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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S INVESTIGATION) CAUSE NO. 45032 S19
INTO THE IMPACTS OF THE TAX CUTS AND JOBS)
ACT OF 2017 AND POSSIBLE RATE)
IMPLICATIONS UNDER PHASE 2 FOR AQUA) APPROVED: DEC 19 2018
INDIANA, INC.)

ORDER OF THE COMMISSION

Presiding Officers:

James F. Huston, Chairman

David E. Veleta, Senior Administrative Law Judge

On January 3, 2018, the Indiana Utility Regulatory Commission ("Commission") initiated an investigation into the impact of the Tax Cuts and Jobs Act of 2017 ("Act") to review and consider the implications of the Act on utility rates and to determine what additional action, if any, is warranted. The Act contains provisions that, among other things, reduce the corporate federal income tax rate from 35% to 21%, thereby affecting the current rates charged by certain utilities.

As set forth in the Commission's February 16, 2018 Order in Cause No. 45032 ("February 16 Order"), the investigation into the Act was divided into two phases. The purpose of Phase 1 was "to ascertain the real time existing customer rate impact directly related to the change in the federal income tax rate on the ongoing revenue requirement" for each Respondent¹ and "to foster an expedient process to reflect such impact in customer rates going forward." Id. at 2 (footnotes omitted). Respondents were required to complete a 30-day filing in Phase 1 revising their rates and charges to reflect the new tax rate. The purpose of Phase 2 was to address all remaining issues, including: (1) the amount and amortization of normalized and non-normalized excess accumulated deferred income taxes ("ADIT") and the regulatory accounting being used for estimated impacts resulting from the Act, and (2) the timing and method for how these benefits will be realized by customers, whether directly or indirectly.

The following divisions of Aqua Indiana, Inc. ("Aqua Indiana") each submitted 30-day filings to reflect the tax implications of the Act in its base rates ("Base Rate Changes"), satisfying Phase 1 of the February 16 Order: Darlington, Lake County (Water), Wedgewood Park, Lake County (Sewer), Southern Hills, Aboite Wastewater, Wildwood Shores, Wymberly, and White Oak. The Base Rate Changes were approved by the Commission as follows: Darlington, Southern Hills, Wildwood Shores, and Wymberly's Base Rate Changes were approved on April 25, 2018; Lake County (Water), Lake County (Sewer), and Aboite Wastewater's Base Rate Changes were approved on May 16, 2018.²

¹ Indiana's jurisdictional rate-regulated, investor-owned utilities were named Respondents.

² Wedgewood Park and White Oak's Phase 1 filings, requesting a continuance of its base rates, were approved on June 20, 2018.

On May 14, 2018, the Commission issued a docket entry in Cause No. 45032, creating subdockets for the purpose of addressing Phase 2 issues. Aqua Indiana, for any of its divisions where the impact of the Act results in a direct rate benefit to customers, was assigned to subdocket S19.

On June 19, 2018, Aqua Indiana filed the direct testimony, inclusive of workpapers, of Bobby D. Estep. On July 2, 2018, Aqua Indiana filed a motion to substitute its excel versions of workpapers, which the Presiding Officers granted by Docket Entry dated July 16, 2018.

On October 15, 2018, Aqua Indiana and the Indiana Office of Utility Consumer Counselor (“OUCC”) filed their Stipulation and Settlement Agreement (“Settlement Agreement”) with the Commission outlining their resolution of the remaining issues in this proceeding. Also on October 15, 2018, Aqua Indiana filed the settlement testimony of Bobby D. Estep, and the OUCC filed the testimony of Margaret A. Stull, each in support of the Settlement Agreement.

A public evidentiary hearing was held in this Cause at 1:00 p.m. on October 31, 2018, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Aqua Indiana and the OUCC appeared and participated in the hearing.

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

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published as required by law. Aqua Indiana is a public utility as that term is defined in Ind. Code § 8-1-2-1(a). The Commission has jurisdiction to approve changes in the schedule of rates, tolls, and charges of Indiana public utilities under Ind. Code § 8-1-2-42. The Commission also has authority to initiate an investigation into all matters relating to any public utility pursuant to Ind. Code § 8-1-2-58. In addition, Ind. Code § 8-1-2-72 authorizes the Commission to alter or amend any order made by the Commission, upon notice and after an opportunity to be heard. Therefore, the Commission has jurisdiction over Aqua Indiana and the subject matter of this proceeding.

2. Aqua Indiana’s Case-in-Chief. Bobby D. Estep, Controller of Aqua Indiana, testified on behalf of Aqua Indiana’s proposal to comply with the Commission’s Docket Entry dated May 14, 2018. Mr. Estep explained that the Act resulted in direct rate benefit to customers of seven of Aqua Indiana’s divisions: Darlington, Lake County (Water), Lake County (Sewer), Southern Hills (also known as Heir Industries), Aboite Wastewater, Wildwood Shores, and Wymberly (collectively, the “Impacted Divisions”). Mr. Estep reiterated that because the base rates for the Wedgewood Park and White Oak divisions of Aqua Indiana do not include an amount for federal income tax expense, those divisions are not implicated in this subdocket.

