

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF AQUA INDIANA, INC. PURSUANT TO IC )  
8-1-2-42.7 AND 170 IAC 1-5 FOR AUTHORITY TO )  
INCREASE THE MONTHLY RECURRING RATES AND )  
CHARGES CURRENTLY CHARGED AND )  
COLLECTED BY ITS ABOITE WASTEWATER )  
DIVISION FOR WASTEWATER UTILITY SERVICES )  
PROVIDED IN PORTIONS OF ALLEN, HUNTINGTON )  
AND WHITLEY COUNTIES; ESTABLISH A NON- )  
RECURRING SYSTEM DEVELOPMENT CHARGE TO )  
BE CHARGED AND COLLECTED BY THE ABOITE )  
WASTEWATER DIVISION AND IMPLEMENT NEW )  
RATE SCHEDULES REFLECTING THE RATES AND )  
CHARGES APPROVED IN THIS CAUSE )

CAUSE NO. 44752

TESTIMONY OF

RICHARD J. COREY – PUBLIC’S EXHIBIT NO. 2

ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

JUNE 24, 2016

Respectfully submitted,



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

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Deputy Consumer Counselor

**TESTIMONY OF OUCC WITNESS RICHARD J. COREY  
CAUSE NO. 44752  
AQUA INDIANA, INC. - ABOITE WASTEWATER DIVISION**

**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  
6 a Utility Analyst in the Water/Wastewater Division. My qualifications and  
7 experience are described in Appendix A.

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

9 A: The Aqua Indiana, Inc. – Aboite Wastewater Division (hereafter "Petitioner" or  
10 "Aqua") calculated its proposed rate increase based on the revenue it asserts is  
11 required to operate the utility. I recommend adjustments to reflect the revenue the  
12 OUCC considers reasonable and necessary to operate the utility. Specifically, I am  
13 recommending a customer growth revenue adjustment of \$192,444, which is  
14 \$85,230 more than Petitioner's customer growth revenue adjustment of \$107,214.  
15 Additionally, I am recommending adjustments to a variety of operating expenses,  
16 including salaries and wages, employee benefits, sludge expense, purchased power,

1 chemicals, contractual services – other, rate case expense, Indiana utility receipts  
2 tax, payroll tax and property tax.

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

5 A: I read the testimony of Petitioner's witness Bobby D. Estep and reviewed the  
6 schedules and workpapers he filed in this Cause. I participated in the preparation  
7 of discovery requests, reviewed discovery responses and participated in the field  
8 audit which reviewed Petitioner's books and records at its offices on May 11, 12  
9 and 13, 2016.

## **II. REVENUE ADJUSTMENTS**

10 **Q: Did Petitioner propose any operating revenue adjustments?**

11 A: Yes. Petitioner proposed three adjustments to test year operating revenues: (1) a  
12 decrease of \$73,341 based on test year billing determinants, (2) an increase of  
13 \$107,214 to reflect test year customer growth as well as estimated customer growth  
14 through September 30, 2016, and (3) an increase of \$1,505,625 to reflect estimated  
15 treatment revenues from the City of Fort Wayne. In total, Petitioner proposed an  
16 increase of \$1,539,498 to test year operating revenues of \$7,948,293 to yield *pro*  
17 *forma* operating revenues of \$9,487,791.

18 **Q: Do you accept Petitioner's proposed revenue adjustments?**

19 A: I accept most of Petitioner's proposed revenue adjustments. I accept the proposed  
20 billing determinant adjustment. I also accept Petitioner's adjustment for additional  
21 revenue from the City of Fort Wayne as it is based on contractual obligations and  
22 representations made by the City of Fort Wayne to Petitioner regarding estimated

1 wastewater flows.<sup>1</sup> I do not accept Petitioner's proposed customer growth  
2 adjustment.

3 **Q: Did Petitioner include excessive strength surcharge revenues from the City of**  
4 **Fort Wayne in its proposal?**

5 A: No. The Water Pollution Treatment Contract between Aqua and the City of Fort  
6 Wayne provides that Aqua may collect a portion of Strength of Waste Surcharges  
7 related to the waste sent to Petitioner for treatment by the City of Fort Wayne.  
8 Petitioner did not estimate any surcharge revenues nor did it estimate any costs to  
9 treat excess strength waste from the City of Fort Wayne. Because the excess  
10 strength costs and revenues are not fixed, known, or measurable at this time I am  
11 not imputing any excessive strength surcharge revenues or expenses.

12 **Q: Are you proposing any additional operating revenue adjustments?**

13 A: Yes. I am proposing to include lab testing revenues received by Petitioner but  
14 recorded "below the line" in the test year in the amount of \$6,823. See OUCC  
15 Schedule 5, Adjustment No. 4.

16 **Q: Please describe Petitioner's customer growth revenue adjustment.**

17 A: Petitioner proposed additional revenues of \$107,214 to reflect customer growth for  
18 both residential and commercial customers. (See Petitioner's Schedule C-2.1.)  
19 Petitioner's customer growth adjustment is comprised of two parts: (1) Test year  
20 growth, and (2) post-test year growth.

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<sup>1</sup> See OUCC Attachment JTP No. 18, Page 20.

1 **Q: Please explain Petitioner's determination of proposed test-year customer**  
2 **growth.**

3 A: Aqua began the test year with 12,948 customers and ended it with 13,096.  
4 Petitioner averaged the difference between these two customer counts to determine  
5 its proposed test year customer growth of 74 customers ( $13,096 - 12,948 = 148$ ,  
6 divided by  $2 = 74$ ).

7 **Q: Please explain Petitioner's determination of its proposed post-test year**  
8 **customer growth.**

9 A: Petitioner estimated it will have added 130 additional customers as of September  
10 30, 2016. Petitioner's estimation is based on an assumed growth rate of 1% (1%  
11 times 13,096 equals 130 additional customers).

12 **Q: Please explain how Petitioner calculated its proposed customer growth**  
13 **adjustment.**

14 A: In total, Petitioner proposed the addition of 204 customers (74 additional test year  
15 customers plus 130 post-test year customers). Petitioner assumed that of these 204  
16 additional customers, 197.65 will be residential customers and 6.35 will be  
17 commercial customers based on test year *pro rata* customer classifications.

18 Total additional customers were then multiplied by twelve to determine the  
19 number of additional annual customer billings (197.65 times 12 for 2,372  
20 residential customers and 6.35 times 12 for 76 commercial customers). These  
21 additional billings were then multiplied by the current monthly service charge to  
22 determine the \$66,022 projected revenue increase for the fixed portion of the  
23 customer growth adjustment.

1           For the volumetric portion of the customer growth adjustment Petitioner  
2 assumed that each average residential customer will use 3,913.77 gallons per  
3 month, and each average commercial customer will use 13,278.11 gallons per  
4 month. Petitioner multiplied these volumes by the current volumetric rate of  
5 \$4.0012 per 1,000 gallons resulting in additional revenue of \$41,191.

6 **Q: Please explain your concerns with Petitioner's customer growth adjustment.**

7 A: I disagree with Petitioner's calculation of test-year customer growth as it incorrectly  
8 assumes that customers are added evenly throughout the year. Since customers are  
9 added throughout the test year at varying times they will have a varying effect on  
10 the amount of revenues they will add to the test year making a simple average  
11 inaccurate. Test year customer growth should be based on the *pro forma* number  
12 of billings that would result from the year-end customer count compared to the  
13 actual number of test year billings.

14           I also disagree with Petitioner's assumed growth rate of 1% to project  
15 customer growth subsequent to the test year. Based on my analysis, customer  
16 growth since Cause No. 43874, Petitioner's last rate case, has averaged  
17 approximately 1.83%. Table I provides the calculation of customer growth over  
18 the last five years based on information provided in Petitioner's annual reports.

