u>1.05</u>	<u>1.15</u>	<u>1.02</u>	<u>1.10</u>	<u>1.03</u>	<u>1.00</u>	<u>1.03</u>	
2014 Budget	\$612,280	\$182,790	\$ 20,478	\$ 15,194	\$ 18,773	\$ 5,172	\$ 1,762	\$ 12,498	\$868,947
% Change	<u>1.05</u>	<u>1.05</u>	<u>1.05</u>	<u>1.02</u>	<u>1.05</u>	<u>1.03</u>	<u>1.00</u>	<u>1.02</u>	
2015 Budget	\$642,894	\$191,930	\$ 21,502	\$ 15,498	\$ 19,711	\$ 5,327	\$ 1,762	\$ 12,748	\$911,372

**Cause No. 44450  
Attachment RJC-4  
Page 3 of 3**

Cause No. 44450  
OUCC 65-002-R1  
Page 1 of 1

**2014 Insurance Workers Compensation**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A55720000_Insurance Workers Compensation	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 22,140	\$ 265,676
Labor Cap Rate	-29.1%	-29.2%	-29.6%	-29.9%	-29.8%	-30.0%	-29.5%	-29.3%	-29.1%	-28.9%	-29.0%	-28.9%	
WC capitalization	\$ (6,436)	\$ (6,460)	\$ (6,551)	\$ (6,611)	\$ (6,587)	\$ (6,635)	\$ (6,529)	\$ (6,480)	\$ (6,438)	\$ (6,396)	\$ (6,416)	\$ (6,392)	\$ (77,931)

**2015 Insurance Workers Compensation**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A55720000_Insurance Workers Compensation	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 276,304
Labor Cap Rate	-28.5%	-28.6%	-29.0%	-29.3%	-29.2%	-29.4%	-28.9%	-28.7%	-28.5%	-28.3%	-28.4%	-28.3%	
WC capitalization	\$ (6,553)	\$ (6,590)	\$ (6,687)	\$ (6,749)	\$ (6,723)	\$ (6,776)	\$ (6,664)	\$ (6,611)	\$ (6,565)	\$ (6,523)	\$ (6,542)	\$ (6,516)	\$ (79,497)

Cause No 44450  
OUCC 11-009-R1  
Page 1 of 1

(000's)  
Groundskeeping  
Janitorial  
Trash Removal  
All other  
Total building and maintenance

Base Year	Test Year	Change
\$ 326	\$ 261	\$ (65)
139	115	(24)
30	23	(7)
550	548	(3)
<u>\$ 1,045</u>	<u>\$ 946</u>	<u>\$ (99)</u>

OUC 64-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Regarding the attachment entitled OUC 11-009-R1 that was provided in response to OUC Data Request No. 11-009:

- a. Were the grounds keeping and janitorial services contracted services prior to being brought in to be performed by in house staff? If yes, please provide a copy of all executed contracts that addressed grounds keeping and janitorial services for twelve months ended September 30, 2013.
- b. What do "all other" services consist of?

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. No, the grounds keeping and janitorial services were not performed pursuant to written contracts before being brought in to be performed by in house staff.
- b. "All other" includes Electricity, Heating Oil/Gas, Security Service, and Water and WW.

Cause No 44450  
OUCC 11-012-R1  
Page 1 of 1

**Rent proforma adjustment**

Greenwood corporate office annual expense increase	\$ 5,256
Greenwood corporate office March 2013 reversal of prior year "additional rent" accrual	29,700
Other	(946)
	<u>\$ 34,010</u>

OUC 47-021

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In response to OUC Data Request No. 8.14, Petitioner provided a list of services that Indiana-American provides to Michigan-American Water. Please provide the cost charged to Michigan-American for each of the services stated in this response for the years 2009, 2010, 2011, 2012 and 2013, including labor, overhead, Greenwood office rent, employee expenses, software, hardware, and any other costs charged to Michigan-American.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gary M. VerDouw**

**Information Provided:**

Below is the Greenwood office rent that Indiana-American charged to Michigan-American for the years 2009, 2010, 2011, 2012 and 2013.

Year	Amount
2009	\$ 4,654
2010	\$ 5,190
2011	\$ 4,931
2012	\$ 4,943
2013	\$ 5,044

Indiana-American provides minimal services to Michigan-American. The level of service provided is estimated to be 20 hours per year or \$1,170. Indiana-American did not charge Michigan-American for these services in 2009, 2010, 2011, 2012 or 2013 due to the minimal amount.

OUCC 64-003

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In its response to OUCC Data Request No. 11-12, Petitioner indicated that the forecasted test period increase over the base period amount could be broken out as follows:

Greenwood Corp Office Rent Increase	\$5,256
Reversal of prior year "Additional Rent" Accrual	29,700
Other	<u>(946)</u>
	<u>\$34,010</u>

- a. Please explain why the rent increase does not match the \$6,925 increase in Amendment No. 2 to lease found in Petitioner's attachment OUCC 11-102-R2.
- b. Please provide a full explanation including documentation and calculations regarding how the \$29,700 prior year "Additional Rent" accrual was calculated.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The \$6,925 represents 100% of the base rent increase in Amendment No. 2 in the lease found in Petitioners attachment OUCC 11-012-R2. The Company allocates the base rent between Indiana American expense (67%), Indiana American capital (32%), and Michigan American expense (1%). Therefore only 67% of the base rent is included in the Indiana American Water Company forecasted test year rent expense. In addition, the Company pays additional rent per the lease agreement. Additional rent is included in the forecasted test year and is allocated in the same methodology as the base rent.

Indiana American Water  
Rents Expense

Petitioner's Adjusted Future Test Year Rents Expense a/o 11/30/2015		\$ 619,064
Less:	Rental Increase per Lease - 2015	\$ 6,925
	Less Allowed Amount (67%)	<u>\$ (4,640)</u> (2,285)
	Rents Charged to Michigan American	<u>(5,044)</u>
OUCC's Adjusted Future Test Year Rents Expense a/o 11/30/2015		<u><u>\$ 611,735</u></u>

OUCC 28-005

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Please explain in detail, including calculations, the assumptions that support the 35% increase in advertising and marketing expense from \$40,245 in the twelve months ended September 30, 2013 to \$54,201 in the forward looking test period consisting of the twelve months ended November 30, 2015 as shown on Petitioner's Exhibit GPR-4, Schedule 5, Line 11.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

The Company's average annual advertising and marketing expense for the period 2009 thru 2012 was \$53,415. The test year change to the average advertising and marketing expense is only \$786, or 1.5%.

OUCC 88-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Page 3 of 12 Petitioner's MSFR #33 entitled "Advertising Expense by Category," there is a reference to "Subject D – Other advertising programs". Please describe what expenditures the category "Other Advertising Programs" consists of.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

D – Other advertising programs are advertising expense items that do not fall under Public Health & Safety, Conservation, or Explanation of rates, billing practices & other administrative matters.

Some examples of D – Other Advertising programs include:

- Promotional advertising specialty items that promote our website, phone number, wise water use, etc.
- Sponsorships of events/organizations that include our logo and possibly our website/phone number
- Ads in community maps & directories that promote our phone number or website-- how to get in touch with us
- Ads to notify customers we are flushing water mains/fire hydrants in their community.
- Company name signs at facilities/buildings

All of this information was provided to OUCC Staff during their on-site discovery review session in Indiana American's Greenwood office on Friday, March 7, 2014.

Indiana American Water  
Advertising and Marketing Expense

Petitioner's Adjusted Future Test year a/o 11/30/15		\$	54,201
Less: Amount benefiting both rate payers and share holders (40.23%)		\$	21,805
Less: Amount benefiting shareholders (50%)		\$	<u>10,903</u>
			(10,903)
 OUCC's Adjusted Future Test Year Advertising and Marketing Expense a/o 11/30/15		\$	<u>43,298</u>

**Cause No. 44450**  
**Attachment RJC-11**  
**Page 1 of 1**

Cause No . 44450  
 OUC 042-001-R1  
 Page 1 of 1

<u>Year End</u>	<u>Year Accrued</u>	<u>Year Paid</u>	<u>UP book basis</u>	<u>Tax basis</u>	<u>Tax Basis % of UP book</u>	<u>Real Estate Assmt</u>	<u>Personal Assmt</u>	<u>Total Assmt</u>	<u>Real taxes paid</u>	<u>Pers taxes paid</u>	<u>Total taxes paid</u>	<u>Total state blended rate</u>	
12/31/2011	2012	2013	\$1,207,846,818	\$920,028,972	76%	\$44,083,550	\$355,760,830	\$399,844,380	\$1,029,255	\$9,695,096	\$10,724,351	2.7%	est