**Table I – Customer Growth since Cause No. 43874**

Year	Total Customers <sup>1</sup>	
	Number of Customers	Growth Rate
2009	11,908	
2010	11,922	0.12%
2011	12,405	4.05%
2012	12,602	1.59%
2013	12,849	1.96%
2014	13,035	1.45%
Average 5 Year Growth Rate		1.83%
<sup>1</sup> Includes both metered and unmetered customers.		

1 **Q: What customer growth adjustment do you propose?**

2 A: I propose a total customer growth adjustment of \$192,444, an increase of \$85,230  
3 over Petitioner’s proposed adjustment. Similar to Petitioner’s customer growth  
4 adjustment, my adjustment consists of a test year component and a future growth  
5 component.

6 **Q: Please explain the test year component of your revenue customer growth**  
7 **adjustment.**

8 A: My test year customer growth adjustment calculates the increased number of  
9 billings that would result from customer growth during the test year as opposed to  
10 Petitioner’s assumption of consistent growth throughout the test year. As reflected  
11 in Table II, my methodology calculates an additional 129 unmetered billings and  
12 664 metered billings for a total of 793 additional billings. This compares to  
13 Petitioner’s projected increase of 888 additional billings. To calculate the additional  
14 revenues that would occur as a result of these additional billings, I calculated the  
15 average bill for each customer class and multiplied this amount times the increased

1 number of billings for that customer class. In total, I propose a test year customer  
 2 growth adjustment of \$49,746.<sup>2</sup> See OUCC Schedule 5, Adjustment No. 1.

**Table II: OUCC Test Year Customer Growth Adjustment**

	(A)	(B) = (A) x 12	(C)	(D) = (B) - (C)	(E)	(D) x (E)
	Customer Count	Normalized Billings	Test Year Billings	Additional Billings	Average Bill	Additional Revenues
<b><u>Unmetered Customers</u></b>						
Residential	898	10,776	10,677	99	\$ 59.06	\$ 5,847
Commercial	28	336	308	28	130.46	3653
Public Authority	1	12	10	2	106.10	212
	927	11,124	10,995	129		9,712
<b><u>Metered Customers</u></b>						
Residential	11,730	140,760	140,179	581	44.80	26,029
Commercial	376	4,512	4,442	70	169.14	11,840
Public Authority	63	756	743	13	166.54	2,165
	12,169	146,028	145,364	664		40,034
	13,096	157,152	156,359	793		\$ 49,746

3 **Q: Please explain the post-test year growth component of your revenue customer**  
 4 **growth adjustment.**

5 **A:** For the future growth component of my adjustment, I estimated the average growth  
 6 in total customer counts for the period 2009 through 2014 (1.83%). This calculation  
 7 is presented in Table I above. I then applied this 1.83% estimated growth rate to the  
 8 number of customers for metered and unmetered residential and commercial  
 9 customer as of the end of the test year (9/30/2015) to determine my projected  
 10 additional customers as of September 30, 2016. Next, I multiplied the projected  
 11 post-test year number of customers by twelve in order to annualize them. Finally, I  
 12 multiplied these additional billings times the average test year bill for each

<sup>2</sup> See OUCC Attachment RJC No. 1.

1 customer class to determine my projected post-test year customer growth  
 2 adjustment of \$142,698. Adding the test year component of \$49,746 to the future  
 3 growth component of \$142,698 results in the OUCC’s total customer growth  
 4 adjustment of \$192,444 which is \$85,230 greater than Petitioner’s customer growth  
 5 adjustment of \$107,214.<sup>3</sup> See OUCC Schedule 5, Adjustment 2.

**Table III: OUCC Calculation of Post-Test Year Customer Growth**

	(A)	(B)	(C) = (A) x (B)		(D)	(D) x (E)
	TY End Customer Count	Growth Rate	Customer Growth	Additional Billings	Average Bill	Additional Revenues
<b><u>Unmetered Customers</u></b>						
Residential	898	1.83%	16	192	59.06	\$ 11,340
Commercial	28	1.83%	1	12	130.46	1,566
	926		17	204		12,906
<b><u>Metered Customers</u></b>						
Residential	11,730	1.83%	215	2,580	44.8	115,584
Commercial	376	1.83%	7	84	169.14	14,208
	12,106		222	2,664		129,792
Totals	13,032		239	2,868		\$ 142,698

6 **Q: Please explain why you used an overall customer growth rate in your**  
 7 **calculation of your post-test year customer growth adjustment?**

8 **A:** I used the overall customer growth rate of 1.83% due to anomalies in the calculated  
 9 growth rates from year to year in various customer categories. The anomalies  
 10 appear to be the result of reclassifications of customer counts between customer  
 11 classes from one year to the next. I did not consider the customer class growth rates  
 12 to be reliable enough to use as the basis for my proposed revenue adjustment.

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<sup>3</sup> See OUCC Attachments RJC No. 1.

1           Accordingly, I used the overall customer growth rates as the basis for my  
2           adjustment.

### **III. OPERATING EXPENSE ADJUSTMENTS**

3       **Q: Do you accept any of Petitioner's *pro forma* expense adjustments?**

4       A: Yes. I accept Petitioner's adjustments to salaries and wages expense, chemical  
5       expense, sludge hauling, purchased power, insurance expense, contractual services  
6       – management fee, and rental expense.

7       **Q: Can you explain why you are accepting Petitioner's proposed negative *pro***  
8       ***forma* expense for building rent and insurance expense.**

9       A: The *pro forma* amounts reflected in Petitioner's schedules for these expenses are  
10       misleading and solely due to Petitioner's presentation of test year expense and  
11       adjustments to test year expense. All of Petitioner's insurance expense and a portion  
12       of its rent expense are included in the administration costs allocated to it by Aqua  
13       Indiana, Inc. (\$28,765 in rental of building expense and \$187,434 in insurance  
14       expense) as explained in the pre-filed testimony of Petitioner's witness Bobby D.  
15       Estep. These allocated test year costs are included in the miscellaneous expense  
16       category (Account No. 775863 "Intraco Clearing") rather than as rent or insurance  
17       expense. However, Petitioner reflected its proposed adjustments to these expense  
18       categories separately rather than with its other proposed miscellaneous expense  
19       adjustments. This presentation makes it appear that Petitioner is proposing negative  
20       rent and insurance expense when in actuality Petitioner is proposing to eliminate  
21       all of its test year building rent expense and only a portion of its test year insurance  
22       expense.

1 **Q: Do you disagree with any of Petitioner's *pro forma* operating expense**  
2 **adjustments?**

3 A: Yes. I disagree with Petitioner's adjustments for employee benefits, contractual  
4 services – other, rate case expense, Indiana utility receipts tax expense, payroll tax  
5 expense and property tax expense.

6 **Q: Are you proposing any additional operating expense adjustments?**

7 A: Yes. I propose additional adjustments for Capitalized labor, sludge hauling  
8 expense, purchased power expense, chemical expense, non-allowed expense items,  
9 capitalized expense items and lab testing expense.

**A. Bad Debt Expense**

10 **Q: What did Petitioner propose for its bad debt adjustment?**

11 A: Petitioner proposed a *pro forma* bad debt expense of \$16,192.

12 **Q: How does your bad debt expense differ from Petitioner's proposed bad debt**  
13 **expense?**

14 A: While I'm accepting Petitioner's proposed bad debt expense rate, my bad debt  
15 expense adjustment is a direct function of my proposed operating revenues.  
16 Consequently, my bad debt expense adjustment is principally due to the revenue  
17 adjustments discussed above. I propose a bad debt expense of \$16,353 which is  
18 \$161 more than Petitioner's proposed bad debt expense of \$16,192. See OUCC  
19 Schedule 6, Adjustment No. 6.

**B. Salaries and Wages**

1 **Q: What is your concern with Petitioner’s proposed adjustment to salaries and**  
2 **wages expense?**

3 A: I am concerned Petitioner’s proposed *pro forma* salaries and wages expense may  
4 be overstated. From a review of Petitioner’s test year salaries and wages it appears  
5 that the principal driving factor in the increase of this expense is the fact that the  
6 Utility has greatly reduced the amount of *pro forma* labor it has capitalized.

7 **Q: Please explain your adjustment to Petitioner salaries and wages expense.**

8 A: I propose a decrease in net payroll expense of \$14,512. This decrease is due to  
9 using a different labor capitalization rate for direct labor. In its proposed *pro forma*  
10 salaries and wages expense adjustment, Petitioner proposes using a labor  
11 capitalization rate for direct labor of approximately 4.1%. In response to OUCC  
12 Data Request No. 6.8, Petitioner indicated that the following percentages of direct  
13 employee labor had been capitalized over the period 2009 through 2015: <sup>4</sup>

**Table IV – Direct labor Capitalized**

<b>Year</b>	<b>Capitalized Labor</b>	<b>Capital %</b>
2009	\$ 27,254	4.46%
2010	22,242	3.40%
2011	41,660	5.94%
2012	32,119	4.54%
2013	72,676	9.83%
2014	36,220	4.56%
2015	60,629	7.01%
<b>Average Capitalization %</b>		<b>5.68%</b>

<sup>4</sup> See OUCC Attachment RJC No. 2.

1 Based on Petitioner's capitalization history, a more reasonable labor capitalization  
2 rate for direct labor would be the average for the years 2009 through 2015, or  
3 5.68%. My adjustment results in a decrease in net payroll expense of \$14,512.  
4 (Gross direct payroll of \$899,029 x 5.68% = \$51,065, less direct capitalized labor  
5 of \$36,553 = \$14,512.).<sup>5</sup> See OUCC Schedule 6, Adjustment No. 1.

### C. Employee Benefits

6 **Q: Please explain Petitioner's proposed employee benefits expense.**

7 A: Petitioner proposed *pro forma* employee benefits expense of \$341,453. Reducing  
8 this amount by test year expense of \$327,458 resulted in a *pro forma* adjustment to  
9 benefits expense of \$13,995.

10 **Q: Please explain your adjustment to employee benefits expense.**

11 A: In the course of examining its books and records, OUCC staff informally requested  
12 supporting documentation relating to Petitioner's employee benefits expense. In its  
13 emailed response sent May 24, 2016 Petitioner stated that it was self-insured for  
14 the purposes of health insurance, dental insurance and prescription benefits, and  
15 that there were no premium invoices available from insurance companies. They  
16 further stated that their premium calculations were produced by their actuary,  
17 Towers Watson & Company, based on prior claims experience and trends.

18 Petitioner was then informally asked to provide documentation from  
19 Towers Watson & Company to support their various benefits expense. In its  
20 emailed response sent May 27, 2016 Petitioner provided benefits expense detail

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<sup>5</sup> See Petitioner's Workpaper WP – C2.11.

1 based on the most recent actual numbers. This documentation<sup>6</sup> indicated that  
2 Petitioner's *pro forma* expense for benefits has decreased by \$7,290. The OUCC's  
3 adjustment, a reduction of employee benefits expense of \$6,706, is a reflection of  
4 these updated calculations. See OUCC Schedule 6, Adjustment 2.

**D. Additional Operating Expenses Due To Customer Growth**

5 **Q: Did Petitioner propose an adjustment to reflect additional operating expenses**  
6 **due to customer growth?**

7 A: No.

8 **Q: Please explain your additional operating expense adjustment related to your**  
9 **proposed customer growth.**

10 A: I propose adjustments to sludge removal, purchased power and chemical expense  
11 that reflect the costs associated with the additional flows from my proposed revenue  
12 customer growth adjustment. I propose additional sludge removal expense of  
13 \$3,055, purchased power expense of \$4,849 and chemical expense of \$702. My  
14 adjustments are calculated by multiplying the cost for each expense per 1,000  
15 gallons (derived by dividing the test year expense by the test year treated volumes)  
16 times the estimated additional volumes from customer growth. See OUCC  
17 Schedule 6, Adjustment No. 3.

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<sup>6</sup> See OUCC Attachment RJC No. 3.

**E. Contractual Services – Other**

1 **Q: How does the contractual services – other expense differ from contractual**  
2 **services – management fees expense?**

3 A: As discussed in the pre-filed testimony of Petitioner's witness Bobby Estep,  
4 contractual services – management fees represents charges from Aqua Services  
5 Inc., which is an affiliate of Aqua America. It provides services which include  
6 human resources, accounting and finance, engineering, water quality, purchasing,  
7 information services, communications administration and legal services.  
8 Contractual services – other primarily represents Aqua Customer Operations  
9 ("ACO") expense. ACO is a department that provides customer services support  
10 for customers, including Aqua Indiana's customers.<sup>7</sup> As discussed above, I accept  
11 Petitioner's proposed adjustment to contractual services - management fees but  
12 disagree with the proposed adjustment for contractual services – other.

13 **Q: What adjustment did Petitioner propose for contractual services – other?**

14 A: Petitioner proposed a contractual services – other adjustment consisting of  
15 additional ACO expense of \$34,001, lab testing for the additional flows resulting  
16 from the contract with the City of Fort Wayne of \$11,938 and additional fees billed  
17 by Fort Wayne for meter reading and other services totaling \$56,543. This results  
18 in a total *pro forma* adjustment of \$102,482 to test year expense yielding a *pro*  
19 *forma* expense of \$267,276.

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<sup>7</sup> See Petitioner's Exhibit No. 2, Page 9.

1 **Q: Do you accept Petitioner's proposed adjustment?**

2 A: Partially. I accept Petitioner's adjustment for ACO expense, lab testing and meter  
3 read, but disagree with Petitioner's proposal to include disconnection fees and new  
4 customer fees in its revenue requirement.

5 **Q: Why do you disagree with Petitioner's proposal to include new customer and**  
6 **disconnection fees in its revenue requirement?**

7 A: Rather than including them in Aqua's revenue requirement to be borne by all  
8 customers, costs related to new customers and disconnections should be borne by  
9 the customers causing the fees. Please refer to the pre-filed testimony of OUCC  
10 Analyst Margaret Stull for a discussion of the OUCC's proposal to adjust  
11 Petitioner's non-recurring fees in order to recover these costs from the customers  
12 responsible for these fees.

13 **Q: What adjustment do you propose?**

14 A: I propose an adjustment consisting of \$34,001 for additional ACO expense, and lab  
15 testing for the additional flows resulting from the contract with the City of Fort  
16 Wayne of \$11,938. Also, I propose an additional adjustment of \$19,843 for meter  
17 reading fees for the City of Fort Wayne based on OUCC customer growth  
18 projections for a total adjustment of \$65,782 for a proposed *pro forma* expense of  
19 \$230,576. See OUCC Schedule 6, Adjustment No. 4.