**Cause No. 44450**  
**Attachment RJC-12**  
**Page 1 of 1**

**Indiana American**  
**2014 - 2015 Property Tax Projection**

2014													
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Baseline - 2013 pay 2014 (current accrual)	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 985,955.70	\$ 11,831,468.40
2014 additions	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 77,710.56	\$ 932,526.75
	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 12,763,995.15

2014 net capex \$ 52,515,541  
 Avg retirements \$ (7,070,768)  
 \$ 45,444,773  
 % applicable 76%  
 Incremental property \$ 34,538,028  
 State blended rate 2.7%

2015													
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
base - 2014 pay 2015	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 1,063,666.26	\$ 12,763,995.15
2015 additions	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 68,898.47	\$ 826,781.69
	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 1,132,564.74	\$ 13,590,776.84

2015 net capex \$ 47,362,273  
 Avg retirements \$ (7,070,768)  
 \$ 40,291,506  
 % applicable 76%  
 Incremental property \$ 30,621,544  
 State blended rate 2.7%

**Corey, Richard**

---

**From:** Gregory.Roach@amwater.com  
**Sent:** Monday, April 14, 2014 5:04 PM  
**To:** Corey, Richard  
**Cc:** Stull, Margaret; Melissa.Schwarzell@amwater.com; Donald.Petry@amwater.com; Jermaine.Bates@amwater.com; Gary.Verdouw@amwater.com; Nicholas.Kile@BTLaw.com; Hillary.Close@BTLaw.com; Cristy.Wheeler@amwater.com; Edward.Haye@amwater.com  
**Subject:** Re: Property Taxes - OUCC 042-001-R1  
**Attachments:** pic16944.gif

Rich:

Following up on our conversation of Friday morning, here is what I have gathered related to your questions on OUCC 042-001-R1:

1) How is the \$920,028,972 tax basis derived?

-This is the total plant on which we file the property tax return. It is different than the plant per books by any adjustments needed for the filing.

2) Specifically, can you tell me the difference between the amount you show for year end 12/31/2011 Tax Basis (\$920,028,972), and the assessed amounts shown for real estate and personal property totaling \$399,844,380 (\$44,083,550 real estate plus \$355,760,860 personal property)?

-The differences is that the \$355,760,830 is the final assessment after county-level adjustments, whereas the \$356,028,640 is the initial State assessment and filing before county level adjustments.

3) The DR response lists \$44,083,550 as Real Estate assessment for IAWC. What form or filing can the OUCC use to link the Real Estate Assessment with the \$1,029,256 of property taxes paid?

-OUCC 42-001-R1 was a forecasting document, and this assessed value may not have been finalized on it. The total real property assessed value for this year was \$43,820,450, as detailed in response to OUCC 04-010-R1 page 4. The total Real Taxes paid were \$1,026,775 (a subset of the total \$10,721,871 listed on OUCC 04-010-R1 page 4). The documents to support these real taxes paid, which are only \$3k less than the forecasting spreadsheet, are available, but collecting them requires a fair bit of shared services labor. If that level of detail is desired by the OUCC, I would recommend a formal request to have that data pulled together.

Please let me know if you have any further questions about the property tax calculation and the IAWC response to OUCC 42-001-R1.

Best,

Greg

(Embedded image moved to file: pic16944.gif)

Gregory Roach |  
Manager - Rates and |

Regulation

American Water Works  
Co.555 East County  
Line Road  
Greenwood, IN 46142

Work: 317-885-2420  
Mobile: 317-694-6801  
Direct: 7-478-2420 (VOIP)  
[Gregory.Roach@amwater.com](mailto:Gregory.Roach@amwater.com)

From: "Corey, Richard" <[rcorey@oucc.IN.gov](mailto:rcorey@oucc.IN.gov)>  
To: "[gregory.roach@amwater.com](mailto:gregory.roach@amwater.com)" <[gregory.roach@amwater.com](mailto:gregory.roach@amwater.com)>,  
Cc: "Stull, Margaret" <[mstull@oucc.IN.gov](mailto:mstull@oucc.IN.gov)>  
Date: 04/10/2014 02:03 PM  
Subject: Property Taxes - OUCC 042-001-R1

Hi Greg - I would like to ask a question about attachment OUCC 042-001-R1 which was provided in response to OUCC Data Request No. 42-1.

Specifically, can you tell me the difference between the amount you show for year end 12/31/2011 Tax Basis (\$920,028,972), and the assessed amounts shown for real estate and personal property totaling \$399,844,380 (\$44,083,550 real estate plus \$355,760,860 personal property)?

Thanks

RIch

Indiana American Water  
Property Tax Expense

12/31/11 Utility Plant Book Basis	\$	1,207,846,818	(A)		
12/31/11 Tax Basis	\$	920,028,972	(B)	76.17%	(B) / (A)
12/31/11 Assessed Value	\$	399,844,380	(C)	43.46%	(C) / (B)
Total Taxes Paid	\$	10,724,351	(D)	2.68%	(D) / ©

Note: Data per Petitioner's response to OUCC Data Request No. 42-1

	<u>OUCC</u>		<u>Petitioner</u>
Actual Utility Plant in Service at 3/31/14 as adjusted	\$ 1,353,769,268	Petitioner Projected UPIS at 11/30/15	\$ 1,420,118,315
Add: Major Project	12,000,000		
2014 Specified Additions	<u>7,510,000</u>		
OUCC Proposed Utility Plant in Service	1,373,279,268	Petitioner Proposed UPIS	<u>1,420,118,315</u>
Utility Plant in Service at 12/30/11	<u>1,207,846,818</u>	Utility Plant in Service at 12/30/11	<u>1,207,846,818</u>
Increase in Utility Plant in Service (UPIS)	165,432,450	Increase in Utility Plant in Service (UPIS)	212,271,497
Times: 76.17%	<u>x 76.17%</u>	Times: 76%	<u>x 76.00%</u>
Tax Basis of Increase in UPIS	126,011,548	Tax Basis of Increase in UPIS	161,326,338
Times: 43.46%	<u>x 43.46%</u>	Times: 43.46%	<u>x 43.46%</u>
Assessed Value of Increase in UPIS	54,764,590	Assessed Value of Increase in UPIS	70,112,389
Times: 2.68%	<u>x 2.68%</u>	Times: 2.70%	<u>x 2.70%</u>
Estimated Additional Tax on UPIS Increase	1,468,858	Estimated Additional Tax on UPIS Increase	1,893,035
Taxes Paid on 2011 UPIS	<u>10,724,351</u>	Taxes Paid on 2011 UPIS	<u>10,724,351</u>
Total Estimated Taxes due in 2015	12,193,209	Total Estimated Taxes due in 2015	12,617,386
Less: Petitioner's Property Tax Expense	13,521,696	Less: Petitioner's Property Tax Expense	13,521,696
OUCC Proposed Adjustment	<u>\$ (1,328,487)</u>	Overstatement of Projected Taxes	<u>\$ (904,310)</u>

OUCC 56-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

On page 55, lines 3 through 15, of Mr. Gregory P. Roach's testimony, he states, "The test year expense was developed by auditing the Company's telecommunications services, modifying contracts, and deleting unnecessary lines." With reference to this statement, please respond to the following:

- a. Please describe in detail the "audit" of the Company's telecommunications services that Mr. Roach described.
- b. Please provide detailed results, evaluation, analysis and/or documentation of the audit used to support the "test year expense."
- c. Please describe and provide a detailed breakdown of the modifications made to contracts, as referenced by Mr. Roach.
- d. Please describe in detail how the Company determined that certain lines were unnecessary.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The audit of telecommunications services performed by the Company was initiated by obtaining a list of phone lines and telecommunications contracts for which the Company was incurring costs. The list of phone lines was audited by the Company's IT organization in conjunction with operational and functional organization employees. The phone lines were reviewed for usage, location, and business requirements. Telecommunications contracts were reviewed by the Company's operations personnel and the American Water Works Company, Inc. and its regulated subsidiaries' supply chain organization focusing on contract expiration dates as well as cost of service.

OUC 56-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Provided (Continued):**

- b. See attachment OUC 56-001-R1.
  
- c. As part of the telecommunications contract audit, it was determined that a contract had expired and the Company was being charged tariff rates vs lower contractual rates. The American Water supply chain organization renegotiated the contract resulting in an annual reduction in costs of \$36k.
  
- d. The Company's IT organization performed the audit of telecommunications lines by reviewing past usage, determining the lines with low or no usage and discussing the business needs for the telecommunication lines with the impacted organization as well as within the IT organization. Lines that were deemed unnecessary for business purposes were disconnected.