**Table V: Contractual Services – Other**

	<b>Petitioner</b>	<b>OUCC</b>	<b>OUCC More (Less)</b>
Lab Testing Fees	\$ 11,938	\$ 11,938	\$ -
ACO Customer Service Costs	34,001	34,001	-
Meter Reading Fees	19,441	19,843	402
Other Ft. Wayne Fees	37,102	-	(37,102)
	<b>\$ 102,482</b>	<b>\$ 65,782</b>	<b>\$ (36,700)</b>

**F. Fort Wayne Charges**

1 **Q: Please explain your additional adjustment to test year Contractual Services –**  
2 **Other.**

3 A: Petitioner recorded \$9,284 of fees during the test year for fees charged by the City  
4 of Fort Wayne for new customers and disconnections. Because the costs should  
5 not be borne by all customers as discussed above, I removed these fees from test  
6 year expense. This results in a negative expense adjustment of (\$9,284). See OUCC  
7 Schedule 6, Adjustment No. 5.

**G. Rate Case Expense**

8 **Q: What rate case expense has Petitioner recommended?**

9 A: Petitioner has proposed total rate case expense of \$297,417 amortized over a three  
10 year period for an annual rate case expense of \$99,139.

11 **Q: Please explain the adjustment you’ve made to Petitioner’s proposed rate case**  
12 **expense.**

13 A: I propose rate case costs of \$285,417 amortized over a period of five years for an  
14 annual expense of \$57,083. My adjustment differs from Petitioner’s adjustment  
15 due to (1) elimination of certain rate case costs and (2) the amortization period  
16 proposed.

1 **Q: Please explain the rate case costs you have rejected?**

2 A: In its case in chief, Petitioner represented that its outside consultants/witnesses  
3 costs for the preparation of its filing would include \$12,000 paid to Heid Rate and  
4 Regulatory Services for the preparation of a cost of service study (\$10,000 for  
5 services plus \$2,000 for travel).<sup>8</sup> Since no cost of service study has been provided  
6 or used by Petitioner in this rate case, I have removed these costs for my calculation  
7 of the case expense.

8 **Q: Please explain your proposal for rate case amortization period.**

9 A: In its case in chief, Petitioner proposes amortizing its rate case expense over a  
10 period of three years. Petitioner's last rate case, Cause No. 43784, had a test year  
11 ended September 30, 2009, or six years prior to the test year end in the present case.  
12 Historically, Petitioner filed rate cases every five to six years. Therefore, I  
13 recommend that rate case expense be amortized over a period of five years. My  
14 two proposed adjustments result in a *pro forma* rate case amortization expense of  
15 \$57,083, or \$42,056 less than Petitioner's proposed adjustment of \$99,139. See  
16 OUCC Schedule 6, Adjustment No. 7.

17 **Q: If Petitioner files another rate case before the five year amortization period is**  
18 **completed, will it be prevented from recovering approved costs incurred in the**  
19 **preparation of this rate case?**

20 A: No. If Petitioner files a rate case during the next five years, it will be able to request  
21 the carry forward any unamortized rate case expense and include it in its revenue  
22 requirements in the next rate case.

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<sup>8</sup> See OUCC Attachment RJC No. 4.

**H. Disallowed Expense**

1 **Q: Did Petitioner propose to eliminate any disallowed expense items?**

2 A: No.

3 **Q: Please explain the OUCC’s adjustment for disallowed expense items.**

4 A: Some expenditures, such as gifts to employees and the cost of holiday celebrations,  
5 provide no benefit to rate-payers and should not be included as an operating  
6 expense. Accordingly, I propose that the cost of items such as contributions,  
7 promotional expenses, and flowers purchased for employees be removed from  
8 operating expenses. This is not to say that such expenses should not have occurred.  
9 It is simply improper for those expenses to be included in Petitioner’s revenue  
10 requirement. See OUCC Schedule 6, Adjustments 8 and 9 and the following table  
11 for a list of the disallowed expenditures:

**Table VI OUCC’s Proposed Disallowed Expenses**

<b>Description</b>	<b>Amount</b>
Contributions	\$ 373
Promotional Expense	4,443
Civic Organization Events	173
Flowers and Fruit	136
Service Awards	588
Retirement Lunches	30
Gaging Station Costs	10,812
Legal Fees	41,992
Engineering Fees	3,815
<b>Total</b>	<b>\$ 62,363</b>

1 **Q: Please explain your disallowance of Gaging Station Costs recorded to Account**  
2 **Number 775600, "Miscellaneous Transportation and Distribution Expense."**

3 A: In response to OUCC Data Request No. 8.18,<sup>9</sup> Petitioner provided requested  
4 supporting documentation for two test year transactions relating to gaging stations  
5 costs recorded to account number 775600 "SE-MISC-T&D-Maint." Based on the  
6 invoices provided I determined that test year operating expenses included two years  
7 of gaging stations costs, 2013 and 2014. Because the 2013 costs are not in the test  
8 year, I propose the elimination of those costs in the amount of \$10,812. See OUCC  
9 Schedule 6, Adjustment No. 8.

10 **Q: Please explain your adjustment to Petitioner's test year miscellaneous expense**  
11 **for items that should be capitalized.**

12 A: As discussed above, included in Petitioner's test year miscellaneous expense is  
13 \$804,533 recorded to account number 775863 which is described as "Intraco  
14 Clearing" and represents administrative costs allocated from Aqua Indiana.  
15 Included in this amount is \$110,194.19 of legal expense. In Data Request No. 11.7,  
16 I asked if any of this \$110,194.14 had been capitalized. Petitioner's response was  
17 that \$41,991.67 of these costs were legal fees relating to the purchase of the Galena  
18 Wastewater Treatment Plant which were reclassified as capital expenditures in  
19 2016.<sup>10</sup> Accordingly, I propose an adjustment to remove these legal fees from  
20 Petitioner's revenue requirement. These legal fees do not relate to Petitioner and  
21 are not necessary for the provision of wastewater utility service.

---

<sup>9</sup> See OUCC Attachment RJC No. 5.

<sup>10</sup> See OUCC Attachment RJC No. 6.

1           Also included in the Intraco Clearing accounts was \$3,814.69 of  
2 engineering expenses. In Data Request No. 11.1, I requested documentation that  
3 supported these expenditures.<sup>11</sup> After reviewing these documents, it is my opinion  
4 that these expenditures represent capital costs, not operating expenses. Therefore I  
5 propose removing \$3,814.69 from miscellaneous expense. See OUCC Schedule 6,  
6 Adjustment 9.

**I. Indiana Utility Receipts Tax**

7 **Q: What *pro forma* expense for Indiana Utility Receipts tax has Petitioner**  
8 **proposed?**

9 A: Petitioner has proposed *pro forma* Indiana utility receipts tax of \$132,829.

10 **Q: Please explain your adjustments to Petitioner's Indiana Utility Receipts Tax.**

11 A: The amount of Indiana utility receipts tax a utility incurs is a direct function of the  
12 amount of revenues it records. Consequently, my proposed utility receipts tax  
13 expense reflects the revenue adjustments discussed above. In addition to those  
14 adjustments, my calculation takes into consideration the \$1,000 revenue exemption  
15 allowed for the calculation of utility receipts tax and the deduction allowed for bad  
16 debt expense. These adjustments are allowed pursuant to IC § 6-2.3. My IUR tax  
17 calculation also excludes the wholesale wastewater treatment revenues from the  
18 City of Fort Wayne as these revenues are exempt from IUR tax. I propose an  
19 increase of \$18,415, which is \$20,033 less than Petitioner's proposed adjustment.  
20 See OUCC Schedule 7, Adjustment No. 3.

---

<sup>11</sup> See OUCC Attachment RJC No. 7.

**J. Payroll Tax**

1 **Q: What adjustment did Petitioner propose to payroll tax expense?**

2 A: Petitioner proposed a *pro forma* payroll tax adjustment consisting of estimated  
3 expense for FICA, Medicare tax, and state and federal unemployment tax which  
4 results in a \$5,586 increase to test year expense.