Cause No. 44450  
Attachment RJC-16  
Page 1 of 8

Cause No. 44450  
OUCC 56-001-R1  
Page 1 of 8

Indiana American Water  
Telecommunication Line Elimination

ACCOUNT	NUMBER	IDENTIFIER	TERMINAL	TYPE	ADDRESS	CITY	STATE	ZIP	DESCRIPTION	AMOUNT	DATE	STATUS	REMARKS	
10	000000.52574100.E10-1600-100113	195904	PORT	AT&T	80018253114	Richmond	IN		T1	\$	-	N	Do not disconnect	Q3 2013 Richmond
10	000000.52574100.E10-1600-100113	195915	PORT	AT&T	80018253114	Crawfordsville	IN		Circuit - T1	\$	-	N	Do not disconnect	Q4 2012 Crawfordsville
10	000000.52574100.E10-1600-100113	195916	PORT	AT&T	80018253114	Noblesville	IN			\$	-	N		Noblesville
10	000000.52574100.E10-1600-100113	195919	PORT	AT&T	80018253114	Shelbyville	IN			\$	-	N		Shelbyville
10	000000.52574100.E10-1600-100113	195920	PORT	AT&T	80018253114	Terre Haute	IN		T1	\$	-	N	Do not disconnect	Q3 2013 Terre Haute
10	000000.52574100.E10-1600-100113	195922	PORT	AT&T	80018253114	Newburgh	IN		T1 port	\$	-	N	Do not disconnect	Q3 2013 Newburgh
10	000000.52574100.E10-1600-100113	195924	PORT	AT&T	80018253114	Kokomo	IN		T1	\$	-	N	Do not disconnect	Q3 2013 Kokomo
10	000000.52574100.E10-1600-100113	197625	PORT	AT&T	80018253114	Muncie	IN		T1 port	\$	-	N	Do not disconnect	Q3 2013 Muncie
10	000000.52574100.E10-1600-100113	381958	Port	AT&T	80018253114	Warsaw	IN		\$250.80 (excluding tax) SPW - Old circuit - disconnect	\$ 250.80	\$ 3,009.60	Y	Y	Q4 2012 Warsaw
10	000000.52574100.E10-1600-100113	381959	PORT	AT&T	80018253114	Mooresville	IN		T1 port	\$	-	N	Do not disconnect	Q3 2013 Mooresville
10	000000.52574100.E10-1600-100113	483317	PORT	AT&T	80018253114	Wabash	IN			\$	-	N		Wabash
10	000000.52574100.E10-1600-100113	891317	PORT	AT&T	80018253114	Seymour	IN		port for current T1	\$	-	N		Seymour
10	000000.52574100.E10-1600-100113	1176694	PORT	AT&T	80018253114	Portage	IN		T1 - port	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574100.E10-1600-100113	1176695	PORT	AT&T	80018253114	Greenwood	IN		T1	\$	-	Y	Y	Q3 2013 Johnson County
10	000000.52574100.E10-1600-100113	1176697	PORT	AT&T	80018253114	Jeffersonville	IN		T1 port	\$	-	N	Do Not Disconnect	Q3 2013 Southern IN
10	000000.52574100.E10-1600-100113	1526630	PORT	AT&T	VPAWW	West Lafayette	IN		T1	\$	-	N	Do Not Disconnect	Q2 2013 West Lafayette
10	000000.52574100.E10-1600-100113	1654429	PORT	AT&T	VPAWW	Greenwood	IN		port for T1	\$	-	N	Do Not Disconnect	Johnson County
10	000000.52574100.E10-1600-100113	2032018	PORT	AT&T	VPAWW	Warsaw	IN		T1	\$	-	N	Do Not Disconnect	Q4 2012 Warsaw
10	000000.52574100.E10-1600-100113	2159313	PORT	AT&T	VPAWW	Gary	IN		T1	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574100.E10-1600-100113	2159321	PORT	AT&T	VPAWW	Gary	IN		T1 - port	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1100-109005	2197620707	POTS	Granite	02327728	Portage	IN			\$	-	N		NW
10	000000.52574000.E10-1100-109006	2197628335	POTS	Granite	02327728	Portage	IN			\$	-	N		NW
10	000000.52574000.E10-1100-109006	2197628344	POTS	Granite	02327728	Portage	IN			\$	-	N		NW
10	000000.52574000.E10-1100-109005	2197631126	POTS	Granite	02327728	Portage	IN		Fax Line - Operator Fax	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2197639566	POTS	Granite	02072804	Portage	IN			\$	-	N		NW
10	000000.52574000.E10-1600-109005	2198812200	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812201	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812202	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812203	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812204	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812205	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812206	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812207	Centrex	AT&T	21988122097119	Gary	IN		Busy signal	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812208	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812209	Centrex	AT&T	21988122097119	Gary	IN		BTN - cashier fax	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812210	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812211	Centrex	AT&T	21988122097119	Gary	IN		Fax Line - Park Station operator	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812212	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812213	Centrex	AT&T	21988122097119	Gary	IN		Fax Line - COE People - Paul Anderson, Chris ducret, etc.	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812214	Centrex	AT&T	21988122097119	Gary	IN		ADT	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812215	Centrex	AT&T	21988122097119	Gary	IN		MSG: Number has been disconnected	\$ 59.12	\$ 709.44	Y	Y	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812216	Centrex	AT&T	21988122097119	Gary	IN		Elevator	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812220	DID	AT&T	219R1049505380	Gary	IN		Incoming Line for Municipal use - Fire- Police -2198812220 became a DID on PRI 2-25-11 - (me) called- service center answered	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812227	Centrex	AT&T	21988122097119	Gary	IN		Fax line - Ops Supervisors	\$	-	N	Do not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812234	LINE	AT&T	21988122097119	Gary	IN		ADT	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812261	LINE	AT&T	21988122097119	Gary	IN		Production FAX	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198812270	LINE	AT&T	21988122097119	Gary	IN		OOB	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198851469	LINE	AT&T	21988122097119	Gary	IN		Backup outgoing 1 - disco phone system	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198851470	LINE	AT&T	21988122097119	Gary	IN		Backup outgoing 2 - disco phone system	\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000.52574000.E10-1600-109005	2198851472	LINE	AT&T	21988122097119	Gary	IN		Backup outgoing 3 - disco phone system	\$	-	N	Do Not Disconnect	Q3 2013 NW

Cause No. 44450  
Attachment RJC-16  
Page 2 of 8

Cause No. 44450  
OUCC56-001-RL  
Page 2 of 8

Indiana American Water  
Telecommunication Line Elimination

ACC	CD	CDG	WBS	IDENTIFIER	LINE NAME	CARRIER	ACQUISITION NUMBER	CITY	NOTES	Q	Y	Q3 2013	LOCATION	
10	000000	52574000	E10-1600-109005	2198851473	POTS	AT&T	21988122097119	Gary	Service center - Backup Line(PA)	\$	-	n	NW	
10	000000	52574000	E10-1600-109005	2198851475	POTS	AT&T	21988122097119	Gary	Service center - main line - backup line	\$	-	n	NW	
10	000000	52574000	E10-1600-109005	2198851487	POTS	AT&T	21988122097119	Gary	Service center - Phone system - backup line(PA) - (me) fast busy	\$	-	n	NW	
10	000000	52574000	E10-1600-109005	2198852506	LINE	AT&T	21988122097119	Gary	Direct dial to operator both to fire-policeMaster - (me)borman park operator booth - pump room	\$	-	N	Do Not Disconnect Q3 2013 NW	
10	000000	52574000	E10-1600-109005	2198861410	LINE	AT&T	219R1049505380	Gary	msg: you have reached a non-working number	\$ 59.12	\$	709.44	Y	Q3 2013 NW
10	000000	52574000	E10-1600-109005	2198861592	POTS	Granite	02143984	Gary		\$	-	n	NW	
10	000000	52574000	E10-1600-109005	2198863770	LINE	AT&T	219R1049505380	Gary	main line - phone system	\$	-	N	Do Not Disconnect Q3 2013 NW	
10	000000	52574000	E10-1600-109005	2198863774	LINE	AT&T	21988122097119	Gary	Backup outgoing 4 - (me)Fast busy - verified that outbound works.	\$	-	N	Do Not Disconnect Q3 2013 NW	
10	000000	52574000	E10-1100-109001	2198882994	POTS	Nitco	2022640	Crown Point		\$	-	n	NW	
10	000000	52574000	E10-1600-104506	2605632046	POTS	Frontier	26056320460101655	Wabash	Auto dialer for plant alarms	\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	2605633177	POTS	Frontier	2605636610101655	Wabash	Direct Fax line	\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	2605634358	POTS	Granite	02072905	Wabash		\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	2605636611	POTS	Frontier	2605636610101655	Wabash	rolis to 2605636611 - Caller ID	\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	2605637122	POTS	Granite	02072907	Wabash		\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	26056390318	POTS	Frontier	2605636610101655	Wabash	rolis to 2605636611 - Caller ID	\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	26056390571	POTS	Frontier	133600267917690103	Wabash	SCADA line	\$	-	n	Wabash	
10	000000	52574000	E10-1600-104506	26056399360	POTS	Frontier	2605636610101655	Wabash	Communication fax line	\$	-	n	Wabash	
10	000000	52574000	E10-1600-100105	3170052878	LINE	AT&T	317886E+13	Greenwood		\$	-	n	Johnson County	
10	000000	52574000	E10-1600-105505	3170850700	Foreign Listing	AT&T	21988122097119	Greenwood	Foreign Listing (3) \$24 MRC	\$	-	n	Johnson County	
10	000000	52574000	E10-1100-105501	3173466104	POTS	CenturyLink	3173466392695	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1100-105501	3173466391	POTS	CenturyLink	3173466392695	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1600-105505	3173466392	POTS	CenturyLink	3173466392695	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1100-105501	3173466519	POTS	CenturyLink	3173466392695	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1600-106505	3173920711	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-104605	3173922169	POTS	Granite	02072858	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-106505	3173922614	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-106505	3173922812	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-106505	3173923277	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-106505	3173925991	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1600-106505	3173925982	POTS	Granite	02080976	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1300-106501	3177295478	LINE	CenturyLink	313246017	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1300-106501	3177295522	LINE	CenturyLink	313246017	Shelbyville		\$	-	n	Shelbyville	
10	000000	52574000	E10-1400-105505	3177366164	POTS	CenturyLink	3177366164350	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1100-105501	3177382435	POTS	CenturyLink	3177382435714	Franklin		\$	-	n	Johnson County	
10	000000	52574000	E10-1600-106005	3177703710	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177703711	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177703712	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177703713	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177732434	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106005	3177732497	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106005	3177732861	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177732862	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177734445	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177760339	POTS	AT&T	31777603399801	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106005	3177761391	POTS	AT&T	31777603399801	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106005	3177761494	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-106001	3177764397	POTS	AT&T	31777328615360	Noblesville		\$	-	n	Noblesville	
10	000000	52574000	E10-1600-105805	3178313385	Centrex	AT&T	31783133856567	Mooreville	Phone System - Main Line	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178314063	Centrex	Granite	02081000	Mooreville	OOB	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178319862	Centrex	AT&T	31783133856567	Mooreville	Fax	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178341397	Centrex	AT&T	31783133856567	Mooreville	SCADA - computer modem	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178344015	Centrex	AT&T	31783133856567	Mooreville	Phone System and ADT line - now just ADT	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178344016	Centrex	AT&T	31783133856567	Mooreville	Phone System	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178344017	Centrex	AT&T	31783133856567	Mooreville	SCADA modem-secondary alarm - now just phone system	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105805	3178344018	Centrex	AT&T	31783133856567	Mooreville	Phone System	\$	-	N	Do Not Disconnect Q3 2013 Mooreville	
10	000000	52574000	E10-1600-105505	3178354215	POTS	Granite	02081001	Boggsstown	London Road - storage closet - can get rid of - not used	\$ 44.80	\$	537.60	Y	Q3 2013 Johnson County

D

Do Not Disconnect

Y

Q3 2013







Cause No. 44450  
Attachment RJC-16  
Page 6 of 8

Cause No. 44450  
OUCC 56-001-R1  
Page 6 of 8

Indiana American Water  
Telecommunication Line Elimination

GOV	ACCOUNT NO	IDENTIFIER	TYPE/NAME	CARRIER	ACCOUNT NUMBER	CITY	NOTES	AMOUNT	STATUS	DISCONNECT DATE	DISCONNECT REASON	
10	000000.52574000.E10-1600-107501	8122846083	ISDN BTN	AT&T	812R0904159597	Jeffersonville	Billing Telephone number for ISDN circuit	\$	-	N	Do Not Disconnect	Q3 2013 Southern IN
10	000000.52574000.E10-1600-107505	8122849082	POTS	Granite	02080978	Jeffersonville	SCADA Autodialer - dialer 1	\$	-	N	Do Not Disconnect	Q3 2013 Southern IN
10	000000.52574000.E10-1600-107005	8124780704	POTS	Frontier	81223234540101655	Terre Haute	SCADA line - Win911	\$	-	N	Do Not Disconnect	Q3 2013 Terre Haute
10	000000.52574000.E10-1600-107005	8124782247	POTS	Frontier	81223234540101655	Terre Haute	ADT (TYCO) Autodialer - DMARC in plant	\$	-	N	Do Not Disconnect	Q3 2013 Terre Haute
10	000000.52574000.E10-1600-108505	8125221680	POTS	Frontier	81252295960519975	Seymour	OOB	\$	-	n		Seymour
10	000000.52574000.E10-1300-108501	8125225092	POTS	Granite	02072943	Seymour		\$	-	n		Seymour
10	000000.52574000.E10-1600-108505	8125225279	POTS	Frontier	81252295960519975	Seymour	phone system - line - current office not vine st.	\$	-	n		Seymour
10	000000.52574000.E10-1600-108505	8125225685	POTS	Frontier	81252295960519975	Seymour	Office fax - current office not vine st.	\$	-	n		Seymour
10	000000.52574000.E10-1600-108505	8125228572	POTS	Frontier	81252295960519975	Seymour	phone system - line - current office not vine st.	\$	-	n		Seymour

D



Cause No. 44450  
Attachment RJC-16  
Page 8 of 8

Cause No. 44450  
OUCC 56-001-R1  
Page 8 of 8

Indiana American Water  
Telecommunication Line Elimination

CD	OUCC#	LINE#	IDENTIFIER	LINE#	CARRIER	ACCOUNT NUMBER	LINE#	OFFICE	AMOUNT	DATE	STATUS	REMARKS	DATE	LOCATION	
10	000000	52574100	E10-1600-100113	DHEC161235ATI	aVPN	AT&T	80018253049	West Lafayette	T1		\$	-	N	Do not disconnect	Q2 2013 West Lafayette
10	000000	52574100	E10-1600-100113	DHEC361979811ATI	aVPN	AT&T	80018253080	Greenwood	4 x T1		\$	-	N	Do not disconnect	Q3 2013 Johnson County
10	000000	52574100	E10-1600-100113	DHEC361979812ATI	aVPN	AT&T	80018253080	Greenwood	4 x T1		\$	-	N	Do not disconnect	Q3 2013 Johnson County
10	000000	52574100	E10-1600-100113	DHEC361979813ATI	aVPN	AT&T	80018253080	Greenwood	4 x T1		\$	-	N	Do not disconnect	Q3 2013 Johnson County
10	000000	52574100	E10-1600-100113	DHEC361979814ATI	aVPN	AT&T	80018253080	Greenwood	4 x T1		\$	-	N	Do not disconnect	Q3 2013 Johnson County
10	000000	52574100	E10-1600-100113	DHEC394804ATI	aVPN	AT&T	80018253114	Seymour	current T1 circuit at 7174 N 760		\$	-	n		Seymour
10	000000	52574100	E10-1600-100113	DHEC534422ATI	aVPN	AT&T	80018253114	Terre Haute	T1		\$	-	N	Do not disconnect	Q3 2013 Terre Haute
10	000000	52574100	E10-1600-100113	DHEC534423ATI	aVPN	AT&T	80018253114	Richmond	T1		\$	-	N	Do not disconnect	Q3 2013 Richmond
10	000000	52574100	E10-1600-100113	DHEC534424ATI	aVPN	AT&T	80018253114	Muncie	T1		\$	-	N	Do not disconnect	Q3 2013 Muncie
10	000000	52574100	E10-1600-100113	DHEC537339ATI	aVPN	AT&T	80018253114	Crawfordsville	Circuit - T1		\$	-	N	Do not disconnect	Q4 2012 Crawfordsville
10	000000	52574100	E10-1600-100113	DHEC536020ATI	aVPN	AT&T	80018253114	Kokomo	T1		\$	-	N	Do not disconnect	Q3 2013 Kokomo
10	000000	52574100	E10-1600-100113	DHEC536022ATI	aVPN	AT&T	80018253114	Noblesville			\$	-	n		Noblesville
10	000000	52574100	E10-1600-100113	DHEC538675ATI	aVPN	AT&T	80018253114	Wabash			\$	-	n		Wabash
10	000000	52574100	E10-1600-100113	DHEC538677ATI	aVPN	AT&T	80018253114	Warsaw	\$258.81 (excluding tax) SPW - Old circuit - disconnect	\$ 258.81	\$	3,105.72	Y	Y	Q4 2012 Warsaw
10	000000	52574100	E10-1600-100113	DHEC540127ATI	aVPN	AT&T	80018253114	Newburgh	T1		\$	-	N	Do not disconnect	Q3 2013 Newburgh
10	000000	52574100	E10-1600-100113	DHEC541515ATI	aVPN	AT&T	80018253114	Portage	T1		\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000	52574100	E10-1600-100113	DHEC541579ATI	aVPN	AT&T	80018253114	Greenwood	T1		\$	-	Y	Y	Q3 2013 Johnson County
10	000000	52574100	E10-1600-100113	DHEC541602ATI	aVPN	AT&T	80018253114	Jeffersonville	T1		\$	-	N	Do not disconnect	Q3 2013 Southern IN
10	000000	52574100	E10-1600-100113	DHEC556279ATI	aVPN	AT&T	80018253114	Shelbyville			\$	-	n		Shelbyville Corporate
10	000000	52574100	E10-1600-100113	DHEC520877ATI	CIRCUIT	AT&T	80018253049	Seymour	Frame Relay ckt - Validate if it should be disconnected since there is a aVPN ckt		\$	-	n		
10	000000	52574100	E10-1600-100113	DHEC622565ATI	aVPN	AT&T	80018253114	Mooresville	T1		\$	-	N	Do Not Disconnect	Q3 2013 Mooresville
10	000000	52574100	E10-1600-100113	DHEC723084811ATI	aVPN	AT&T	80018253049	Gary	T1		\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000	52574100	E10-1600-100113	DHEC723084812ATI	aVPN	AT&T	80018253049	Gary	T1		\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000	52574100	E10-1600-100113	DHEC725552811ATI	aVPN	AT&T	80018253049	Gary	T1		\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000	52574100	E10-1600-100113	DHEC725552812ATI	aVPN	AT&T	80018253049	Gary	T1		\$	-	N	Do Not Disconnect	Q3 2013 NW
10	000000	52574100	E10-1600-100113	DHEC741543ATI	aVPN	AT&T	80018253049	Warsaw	T1		\$	-	Y	Y	Q4 2012 Warsaw NW
10	000000	52574000	E10-1600-100105	DHZAC00159NB	CIRCUIT	AT&T	21988122097119	Gary	part of DID circuit		\$	-	n		
10	000000	52574000	E10-1100-102501	F0DA004072GTIN	CIRCUIT	Frontier	21911129400131925	Richmond	Moved in 1994? Will cancel with other circuits after tanogee replies to other emails (9/17/13) 2 end -2580 Henriot Rd, Georgetown, IN - Georgetown tank-wireless now - disconnect?	\$ 70.60	\$	847.20	Y	Y	Q4 2013 Richmond
10	000000	52574000	E10-1600-107505	LGGS42325INB	CIRCUIT	AT&T	2195889442442	New Albany			\$	-	n		Southern IN
10	000000	52574000	E10-1100-102501	OSMG003167GTIN	CIRCUIT	Frontier	21907865740623955	Richmond			\$	-	n		Richmond
10								Gary	AVAYA contract - cancelled in 2012	\$ 4,322.07	\$	51,864.84	Y	Y	Q4 2011 NW