5 **Q: Do you accept Petitioner's proposed payroll tax adjustment?**

6 A: No. Although I accept Petitioner's methodology, I disagree with the federal  
7 unemployment tax rate used. Petitioner used an incorrect federal unemployment tax  
8 rate of .8% on its direct employee labor. The correct current federal unemployment  
9 tax rate is .6%. This results in a \$276 reduction in test year payroll tax for *pro*  
10 *forma* payroll tax of \$109,963.<sup>12</sup> See OUCC Schedule 7, Adjustment No. 1.

**K. Property Tax**

11 **Q: What property tax expense adjustment did Petitioner propose?**

12 A: Petitioner proposed a *pro forma* property tax expense of \$626,261. Reducing this  
13 amount by test year expense of \$456,221 resulted in an adjustment increasing test  
14 year property tax by \$170,041. Included in Petitioner's proposed property tax  
15 adjustment are taxes for its three major projects consisting of its new office  
16 building, its Main Aboite Basin and the Midwest Wastewater Treatment Plant  
17 Expansion.

18 **Q: Do you accept Petitioner's proposed property tax adjustment?**

19 A: No.

---

<sup>12</sup> See OUCC Attachment RJC No. 8.

1 **Q: Please explain your proposed adjustment to Petitioner's property tax expense.**

2 A: I propose an increase in *pro forma* property tax expense of \$103,123. My  
3 adjustment consists of a decrease in the applicable property tax rate and excludes  
4 property taxes on two of the three major projects Petitioner has proposed including  
5 in utility plant but which won't be assessed until after the end of the adjustment  
6 period.

7 **Q: Do you propose including in Petitioner's revenue requirement any property**  
8 **tax expense that will be due on the major projects that will be completed in**  
9 **2016 and assessed for the first time in January of 2017?**

10 A: Yes. I propose including the property tax expense for the \$9,741,000 Midwest  
11 Wastewater Treatment Plant Expansion.

12 **Q: What would the OUCC's position normally be regarding the *pro forma***  
13 **property tax expense Petitioner has proposed on its additional major projects?**

14 A: Since these properties would not be assessed for the purposes of property tax  
15 liability until January of 2017, the payment of property tax on these properties will  
16 not occur until 2018. In order for a cost to be collected in rates as a revenue  
17 requirement, it must be fixed in time, measurable in amount, and known to occur  
18 within twelve months of the end of the test year. In the present case, twelve months  
19 after the end of the test year is September 30, 2016. As such, normally I would  
20 recommend the property taxes for these projects be disallowed for the purposes of  
21 this rate case.

22 **Q: Why in this instance are you proposing allowing Petitioner to receive its**  
23 **property tax expense on the Wastewater Treatment Plant Expansion?**

24 A: In Paragraph 11 of its petition in this proceeding Petitioner requested that:

25 Aqua Indiana's test year accounting data shall be adjusted for changes  
26 that are fixed, known and measurable for ratemaking purposes and

1 occurring through September 30, 2016 and also thereafter solely for  
2 anticipated charges related to the Aboite Wastewater Division's  
3 services to the City of Fort Wayne...

4 The OUCC has accepted this proposal and will include all revenues and expenses  
5 relating to the Wastewater Treatment Plant Expansion in its calculation of revenue  
6 requirement in this case. This will include property tax expense on this project.

7 **Q: Please explain your adjustment to the applicable property tax rate?**

8 A: During my review of Petitioner's books and records I determined that Petitioner's  
9 *pro forma* property tax expense was based on a 2014 assessment payable in 2015.  
10 Petitioner provided additional documentation based on property taxes that were  
11 assessed in 2015 and which will be payable in 2016. The property tax rate on  
12 Petitioner's ten parcels of property has been reduced between 2014 and 2015 in  
13 amounts ranging from .0192% to .0542%. Accordingly, the OUCC's schedules  
14 reflect a decrease in proposed *pro forma* property tax expense. In addition to this  
15 adjustment, the OUCC added the tax liability on a parcel of Petitioner's property  
16 that had not been included in its *pro forma* property tax calculation.<sup>13</sup>

17 **Q: Do you agree with Petitioner's methodology in estimating the *pro forma***  
18 **property tax for its proposed major projects?**

19 A: No. In calculating its proposed *pro forma* property tax for its major projects  
20 Petitioner failed to include an allowance for local property tax credits also referred  
21 to as a "replacement credit."

---

<sup>13</sup> See OUCC Attachment RJC No. 9.

1 **Q: How have you calculated your proposed property tax adjustment on**  
2 **Petitioner's Wastewater Treatment Plant Expansion?**

3 A: In my *pro forma* calculation for property tax on the Midwest Wastewater Treatment  
4 Plant I have taken the projected assessed value and multiplied it by the Aboite  
5 Township property tax rate to arrive at a gross property tax amount of \$174,656. I  
6 then multiply the gross property tax by the replacement credit rate to arrive at the  
7 replacement credit of \$8,696. I then reduce the gross property tax by the  
8 replacement credit to arrive at the *pro forma* property tax of \$165,960.<sup>14</sup> Adding  
9 this amount to the property tax of the other eleven parcels of property results in  
10 total property tax of \$559,344. Reducing this amount by the test year property tax  
11 of \$456,221 results in a *pro forma* property tax adjustment of \$103,123. See  
12 Schedule No. 7, Adjustment No. 2.

#### IV. RECOMMENDATIONS

13 **Q: Please summarize your recommendations to the Commission in this cause.**

14 A: I make the following recommendations:

- 15 1. I recommend Petitioner's operating revenues be adjusted upward by  
16 \$158,800 for residential, \$31,267 for commercial and \$2,377 for public  
17 Authority.
- 18 2. I recommend Petitioner's direct salaries and wages expense be adjusted to  
19 \$847,964.
- 20 3. I recommend Petitioner's employee benefits expense be adjusted to  
21 \$334,163.

---

<sup>14</sup> See OUCC Attachment RJC No. 10.

1           4.           I recommend Petitioner's contractual services – other expense be adjusted  
2           to \$230,576.

3           5.           I recommend Petitioner's rate case expense be adjusted to \$57,083.

4           6.           I recommend that \$62,362 in miscellaneous expense included in Petitioner's  
5           test year be disallowed.

6           7.           I recommend Petitioner's Indiana Utility Receipts Tax be adjusted to  
7           \$112,796.

8           8.           I recommend Petitioner's payroll tax be adjusted to \$109,963.

9           9.           I recommend that Petitioner's property tax expense be adjusted to \$559,344.

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

11   **A:    Yes.**

**V. APPENDIX A**

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

2 A: I graduated from Indiana University in May 1978 with a Bachelor of Science degree  
3 majoring in accounting. Upon graduation, I took a position as an accountant for  
4 Tousley-Bixler Construction Company for whom I worked until 1984. At that time,  
5 I began attending Indiana University School of Law. After graduating from law  
6 school in 1988, I was employed by the public accounting firm of Boyd, Stamper &  
7 Leeds and participated in the preparation of compilations, audits, and corporate,  
8 individual and municipal tax returns. From 1990 to 1993, I worked for the CPA  
9 firm of Myers & Stauffer, which specializes in Medicaid accounting, consulting  
10 and rate setting. After a short tenure with the OUCC as a Principal Accountant in  
11 1993, I became Controller, Corporate Secretary, and a member of the Board of  
12 Directors of General Acceptance Corporation. I returned to the OUCC in 1998 as  
13 an Assistant Utility Consumer Counselor and represented the interests of the public  
14 before the Indiana Utility Regulatory Commission ("IURC" or "Commission") in  
15 a variety of Gas, Water and Telecommunications cases. I assumed my current  
16 position as a Utility Analyst with the OUCC in April of 2005. Since joining  
17 the OUCC, I have attended the NARUC Annual Regulatory Studies Program, the  
18 NARUC Utility Rate School, and other continuing education programs. I became  
19 licensed as a Certified Public Accountant in 1983. Having left the practice of public  
20 accounting in 1993, my license is currently inactive. I am also an inactive member  
21 of the Indiana Bar in good standing.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**  
2 **Commission?**

3 A: Yes. I have testified in many cases before the Commission including a number of  
4 applications by municipal, not-for-profit and investor owned water utilities for  
5 financing authority and changes to rates and charges.

**Aqua Indiana - Aboite Wastewater Division**  
Cause No. 44752  
Test Year Customer Growth Adjustment

	Test Year						Test Year Growth		
	Customer Count	Billings	Volumes	Normalized Revenues	Average Bill	Average Consumption	Normalized Billings	Increased Billings	Additional Revenues
<b><u>Unmetered Customers</u></b>									
Residential	898	10,677		630,578	59.06		10,776	99	5,847
Commercial	28	308		40,181	130.46		336	28	3,653
Public Authority	1	10		1,061	106.1		12	2	212
	<u>927</u>	<u>10,995</u>		<u>671,820</u>			<u>11,124</u>	<u>129</u>	<u>9,712</u>
<b><u>Metered Customers</u></b>									
Residential	11,730	140,179	624,576,000	6,279,681	44.80	4,455.56	140,760	581	26,029
Commercial	376	4,442	157,834,000	751,326	169.14	35,532.19	4,512	70	11,840
Public Authority	63	743	25,917,000	123,738	166.54	34,881.56	756	13	2,165
	<u>12,169</u>	<u>145,364</u>	<u>808,327,000</u>	<u>7,154,745</u>			<u>146,028</u>	<u>664</u>	<u>40,034</u>
<b>Total</b>	13,096	156,359		7,826,565					<u>\$ 49,746</u>

**Aqua Indiana - Aboite Wastewater Division**  
Cause No. 44752  
Post-Test Year Customer Growth Adjustment

	Test Year						Post-Test Year Growth			
	Customer Count	Billings	Volumes	Normalized Revenues	Average Bill	Average Consumption	Customer Growth %	Increased Customers	Additional Billings	Additional Revenues
<b><u>Unmetered Customers</u></b>										
Residential	898	10,677		630,578	59.06		1.83%	16	192	11,340
Commercial	28	308		40,181	130.46		1.83%	1	12	1,566
Public Authority	1	10		1,061	106.1		-	-	-	-
	<u>927</u>	<u>10,995</u>		<u>671,820</u>				<u>17</u>	<u>204</u>	<u>12,906</u>
<b><u>Metered Customers</u></b>										
Residential	11,730	140,179	624,576,000	6,279,681	44.80	4,455.56	1.83%	215	2,580	115,584
Commercial	376	4,442	157,834,000	751,326	169.14	35,532.19	1.83%	7	84	14,208
Public Authority	63	743	25,917,000	123,738	166.54	34,881.56	-	-	-	-
	<u>12,169</u>	<u>145,364</u>	<u>808,327,000</u>	<u>7,154,745</u>				<u>222</u>	<u>2,664</u>	<u>129,792</u>
<b>Total</b>	13,096	156,359		7,826,565						<u>\$ 142,698</u>

**Unmetered Customers**

	<u>Residential</u>		<u>Commercial</u>	
2009	770		24	
2010	802	4.16%	23	-4.17%
2011	802	0.00%	23	0.00%
2012	844	5.24%	24	4.35%
2013	844	0.00%	24	0.00%
2014	881	4.38%	24	0.00%
		2.76%		0.04%
		3.21%		1.45%

**Metered Customers**

	<u>Residential</u>		<u>Commercial</u>	
2009	10411		212	
2010	10832	4.04%	195	-8.02%
2011	11160	3.03%	354	81.54%
2012	11312	1.36%	356	0.56%
2013	11527	1.90%	386	8.43%
2014	11692	1.43%	357	-7.51%
		2.35%		15.00%

**Total Customers**

	<u>Total customers</u>	
2009	11908	
2010	11922	0.12%
2011	12405	4.05%
2012	12602	1.59%
2013	12849	1.96%
2014	13035	1.45%
		1.83%

Aqua Indiana's Responses to  
OUCC's Sixth Set of Data Requests  
Cause No. 44752  
June 6, 2016  
Page 11

**Q. 6.8.** Please state the amount of labor capitalized in each of the calendar years 2009, 2010, 2011, 2012, 2013, 2014, and 2015. Please also state the percent of labor capitalized in each of these years.

**Response:** Aqua Indiana objects to the Request on the grounds that it is vague. The key phrase "amount of labor capitalized" is unclear. Subject to its objection, Aqua Indiana states that information on labor capitalized for direct employees of the Aboite Wastewater Division is shown below.

<u>Year</u>	<u>Capital Labor</u>	<u>Capital %</u>
2009	\$27,254	4.46%
2010	\$22,242	3.40%
2011	\$41,660	5.94%
2012	\$32,119	4.54%
2013	\$72,676	9.83%
2014	\$36,220	4.56%
2015	\$60,629	7.01%

**Witness:** Bobby D. Estep

**Corey, Richard**

---

**From:** Estep, Bobby D. <BDEstep@aquaamerica.com>  
**Sent:** Tuesday, May 24, 2016 4:34 PM  
**To:** Corey, Richard  
**Cc:** Allen, Danny E.  
**Subject:** RE: Benefitst

\*\*\*\* This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*\*

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Hi Rich,

We are working on this response but will not have it by the end of the day today. I leave for vacation tomorrow morning and will not be back until June 2<sup>nd</sup>. Are you okay with waiting until June 2<sup>nd</sup>? If not maybe Danny Allen can provide the information to you prior to my return if he is able to get all of the required information to respond.

To answer your two questions below – we are self-insured for health, dental and prescription. Employees contribute 17%-20%.

Thank you!

**AQUA**

**Bobby D. Estep**  
**Controller**

**Aqua Indiana, Inc.**

1111 W. Hamilton Road South

Fort Wayne, Indiana 46814

O: 260-625-4700, Ext. 55228

[Bdestep@AquaAmerica.com](mailto:Bdestep@AquaAmerica.com)



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**From:** Corey, Richard [mailto:rcorey@oucc.IN.gov]  
**Sent:** Friday, May 20, 2016 12:34 PM  
**To:** Estep, Bobby D.  
**Subject:** Benefitst

Hi Bobby

Can you provide me with some support regarding the health, dental and live insurance found on wp-C2.12? Copies of invoices would suffice.

(if this is somewhere in the workpapers, can you direct me to it?)

Are you still self insured for your prescription plan?

Do employee still make a 15% to 25% contribution?

Thanks

**Corey, Richard**

---

**From:** Allen, Danny E. <DEAllen@aquaamerica.com>  
**Sent:** Friday, May 27, 2016 9:25 AM  
**To:** Stull, Margaret; Corey, Richard  
**Cc:** Estep, Bobby D.  
**Subject:** Updated Benefits Expense Pro Forma  
**Attachments:** Benefits Pro Forma Update - 5 27 16.xlsx

**Sensitivity:** Confidential

\*\*\*\* This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*\*

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Hi Margaret and Rich,

As promised, attached is an updated benefits expense detail based on the most recent actual numbers information I could get. I'm available to discuss. Please let me know if you feel our benefits support needs anything further (other than the Towers Watson documentation that we are getting for you). Thanks for your patience as I've pulled this together.