\$ 89,308.08

**Cause No. 44450**  
**Attachment RJC-17**  
**Page 1 of 3**

Page 1 of 3

From: Gregory.Roach@amwater.com  
Sent: Thursday, April 17, 2014 4:34 PM  
To: Gruca, Stacie  
Cc: Hillary.Close@amwater.com; Nicholas.Kile@BTLaw.com;  
Gary.Verdouw@amwater.com; Donald.Petry@amwater.com;  
Jermaine.Bates@amwater.com; Cristy.Wheeler@amwater.com  
Subject:Re: 44450 - Telecommunications Expense Clarification  
Attachments: pic25200.gif

Stacie:

We have had an opportunity to review your questions about the telecom expenses. Yes you are putting the pieces together correctly.

Approximately \$86K of the \$89K is in the Base Year amount of \$865,146. The disconnected phone lines identified on page 5 of 8 of Petitioner's OUC 56-001-R1 responding spreadsheet for Q4-2013 (Terre Haute), totaling approximately \$3,058, were not included in the base year. That amount would represent an incremental saving in the Test Year.

Please let me know if you have any further questions. Have a great Holiday weekend.

Best,

Greg

(Embedded image moved to file: pic25200.gif)

Gregory Roach |  
Manager - Rates and |  
Regulation |  
|

American Water Works | Work: 317-885-2420  
Co.555 East County | Mobile: 317-694-6801  
Line Road | Direct: 7-478-2420 (VOIP)  
Greenwood, IN 46142 | Gregory.Roach@amwater.com  
|

From: "Gruca, Stacie" <sgruca@oucc.IN.gov>  
To: "Gregory.Roach@amwater.com" <Gregory.Roach@amwater.com>,  
Date: 04/16/2014 10:18 AM  
Subject:44450 - Telecommunications Expense Clarification

Greg,

I have a few clarification questions regarding Telecommunications Expense that I was hoping you could clear up for me.

On page 55 of your testimony, you explain that the future test year

telecommunications expense was developed by auditing telecommunications services, modifying contracts and deleting unnecessary phone lines. You further indicate that the adjustment of \$(287,518) reflects one-time charges that are not included in the future test year and capitalization of phones and lines of services.

In response to OUCC DR 56-001, you provided details of the audit and how phone lines were determined unnecessary and therefore disconnected. You included a spreadsheet (Petitioner's OUCC 56-001-R1) that shows the total annual expense for disconnected phone lines to be \$89,308.08. Also in response to OUCC DR 56-001, you indicate that as part of the telecommunications audit, it was determined that a contract expired and the Company was being charged tariff rates vs contractual rates, so the contract was renegotiated resulting in an annual reduction in costs of \$36,000. In response to OUCC DR 56-002, you indicated the base year included one-time charges including the transfer of phone service of \$5,000 and a two month overlap during the conversion to SAP CIS and EAM of \$12,000.

When trying to fit the pieces of the puzzle together. I was able to take the Base Year amount as of 9/30/13 of \$865,146 and decrease it by the contract costs of \$36,000 and one-time charges of \$12,000 and 5,000, which brought me to \$812,146, which is very close to the base amount provided on Petitioner's OUCC 56-002-R1 spreadsheet which provides for a base amount of \$811,488 (I'm assuming the difference of \$658 is likely due to the rounding of the reduction in contract costs and one-time charges??). I was then able to see how the \$811,488 was capitalized for the twelve months ended November 2015 for a total of \$(233,859). When adding the capitalized credit of \$(233,859), the reduction in contract costs of \$(36,000) and the one-time charges removed from the base year of \$(12,000) and \$(5,000), the total came to \$(286,859), which again is only off by about \$(659) from the adjustment of \$(287,518).

What I was hoping you could clarify for me is whether I'm fitting the pieces to the puzzle together correctly and if so, where does the \$89,308 reduction for disconnected phone lines come into play. Has the \$89,308 already been included in the base year amount of \$865,146? If so, were the disconnected phone lines identified on page 5 of 8 of Petitioner's OUCC 56-001-R1 spreadsheet for Q4 2013 (Terre Haute) totaling approximately 3,058 included in the base year amount as well (as Q4 2013 would have been after 9/30/13)? If the \$89,308 is not included in the base year amount, then where would I find the reduction for disconnected phone lines?

Any clarification you can provide to my questions would be most helpful.

Thanks,  
Stacie R. Gruca  
Senior Utility Analyst  
Electric Division  
Indiana Office Of Utility Consumer Counselor  
317-232-6996  
sgruca@oucc.IN.gov

Mission Statement: To represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through dedicated advocacy, consumer education and creative problem solving.

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OUC 56-002

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Mr. Gregory P. Roach's testimony, page 55, lines 5 through 7 and Petitioner's Exhibit GPR-4 Schedule 2, please respond to the following:

- a. Please identify and provide a detailed breakdown of the "one-time charges" not included in the forecasted test year that are reflected in the \$287,518 pro forma decrease to telecommunications expense.
- b. Please identify and provide a detailed breakdown of the "some phones and lines of service" that have been capitalized and reflected in the \$287,518 pro forma decrease to telecommunications expense.
- c. Please provide detail, evaluation, analysis and/or documentation used to support "some one-time charges" not included in the forecasted test year and capitalization of "some phones and lines of service."

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The base year included one-time charges for the transfer of Nextel phone service to Verizon phone service, \$5k, and a two month overlap of air-cards and wireless hotspots during the 2013 SAP CIS and EAM conversion in order to ensure system conductivity for field employees, \$12k.
- b. Telecommunication charges were capitalized utilizing the labor capitalization rate. See attached OUC 56-002-R1 for the capitalization calculation.
- c. See a. and b. above.