Please note the information in the attached file is confidential and subject to non-disclosure agreements. THANKS!! - danny

Danny Allen  
Aqua Services, Inc.  
PO Box 335  
Rockland ME 04841  
Tel. (207) 593-7205  
Cel. (207) 706-6895  
Fax (207) 593-7206  
deallen@aquaamerica.com

**Aboite Pro Forma Benefits Summary**

5/27/16 - dea

Test Year <u>Direct</u>	Test Year <u>Admin</u>			
		Health	\$ 240,225.10	See Detail Tab - May 2016 Annualized
		Dental	\$ 14,058.09	See Detail Tab - May 2016 Annualized
		Life / ADD / LTD	\$ 13,132	See Detail Tab - May 2016 Annualized
		Corporate Contrib.	\$ 30,761	See Detail Tab - 2015 Actual Most Readily Available
		401(k)	\$ 28,108	See Detail Tab - 2015 Actual Most Readily Available
\$ 719	\$ 13,827	Other	\$ 7,879	Test year actual
<u>100.00%</u>	51.78103%			

Updated Pro Forma **\$ 334,163**

**Aboite Sewer**

1-5-8 (24)

**Detail of Rate Case Expense by Expense component etc.**

Description	Hours	Cum. Hrs.	Amount	Cum. Amt.
<b>Aqua Services, Inc. Legal:</b> blended \$88 / hour	230	230	20,000	\$ 20,000
<b>Aqua Services, Inc. Rate Dept. Expenses:</b> blended \$75 / hour	1,675	1,675	125,000	125,000
<b>DTF Solutions</b>			10,000	10,000
<b>Heid Rate and Regulatory Serv.</b>			10,000	10,000
<b>Sussex Advisors - ROE</b>			33,000	33,000
<b>Ice Miller - Legal</b>			75,000	75,000
<b>Travel Expenses:</b> Travel and Lodging Expenses (4 trips @ \$2000 ea)			8,000	8,000
<b>Other Expenses:</b> Postage (13,096 mailings at \$0.49)			6,417	
<b>Miscellaneous</b>			10,000	16,417
Projected			<b>1,905</b>	<b>1,905</b>
			<b>\$ 297,417</b>	<b>\$ 297,417</b>

**Kerry A. Heid, P.E.**  
**HEID RATE AND REGULATORY SERVICES**

3212 Brookfield Drive  
Newburgh, IN 47630  
kaheid@wowway.com

Phone: (812) 858-0508  
Cellular: (812) 568-5955  
Fax: (812) 858-0509

August 25, 2015

Mr. Bobby D. Estep, Controller  
Aqua Indiana, Inc.  
1111 W. Hamilton Road South  
Fort Wayne, Indiana

Dear Mr. Estep:

I am pleased to submit the following proposal concerning the anticipated upcoming Aqua Indiana, Inc. ("Aqua Indiana") wastewater rate case.

Scope of Work

I propose to perform all tasks necessary to prepare the wastewater cost of service study and rate design for Aqua Indiana's wastewater operation, with the intent of complying with the Indiana Utility Regulatory Commission's Order in Aqua Indiana's previous wastewater rate case, Cause No. 43874.

My work would culminate in the preparation and filing of testimony and exhibits in all phases of the proceeding (i.e. direct, rebuttal, etc.). In addition, I would prepare and submit all data required by the Indiana Utility Regulatory Commission. I would also assist in responses to data requests, participate in strategy meetings and settlement discussions, participate at the hearings as an expert witness in all phases, assist with the preparation of Aqua Indiana's proposed Order and its responses to the OUCC's and intervenor's proposed Orders, prepare the Compliance Filing, and other actions as directed by Aqua Indiana.

All work would be in accordance with generally accepted cost of service and rate design methodologies for wastewater utilities.

Pricing

My hourly rate for consulting services is \$180 per hour, in addition to out-of-pocket expenses.

Personnel Resources

All work will be provided by me personally. Should a need arise to utilize additional personnel resources, approval will be obtained from Aqua Indiana prior to their use.

Aqua Indiana's Responses to  
OUCC's Eighth Set of Data Requests  
Cause No. 44752  
June 6, 2016  
Page 24

**Q 8.18.** Please provide supporting documentation, including invoices and purchase orders, for each of the following test year transactions:

Period	Year	Account	Account Description	System2	Source	JE#	Amount	Post Date	Description
10	2014	775600	SW-Misc-T&D Maint	AP	AD	17	10,812.00	10/30/2014	44415OHIO RIVER VALLEY WAT
10	2014	162000	Other Prepays	AP	AD	17	9,911.00	10/30/2014	44415OHIO RIVER VALLEY WAT
9	2015	162000	Other Prepays	GL	JE	63	11,118.00	10/6/2015	Ohio River Valley Water
3	2015	775819	SW-Misc-A&G-Office S	AP	AD	9	590.30	3/21/2015	41572ARC INDIANA
8	2015	775819	SW-Misc-A&G-Office S	GL	XL	2	373.20	9/2/2015	Arc - In Crown Point
12	2014	775840	SW-Misc-A&G-SEMIN	AP	AD	6	3,850.00	12/18/2014	21879Straeffler Pump & Supp
1	2015	775864	SW-Misc-A&G-Claims	AP	AD	7	1,580.00	1/17/2015	999142503THE ROGERS COMPANY
7	2015	775864	SW-Misc-A&G-Claims	AP	AD	14	5,692.24	7/25/2015	999149534DANIEL & LAKEYA STEWA

**Response:** See Appendix 8.18

**Witness:** Bobby D. Estep





Aqua Indiana's Responses to  
OUCC's Eleventh Set of Data Requests  
Cause No. 44752  
June 13, 2016  
Page 9

**Q 11.7:** Please state if any of the \$110,194.19 of O&M OS Legal was capitalized.

**Response:** \$41,991.67 was reclassified to capital in 2016 to the Galena accounting unit.

**Witness:** Bobby D. Estep

Aqua Indiana's Responses to  
OUCC's Eleventh Set of Data Requests  
Cause No. 44752  
June 13, 2016  
Page 3

Responses to Specific Data Requests

**Q 11.1:** Please provide documentation (e.g., invoices, purchase orders, etc.) that supports the \$3,814.69 in O&M OS Engineering cost which was included in Account 775863 SW-MISC-A&G-INTRACO CLEARING with a balance as of September 30, 2015 of \$804,432.64.

**Response:** Documentation supporting the noted \$3,814.69 is attached as Appendix 11.1.

**Witness:** Bobby D. Estep

**Q11.1 Support Summary**

Date	Vendor	Accounting Unit	Account Number	Amount
12/31/2014	Heritage Engineering	9001	731800	694.69 A
6/30/2015	Heritage Engineering	9001	731800	3,120.00 B
Total				<u>3,814.69</u>



# HERITAGE ENGINEERING, LLC

603 North Shore Drive Suite 204  
Jeffersonville IN 47130  
812 280 8201 502 562 1412

39257

Aqua Indiana Inc  
Tom Bruns  
3750 Castle Creek Pkwy N Dr #314  
Indianapolis IN 46250

Invoice number 14069 1  
Date 12/05/2014

Project 14069 White Oak Subdivision Sewer System

*Green Hill  
Mkt PO # 4255-Line 1*

**Invoice Summary**

Description	Prior Billed	Total Billed	Current Billed
DUE DILIGENCE REVIEW	0 00	302 50	302 50
DATA ACQUISITION	0 00	337 50	337 50
REIMBURSABLES	0 00	54 69	54 69
<b>Total</b>	0 00	694 69	694 69

**Due Diligence Review**

Professional Fees

	Hours	Rate	Billed Amount
Principal	2 00	135 00	270 00
CAD Technician	0 50	65 00	32 50
<b>Phase subtotal</b>			<u>302 50</u>

**Data Acquisition**

Professional Fees

	Hours	Rate	Billed Amount
Intern	7 50	45 00	337 50
<b>Phase subtotal</b>			<u>337 50</u>

**Reimbursables**

Reimbursables

	Units	Rate	Billed Amount
Miles	96 80	0 565	54 69
<b>Subtotal</b>			<u>54 69</u>
<b>Phase subtotal</b>			<u>54 69</u>

Invoice total \$694 69 A

ENTERED  
DEC 30 # 2986  
BY *[Signature]*

Aqua Indiana Inc  
Project 14069 White Oak Subdivision Sewer System

Invoice number 14089 1  
Date 12/05/2014

Approved by



Robert L. Woosley Jr P E



603 North Shore Drive Suite 204  
Jeffersonville IN 47130  
812 280 8201 502 562 1412

Aqua Indiana Inc  
Tom Bruns  
5750 Castle Creek Pkwy N Dr #314  
Indianapolis IN 46250

Invoice number 14069 2  
Date 05/06/2015

Project 14069 White Oak Subdivision Sewer System

**Invoice Summary**

Description	Contract Amount	Percent Complete	Prior Billed	Total Billed	Remaining	Current Billed
DUE DILIGENCE REVIEW	0 00	0 00	302 50	302 50	302 50	0 00
DATA ACQUISITION	0 00	0 00	337 50	337 50	337 50	0 00
ADDITIONAL SURVEY/EASEMENT PLAT SERVICES	3 900 00	80 00	0 00	3 120 00	780 00	3 120 00
REIMBURSABLES	0 00	0 00	54 69	54 69	54 69	0 00
<b>Total</b>	<b>3 900 00</b>	<b>97 81</b>	<b>694 69</b>	<b>3 814 69</b>	<b>85 31</b>	<b>3 120 00</b>

Invoice total \$3 120 00

**Aging Summary**

Invoice Number	Invoice Date	Outstanding	Current	Over 30	Over 60	Over 90	Over 120
14069 2	05/06/2015	3 120 00	3 120 00				
	<b>Total</b>	<b>3 120 00</b>	<b>3 120 00</b>	<b>0 00</b>	<b>0 00</b>	<b>0 00</b>	<b>0 00</b>

32 9001 731800 M92994

Approved by

*Robert L. Woosley Jr*  
Robert L. Woosley Jr P E

Vendor # - 39257

Req# - 233692

PO# - 4561

Rec# - 5664

Approved for payment  
T.M. Gorman 5/26/15

M# M92994

*Kieran Tanay* 6-3-15

Aqua Indiana, Inc. - Aboite Wastewater Division  
Cause No. 44752  
**OUC's Payroll Tax Adjustment**

	<u>Rate</u>	<u>Base</u>	<u># of Employees</u>	<u>E-A1 Allocation</u>	<u>Pro Forma</u>
<b>Direct Employees</b>					
<u>Unemployment Tax</u>					
State Unemployment Tax	4.57%	\$9,500	15		\$6,512
Fed. Unemployment Tax	<u>0.60%</u>	7,000	15		630
Unemployment Tax Rate	5.17%				
 <u>FICA Tax</u>					
Gross Payroll per Labor Work Paper		\$ 899,029			
Add: Incentive Compensation (pro-rated)		<u>64,318</u>			
Medicare	1.45%	963,347			13,969
Social Security	<u>6.20%</u>	963,347			59,727
	7.65%				
 <b>Admin Employees</b>					
<u>Unemployment Tax</u>					
State Unemployment Tax	4.57%	\$9,500	9	51.71%	\$2,021
Fed. Unemployment Tax	<u>0.60%</u>	7,000	9	51.71%	195
Unemployment Tax Rate	5.17%				
 <u>FICA Tax</u>					
Gross Payroll per Labor Work Paper		\$ 666,218			
Add: Incentive Compensation (pro-rated)		<u>47,662</u>			
Medicare	1.45%	713,881		51.71%	\$5,353
Social Security (less cap exclusion see below)	<u>6.20%</u>	672,349		51.71%	21,556
	7.65%				
 <u>Total</u>					
Above SS Cap Salary		\$149,347			
Pro Rated Incentive Compensation		<u>10,684</u>			
Gross Compensation		\$160,031			
Social Security Cap		<u>(118,500)</u>			
Exclusion for Social Security		41,531			
				<b>Pro Forma Payroll Taxes</b>	<b>\$109,963</b>

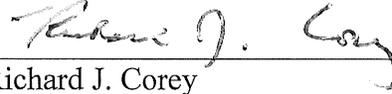


OUCC's Property Tax Adjustment

Determination of Real and Personal Property Tax		2015 pay 2016 property tax Bill																														
PIN NUMBER	TOWNSHIP																															
<b><u>REAL ESTATE</u></b>																																
02-11-24-252-001.000-038	38 - Aboite	4,817.28																														
02-11-24-400-001.001-038	38 - Aboite	584.82																														
02-16-03-100-001.004-048	48 -Lafayette	167.32																														
02-11-28-451-010.001-075	75 - FW Aboite	898.30																														
02-11-27-476-001.001-075	75 - FW Aboite	10,002.90																														
02-11-09-301-001.001-038	38 - Aboite	242.28																														
02-06-34-400-001.001-049	49 - Lake Township	93.04																														
<b><u>PERSONAL/DISTR. PROPERTY</u></b>																																
02-0387690	38 - Aboite	372,884.76																														
02-0687690	68 - Wayne Ptc	2,291.10																														
040-950-00000625	40 - Jefferson	808.70																														
<b><u>Parcel Not Included in WP-C2.41</u></b>																																
02-0387532	38 - Aboite	593.67																														
<b><u>Allowed Major Project</u></b>																																
Mid West WWTP Expansion	38 - Aboite	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Assessed Value</u></th> <th style="text-align: left;"><u>Tax Rate</u></th> <th style="text-align: left;"><u>Gross Tax</u></th> <th style="text-align: left;"><u>Credit Rate</u></th> <th style="text-align: left;"><u>Credit</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>\$ 9,741,000</td> <td>1.7930%</td> <td>\$ 174,656.13</td> <td>4.979%</td> <td>\$ (8,696.13)</td> <td style="text-align: right;">165,960.00</td> </tr> <tr> <td colspan="5">Property Tax per OUCC</td> <td style="text-align: right;">559,344.17</td> </tr> <tr> <td colspan="5">Less: Test year Prop Tax</td> <td style="text-align: right;">456,221.00</td> </tr> <tr> <td colspan="5">Adjustment</td> <td style="text-align: right;"><u>\$ 103,123.17</u></td> </tr> </tbody> </table>	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Gross Tax</u>	<u>Credit Rate</u>	<u>Credit</u>		\$ 9,741,000	1.7930%	\$ 174,656.13	4.979%	\$ (8,696.13)	165,960.00	Property Tax per OUCC					559,344.17	Less: Test year Prop Tax					456,221.00	Adjustment					<u>\$ 103,123.17</u>
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Adjustment					<u>\$ 103,123.17</u>																											

**AFFIRMATION**

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



Richard J. Corey  
Indiana Office of Utility Consumer Counselor

June 24, 2016  
Date

Cause No. 44752  
Aqua Indiana, Inc.  
Aboite Wastewater Division

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *OUCC Testimony of Richard J. Corey: Public's Exhibit No. 2* has been served upon the following counsel of record in the captioned proceeding by electronic service on June 24, 2016.

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