**Cause No. 44450**  
**Attachment RJC-19**  
**Page 1 of 1**

Cause No. 44450  
OUCC 56-002-R1  
Page 1 of 1

**Indiana American Water**  
**Telecommunication capitalization calculation**

		2014												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Base	Voice - telephone	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 397,220
	voice - cell	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	235,391
	cell phone - customer accounting	500	851	877	972	873	400	436	861	1,081	1,190	1,511	2,548	12,100
	wireless service	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	166,777
		<u>\$ 67,116</u>	<u>\$ 67,466</u>	<u>\$ 67,492</u>	<u>\$ 67,588</u>	<u>\$ 67,489</u>	<u>\$ 67,016</u>	<u>\$ 67,052</u>	<u>\$ 67,476</u>	<u>\$ 67,696</u>	<u>\$ 67,805</u>	<u>\$ 68,127</u>	<u>\$ 69,164</u>	<u>\$ 811,488</u>
labor cap rate		-29.1%	-29.2%	-29.6%	-29.9%	-29.8%	-30.0%	-29.5%	-29.3%	-29.1%	-28.9%	-29.0%	-28.9%	
cap credits	Voice - telephone	\$ (9,623)	\$ (9,659)	\$ (9,795)	\$ (9,884)	\$ (9,848)	\$ (9,921)	\$ (9,762)	\$ (9,689)	\$ (9,626)	\$ (9,563)	\$ (9,593)	\$ (9,556)	\$ (116,518)
	voice - cell	(5,702)	(5,724)	(5,804)	(5,857)	(5,836)	(5,879)	(5,785)	(5,742)	(5,704)	(5,667)	(5,685)	(5,663)	(69,048)
	cell phone - customer accounting	(145)	(248)	(259)	(290)	(260)	(120)	(129)	(252)	(314)	(344)	(438)	(736)	(3,535)
	wireless service	(4,040)	(4,055)	(4,112)	(4,150)	(4,135)	(4,165)	(4,099)	(4,068)	(4,042)	(4,015)	(4,028)	(4,012)	(48,921)
		<u>\$ (19,511)</u>	<u>\$ (19,687)</u>	<u>\$ (19,971)</u>	<u>\$ (20,182)</u>	<u>\$ (20,078)</u>	<u>\$ (20,085)</u>	<u>\$ (19,774)</u>	<u>\$ (19,750)</u>	<u>\$ (19,686)</u>	<u>\$ (19,589)</u>	<u>\$ (19,743)</u>	<u>\$ (19,968)</u>	<u>\$ (238,022)</u>
Net	Voice - telephone	\$ 23,479	\$ 23,443	\$ 23,307	\$ 23,218	\$ 23,254	\$ 23,181	\$ 23,340	\$ 23,413	\$ 23,476	\$ 23,539	\$ 23,509	\$ 23,545	\$ 280,702
	voice - cell	13,914	13,892	13,812	13,759	13,780	13,737	13,831	13,874	13,912	13,949	13,931	13,953	166,343
	cell phone - customer accounting	355	603	617	682	613	280	307	609	766	846	1,073	1,812	8,565
	wireless service	9,858	9,843	9,786	9,748	9,763	9,733	9,800	9,830	9,857	9,883	9,870	9,886	117,856
		<u>\$ 47,605</u>	<u>\$ 47,780</u>	<u>\$ 47,521</u>	<u>\$ 47,406</u>	<u>\$ 47,411</u>	<u>\$ 46,931</u>	<u>\$ 47,278</u>	<u>\$ 47,726</u>	<u>\$ 48,010</u>	<u>\$ 48,216</u>	<u>\$ 48,384</u>	<u>\$ 49,196</u>	<u>\$ 573,466</u>
		2015												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Base	Voice - telephone	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 33,102	\$ 397,220
	voice - cell	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	19,616	235,391
	cell phone - customer accounting	500	851	877	972	873	400	436	861	1,081	1,190	1,511	2,548	12,100
	wireless service	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	13,898	166,777
		<u>\$ 67,116</u>	<u>\$ 67,466</u>	<u>\$ 67,492</u>	<u>\$ 67,588</u>	<u>\$ 67,489</u>	<u>\$ 67,016</u>	<u>\$ 67,052</u>	<u>\$ 67,476</u>	<u>\$ 67,696</u>	<u>\$ 67,805</u>	<u>\$ 68,127</u>	<u>\$ 69,164</u>	<u>\$ 811,488</u>
labor cap rate		-28.5%	-28.6%	-29.0%	-29.3%	-29.2%	-29.4%	-28.9%	-28.7%	-28.5%	-28.3%	-28.4%	-28.3%	
cap credits	Voice - telephone	\$ (9,421)	\$ (9,474)	\$ (9,613)	\$ (9,702)	\$ (9,666)	\$ (9,742)	\$ (9,580)	\$ (9,503)	\$ (9,437)	\$ (9,378)	\$ (9,404)	\$ (9,368)	\$ (114,287)
	voice - cell	(5,583)	(5,614)	(5,696)	(5,749)	(5,728)	(5,773)	(5,677)	(5,632)	(5,592)	(5,557)	(5,573)	(5,551)	(67,726)
	cell phone - customer accounting	(142)	(243)	(255)	(285)	(255)	(118)	(126)	(247)	(308)	(337)	(429)	(721)	(3,467)
	wireless service	(3,955)	(3,978)	(4,036)	(4,074)	(4,058)	(4,090)	(4,022)	(3,990)	(3,962)	(3,937)	(3,948)	(3,933)	(47,985)
		<u>\$ (19,101)</u>	<u>\$ (19,309)</u>	<u>\$ (19,600)</u>	<u>\$ (19,810)</u>	<u>\$ (19,707)</u>	<u>\$ (19,723)</u>	<u>\$ (19,405)</u>	<u>\$ (19,372)</u>	<u>\$ (19,300)</u>	<u>\$ (19,209)</u>	<u>\$ (19,355)</u>	<u>\$ (19,573)</u>	<u>\$ (233,464)</u>
net	Voice - telephone	\$ 23,681	\$ 23,628	\$ 23,489	\$ 23,400	\$ 23,436	\$ 23,360	\$ 23,522	\$ 23,598	\$ 23,664	\$ 23,724	\$ 23,697	\$ 23,734	\$ 282,933
	voice - cell	14,033	14,002	13,919	13,866	13,888	13,843	13,939	13,984	14,023	14,059	14,043	14,065	167,665
	cell phone - customer accounting	358	607	622	687	618	283	310	614	773	853	1,082	1,827	8,633
	wireless service	9,943	9,920	9,862	9,825	9,840	9,808	9,876	9,908	9,936	9,961	9,950	9,965	118,792
		<u>\$ 48,015</u>	<u>\$ 48,158</u>	<u>\$ 47,893</u>	<u>\$ 47,778</u>	<u>\$ 47,782</u>	<u>\$ 47,293</u>	<u>\$ 47,647</u>	<u>\$ 48,104</u>	<u>\$ 48,396</u>	<u>\$ 48,596</u>	<u>\$ 48,772</u>	<u>\$ 49,590</u>	<u>\$ 578,024</u>

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR  
DATA REQUEST**

**INDIANA-AMERICAN WATER**

**CAUSE NO. 44450**

**OUCC Data Request Set No. 56**

**Date: March 18, 2014**

**INDIANA-AMERICAN WATER COMPANY, INC.'S  
RESPONSES AND OBJECTIONS TO THE FIFTY SIXTH SET  
OF DATA REQUESTS FROM THE INDIANA OFFICE OF  
UTILITY CONSUMER COUNSELOR**

Petitioner, Indiana-American Water Company, Inc. ("Indiana American" or "Company"), hereby provides the following responses to the fifty sixth set of Data Requests from the Indiana Office of Utility Consumer Counselor, subject to the following objections:

**I. General Objections.**

1. The responses provided to the Requests have been prepared pursuant to a reasonable and diligent investigation and search conducted in connection with the Requests in those areas where information is expected to be found. To the extent the Requests purport to require more than a reasonable and diligent investigation and search, Indiana American objects on grounds that they include an undue burden or unreasonable expense.

2. Indiana American objects to the Requests to the extent they seek documents or information which are not relevant to the subject matter of this proceeding and which are not reasonably calculated to lead to the discovery of admissible evidence.

3. Indiana American objects to the Requests to the extent they seek an analysis, calculation, or compilation which has not already been performed and which Indiana American objects to performing.

4. Indiana American objects to the Requests to the extent they are vague and ambiguous and provide no basis from which Indiana American can determine what information is sought.

5. Indiana American objects to the Requests to the extent they seek information that is subject to the attorney-client, work product, settlement negotiation or other applicable privileges.

6. The responses constitute the corporate responses of Indiana American and contain information gathered from a variety of sources. Indiana American objects to the Requests to the extent they request identification of and personal information about all persons who

participated in responding to each data request on the grounds that it is overbroad, unreasonably burdensome and irrelevant given the nature and scope of the requests and the many people who may be consulted about them. Indiana American further objects to the Requests to the extent they purport to require identification of a witness who can answer questions regarding the substance of or origination of information supplied in each response on the ground that Indiana American has no obligation to call witnesses to testify as to information provided in discovery.

Without waiving these objections, Indiana American responds to the Requests in the manner set forth below.

## **II. Data Request Responses**

OUCS 56-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

On page 55, lines 3 through 15, of Mr. Gregory P. Roach's testimony, he states, "The test year expense was developed by auditing the Company's telecommunications services, modifying contracts, and deleting unnecessary lines." With reference to this statement, please respond to the following:

- a. Please describe in detail the "audit" of the Company's telecommunications services that Mr. Roach described.
- b. Please provide detailed results, evaluation, analysis and/or documentation of the audit used to support the "test year expense."
- c. Please describe and provide a detailed breakdown of the modifications made to contracts, as referenced by Mr. Roach.
- d. Please describe in detail how the Company determined that certain lines were unnecessary.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCS)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The audit of telecommunications services performed by the Company was initiated by obtaining a list of phone lines and telecommunications contracts for which the Company was incurring costs. The list of phone lines was audited by the Company's IT organization in conjunction with operational and functional organization employees. The phone lines were reviewed for usage, location, and business requirements. Telecommunications contracts were reviewed by the Company's operations personnel and the American Water Works Company, Inc. and its regulated subsidiaries' supply chain organization focusing on contract expiration dates as well as cost of service.

OUC 56-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Provided (Continued):**

- b. See attachment OUC 56-001-R1.
  
- c. As part of the telecommunications contract audit, it was determined that a contract had expired and the Company was being charged tariff rates vs lower contractual rates. The American Water supply chain organization renegotiated the contract resulting in an annual reduction in costs of \$36k.
  
- d. The Company's IT organization performed the audit of telecommunications lines by reviewing past usage, determining the lines with low or no usage and discussing the business needs for the telecommunication lines with the impacted organization as well as within the IT organization. Lines that were deemed unnecessary for business purposes were disconnected.

OUC 56-002

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Mr. Gregory P. Roach's testimony, page 55, lines 5 through 7 and Petitioner's Exhibit GPR-4 Schedule 2, please respond to the following:

- a. Please identify and provide a detailed breakdown of the "one-time charges" not included in the forecasted test year that are reflected in the \$287,518 pro forma decrease to telecommunications expense.
- b. Please identify and provide a detailed breakdown of the "some phones and lines of service" that have been capitalized and reflected in the \$287,518 pro forma decrease to telecommunications expense.
- c. Please provide detail, evaluation, analysis and/or documentation used to support "some one-time charges" not included in the forecasted test year and capitalization of "some phones and lines of service."

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The base year included one-time charges for the transfer of Nextel phone service to Verizon phone service, \$5k, and a two month overlap of air-cards and wireless hotspots during the 2013 SAP CIS and EAM conversion in order to ensure system conductivity for field employees, \$12k.
- b. Telecommunication charges were capitalized utilizing the labor capitalization rate. See attached OUC 56-002-R1 for the capitalization calculation.
- c. See a. and b. above.

OUC 56-003

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's Exhibit GPR-4, Schedule 2, please explain how the Base Year Telecommunication Expense as of 9/30/2013 in the amount of \$865,146 was developed (i.e. is this an actual amount, budget amount, etc.).

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

This is the actual amount based on twelve months ending 9/30/2013.

OUCC 56-004

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's Exhibit GPR-4, Schedule 2, and Test Year Budget Excel File, please provide a description, account number, and associated dollars for each component supporting the Base Year Telecommunication Expense as of 9/30/2013 in the amount of \$865,146, in the same excel format that the "test yr bud by district detail" tab of the "Test Year Budget.xlsx" file for Telecommunications Expenses was provided.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUCC 56-004-R1.

OUC 56-005

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

If the Base Year Telecommunication Expense as of 9/30/2013 amount is based on a budget amount, please provide the 2013 budgeted amount for Telecommunications Expense in the same excel format referenced in Question 4 above. Please include a description, account number, and associated dollars for each component, as well as the time period (months and year(s)) the 2013 budgeted amount covers.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

The Base Year Telecommunication Expense amount as of 9/30/2013 is based on a twelve month period of actuals ending 9/30/2013.

OUCC 56-006

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Please provide a breakdown of the actual Telecommunication Expense for the 2013 calendar year, including a description, account number, and associated dollars for each component in the same excel format reference in Question 5.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUCC 56-006-R1.

OUC 56-007

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

If the 2013 budgeted amount does not the 2013 calendar year, please provide a breakdown of actual Telecommunication Expense for the timeframe that the 2013 budgeted amount covers, including a description, account number, and associated dollars for each component in the same excel format reference in Question 5.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please refer to response to OUC 56-006.

OUCC 56-008

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to page 55, lines 12 through 18, of Mr. Gregory P. Roach's testimony, please respond to the following:

- a. Please provide the timeframe that the "2013 budgeted amount" covers (months and year(s)).
- b. Did Indiana-American Water Company, Inc. account for the postage rate increases for mail classes, implemented by the U.S. Postal Service on January 26, 2014, in its pro forma Postage, Printing, and Stationary Expense for the test year of \$54,379?
- c. If "no" in response to Question 8(b), please explain.
- d. If "yes" in response to Question 8(b), please provide documentation that supports this response.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
Scott Franson – [sfranson@oucc.in.gov](mailto:sfranson@oucc.in.gov) – 317-232-2786  
Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. The 2013 budget covers the twelve month period of January 2013 thru December 2013.
- b. No
- c. The January 26, 2014 postage rate increase was announced after the forecasted test year was developed.
- d. Not applicable

OUCC 56-009

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's Exhibit GPR-4, Schedule 3, and Test Year Budget Excel File, please provide a description, account number, and associated dollars for each component supporting the Base Year Postage, Printing and Stationary Expense of \$85,230, in the same excel format that the "test yr bud by district detail" tab of the "Test Year Budget.xlsx" file for Postage, Printing, and Stationary Expenses was provided.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUCC 56-009-R1.

OUC 56-010

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Please provide a breakdown of the actual Postage, Printing, and Stationary Expense for the 2013 calendar year, including a description, account number, and associated dollars for each component in the same excel format reference in Question 9.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUC 56-010-R1.

OUCC 56-011

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Please provide a breakdown of actual Postage, Printing, and Stationary Expense for the same timeframe that the 2013 budgeted amount covers, including a description, account number, and associated dollars for each component in the same excel format reference in Question 9 (if the 2013 budgeted amount does not cover the 2013 calendar year).

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please refer to attachment OUCC 56-010-R1.

OUC 56-012

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's GPR-4, Schedule 4, please respond to the following:

- a. Are there any costs associated with JD Edwards financial and accounting software or Orcom (ECIS) billing software included in the Base Year Office Supplies and Services amount of \$524,101.
- b. If "yes" in response to Question 12(b), please provide a description, account number, and associated dollars for each component that is included in the Base Year Office Supplies and Services amount that is associated with JD Edwards or Orcom (ECIS) software.
- c. Are there any costs associated with JD Edwards financial and accounting software or Orcom (ECIS) billing software included in the Future Test Year Office Supplies and Services amount of \$946,629?
- d. If "yes" in response to Question 12(c), please provide a description, account number, and associated dollars for each component that is included in the Future Test Year Office Supplies and Services amount that is associated with JD Edwards or Orcom (ECIS) software.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. There are no costs associated with JD Edwards software in the Base Year. There was \$118,851 in costs associated with Orcom (ECIS) billing software in the Base Year, but the costs were not included in Office Supplies and Services. The costs were included in Miscellaneous Expense.

OUCC 56-012

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Provided (Continued):**

- b. The costs in the amount of \$118,851 for Orcom (ECIS) application support were charged to account 52501100 – Miscellaneous Operating Expense.
- c. No
- d. Please see answer to 12(c).

OUCC 56-013

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to page 56, lines 3 through 5, of Mr. Gregory P. Roach's testimony, regarding the Office Supplies and Services historical trends, please respond to the following:

- a. Please state the specific data used to evaluate and analyze these historical trends, including both the type of data used as well as the time periods included.
- b. Please explain in detail how this historical data was analyzed. For example, did Petitioner compare average office supplies and services expenses over a period of time? Did Petitioner conduct a trend analysis? Did Petitioner select certain data points to analyze?
- c. Please provide, in an Excel format, all historical information or data evaluated, as discussed in 13(a) above, and all analysis performed on this information or data, as discussed in 13(b) above.
- d. Please identify and explain in detail all known and projected changes that were made to historical trends.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

- a. Actual expenses from 2009, 2010, 2011 and 2012 were utilized for the historical trends.
- b. A four year annual average was utilized in the analysis.
- c. See attached OUCC 56-013-R1.
- d. See attached OUCC 56-013-R1.

OUCC 56-014

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to page 56, lines 5 through 6, of Mr. Gregory P. Roach's testimony, please explain and provide a breakdown and description of the components included in the increase to "SAP license and maintenance fees." For example, are these computer maintenance fees, computer software maintenance fees, or other, and what are the components that make up these fees?

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUCC 56-014-R1.

OUC 56-015

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Please list the utility acquisitions that are set to close in calendar 2014 or that have closed in 2013 or 2012 for which revenues and expenses have not been included in the forecasted revenues and expenses in this Cause. For each of these acquisitions, please also state each utility's customer count.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

**Witness: Bruce A. Hauk**

**Information Provided:**

Town of Merom, Closed March 10, 2014 - 123 Customers  
Yankeetown Water Authority, Anticipated Closing on April 28, 2014 - 633  
Customers

As to objections only,

  
\_\_\_\_\_  
Nicholas K. Kile, No. 15203-53  
Hillary J. Close, Atty No. 25104-49  
Barnes & Thornburg LLP  
11 South Meridian Street  
Indianapolis, Indiana 46204  
Kile Telephone: (317) 231-7768  
Close Telephone: (317) 231-7785  
Facsimile: (317) 231-7433

Attorney for Petitioner  
Indiana-American Water Company, Inc.

**Cause No. 44450**  
**Attachment RJC-21**  
**Page 1 of 1**

MSFR # 10  
Page 759 of 1286

Indiana American Water Company  
Cause No. 44022  
Postage Workpaper  
For the Twelve Months Ended December 31, 2010

Petitioner's Exhibit LEK-1  
Workpaper for Support Schedule 6b  
Page 1 of 1

Large

Commercial Letters & Cards - Rate Increase Effective April 17, 2011

	Pieces Carrier	5-Digit	3-Digit	AADC	Mixed AADC	Presorted	Single	Regular Zo	
Current Rates	\$	0.335	\$ 0.357	\$ 0.360	\$ 0.382	\$ 0.414	\$ 0.440	\$ -	
New Rates	\$	0.340	\$ 0.365	\$ 0.368	\$ 0.390	\$ 0.414	\$ 0.450	\$ -	

	Mailing Volume								
	Pieces Carrier	5-Digit	3-Digit	AADC	Mixed AADC	Presorted	Single	Regular Zo	Total
Period 1 - 2010	0	279,754	21,408	12,872	12,914	164	3,364		330,476
Period 2 - 2010	0	262,372	21,955	11,514	13,380	0	3,501		312,722
Period 3 - 2010	0	293,417	23,244	18,631	13,608	0	3,615		352,515
Period 4 - 2010	0	274,281	22,121	17,264	12,874	0	3,558		330,098
Period 5 - 2010	0	255,407	17,277	12,342	16,907	0	4,580		306,513
Period 6 - 2010	0	307,250	18,392	18,446	13,830	0	4,374		362,292
Period 7 - 2010	0	293,759	23,760	20,121	13,190	0	3,929		354,759
Period 8 - 2010	0	296,290	18,196	22,313	16,257	0	4,294		357,350
Period 9 - 2010	0	278,993	23,395	20,392	12,635	0	3,444		338,859
Period 10 - 2010	0	296,273	18,272	21,648	12,959	0	3,743		336,895
Period 11 - 2010	0	279,717	20,433	19,698	13,134	0	3,388		336,370
Period 12 - 2010	0	315,087	19,401	23,163	12,693	0	4,014		374,358
Total Volume	0	3,492,600	247,854	218,404	164,381	164	45,804		4,109,207

	Pieces Carrier	5-Digit	3-Digit	AADC	Mixed AADC	Presorted	Single	Regular Zo	Total
Cost of Mailings	\$ -	\$ 1,162,220.58	\$ 89,845.37	\$ 79,959.48	\$ 63,737.88	\$ 67.90	\$ 20,489.21	\$ -	\$ 1,416,320.42

Small

	IN	CANADA	INTERNET	LETTER	GROUP BILLS
Rate	\$ 0.44				\$ -

	Mailing Volume				
	IN	CANADA	INTERNET	LETTER	GROUP BILLS
Period 1 - 2010	26	0	0	0	\$ -
Period 2 - 2010	34	0	0	0	\$ 0.81
Period 3 - 2010	20	0	0	0	\$ 3.24
Period 4 - 2010	23	0	0	0	\$ -
Period 5 - 2010	27	0	0	0	\$ 0.88
Period 6 - 2010	28	0	0	0	\$ 0.88
Period 7 - 2010	23	0	0	0	\$ 1.40
Period 8 - 2010	11	0	0	0	\$ 3.20
Period 9 - 2010	25	0	0	0	\$ 1.40
Period 10 - 2010	21	0	0	0	\$ -
Period 11 - 2010	17	0	0	0	\$ -
Period 12 - 2010	8	0	0	0	\$ 0.70
Total Volume	263	0	0	0	\$ 12.51

New Cost

	IN	CANADA	INTERNET	LETTER	GROUP BILLS	Total
Cost of Mailings	\$ 115.72	\$ -	\$ -	\$ -	\$ -	\$ 128.23

OUCC 86-001

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's Exhibit GPR-4, Schedule 3, Page 1 of 1, please provide postage support documentation, similar to what was provided in Petitioner's Exhibit LEK-1, Workpaper for Support Schedule 6b, Page 1 of 1 (MSFR #10, Page 459 of 1286) in Cause No. 44022 (attached for reference), for Petitioner's Postage, Printing, and Stationery expense Base Year (12-months ended 9/30/13) amount of \$85,230 and Future Test Year (12-months ended November 30, 2015) amount of \$54,379.

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Tiffany Murray - [timurray@oucc.in.gov](mailto:timurray@oucc.in.gov) – 317-232-2494  
Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

The postage amounts recorded to postage, printing, and stationery expense are mailings between Indiana American Water and its affiliates and any other postage not related to customer billings. These mailings are not tracked per item, and therefore the documentation requested cannot be provided.

OUCC 60-008

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

Petitioner's "Test Year Budget.xlsx" Excel file, tab labeled "test yr bud by district detail," shows that \$1,254,583 of the total \$2,610,983 future test year expense for Customer Accounting is associated with account number "52566015 Postage – Customer Accounting." In reference to the Excel files identified, please respond to the following regarding Customer Accounting Expense, "52566015 Postage – Customer Accounting":

- a. Please describe how the \$1,254,583 amount for "52566015 Postage – Customer Accounting" was determined.
- b. Please indicate whether an adjustment was made to "52566015 Postage – Customer Accounting" and is reflected in the \$1,254,583 future test year amount for Postage – Customer Accounting.
- c. Please indicate whether an adjustment for "52566015 Postage – Customer Accounting" was included in Petitioner's total pro forma adjustment to Customer Accounting Expense in the amount of \$69,426 as referenced in Mr. Gregory P. Roach's testimony at the end of page 59 and beginning of page 60 and Petitioner's Exhibit GPR-4, Schedule 11.
- d. Did Petitioner account for the postage rate increases for mail classes, implemented by the U.S. Postal Service on January 26, 2014, in the \$1,254,583 future test year amount for "52566015 Postage – Customer Accounting"?
- e. If "no" in response to Question 8(d), please explain.
- f. If "yes" in response to Question 8(d), please provide documentation that supports this response.

**Requested By:** Daniel M. LeVay – [dlevay@oucc.in.gov](mailto:dlevay@oucc.in.gov) – 317-232-2494  
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Office of Utility Consumer Counselor (OUCC)

OUCC 60-008

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

(continued)

Witness: Gregory P. Roach

Information Provided:

- a. The \$1,254,583 was determined using recent historical actuals adjusted for forecasted organic customer growth.
- b. The \$1,254,583 was determined using recent historical actuals adjusted for forecasted organic customer growth. The pro-forma adjustment of \$69,426 for Customer Accounting Expense includes \$13,922 for Postage-Customer Accounting.
- c. The pro-forma adjustment of \$69,426 for Customer Accounting Expense includes \$13,922 for Postage-Customer Accounting.
- d. As provided in response to OUCC 56-008, no.
- e. As provided in response to OUCC 56-008, the January 26, 2014 postage rate increase was announced after the forecasted test year was developed.
- f. As provided in response to OUCC 56-008, not applicable.

OUCC 86-002

**DATA INFORMATION REQUEST**  
**Indiana-American Water Company**  
**Cause No. 44450**

**Information Requested:**

In reference to Petitioner's response to OUCC's DR No. 60-001, Petitioner's attachment OUCC 60-001-R1, Page 1 of 1, please provide postage support documentation, similar to what was provided on Petitioner's Exhibit LEK-1, Workpaper for Support Schedule 6b, Page 1 of 1 (MSFR #10, Page 459 of 1286) in Cause No. 44022 (attached for reference), for Petitioner's Postage - Customer Accounting expense Base Year (12-months ended 9/30/13) amount of \$1,240,661 and Future Test Year (12-months ended November 30, 2015) amount of \$1,254,583.

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Office of Utility Consumer Counselor (OUCC)

**Witness: Gregory P. Roach**

**Information Provided:**

Please see attachment OUCC 86-002-R1 for the base year. This documentation does not exist for the future test year. This schedule was not used in forecasting the future test year amounts for Postage – Customer Accounting.