Mr. Estep next presented Aqua Indiana’s proposal on excess ADIT. Mr. Estep explained Schedule 3 of Attachment A, which identified the December 31, 2017 recorded per-books balance of ADIT accounts, valued both before and after the effects of the Act, for each of the Impacted Divisions. Schedule 3 also identified each book-tax difference comprising the balance in each ADIT account. Schedule 2 of Attachment A identified the amount of excess ADIT for each Impacted Division, and indicated the amounts of protected and unprotected excess ADIT. Mr.

Estep also explained that, because the Impacted Divisions share certain assets (mainly IT assets) among themselves and other utilities operated by or affiliated with Aqua Indiana, excess ADIT balances associated with such shared assets are allocated based on customer counts in a manner similar to the allocation of shared assets in previous general rate case filings. See Schedule 2. Mr. Estep stated that some unprotected items, such as bad debt and employee benefit related items, are likewise allocated in the same manner. See Schedule 2.

Mr. Estep testified that Aqua Indiana was proposing to apply the Average Rate Assumption Method (“ARAM”) to calculate the amortization period for the protected excess ADIT balance of each Impacted Division, as set forth on Schedule 4 to Attachment A. With respect to unprotected excess ADIT, Aqua Indiana proposed to amortize such amounts over three years to return the amounts to ratepayers. Mr. Estep testified that Aqua Indiana proposed to normalize the unprotected excess ADIT balances over three years due to the differences in the timing of the reversal of the various items.

Mr. Estep next described Schedule 8 to Attachment A, setting forth Aqua Indiana’s compliance with the Commission’s directive to begin using regulatory accounting for all estimated impacts resulting from the Act. Mr. Estep explained that for each Impacted Division, the regulatory liability was calculated by multiplying the operating revenues subject to change by the various rate reductions approved in Phase 1 of Cause No. 45032, resulting in the revenue reduction to be returned to customers of such division. Schedule 8 contains the individual accounts of each Impacted Division.

Mr. Estep explained that Aqua Indiana proposed to return the regulatory balances to the ratepayers of each Impacted Division by applying a surcharge credit to customers’ bills. Schedule 1 to Attachment A supports Aqua Indiana’s proposal of three surcharge credit changes over the course of four years. In year one, each Impacted Division will return the entirety of the regulatory liability amounts to ratepayers, as well as amortized excess ADIT. Mr. Estep stated the protected excess ADIT would be returned until the earlier of a base rate case for that division, or until the protected excess ADIT is fully amortized. Mr. Estep also explained that unprotected excess ADIT will be amortized and returned over three years. Aqua Indiana proposed to file a revised tariff sheet reflecting the amount of the surcharge credit percentage for each Impacted Division for each year where a change is warranted.

3. Settlement Agreement. The Settlement Agreement, which resolves all Phase 2 issues for Aqua Indiana, includes: (1) a mechanism for Aqua Indiana’s Impacted Divisions to return excess ADIT created by the Act to customers by means of a surcharge credit; (2) provisions for Aqua Indiana’s Impacted Divisions to recognize and return to customers the difference between the 35% effective federal income tax reflected in approved base rates and charges and the revised 21% federal income tax rate, which became effective on January 1, 2018, recovered through approval of the Base Rate Changes (“Tax Regulatory Liability”); and (3) related ancillary provisions.

4. Evidence Supporting the Settlement Agreement.

A. Aqua Indiana. Bobby D. Estep provided testimony in support of the Settlement Agreement on behalf of Aqua Indiana. Mr. Estep summarized that the Settlement Agreement addresses all issues relating to Aqua Indiana's Phase 2 tax proceeding. Mr. Estep explained that if the Settlement Agreement is approved, it would provide, on a prospective basis, a surcharge credit to ratepayers of Aqua Indiana's Impacted Divisions.

Mr. Estep initially summarized the Settlement Agreement's Section 1.A, its provision setting forth the protected and unprotected excess ADIT balances for the Impacted Divisions as of December 31, 2017. Mr. Estep noted that Schedule 2 to the Settlement Agreement also included the amounts of Indiana shared items (such as IT assets) that have been allocated to the Impacted Divisions, as explained in his direct testimony. Mr. Estep testified that unprotected ADIT balances for most of the Impacted Divisions is a positive number because they represent deferred tax assets ("DTA"), which result from primarily employee benefit related timing differences deducted for book purposes that are not allowed as a deduction on tax returns until the employee recognizes the benefit. As a result of the Act, the DTAs were lowered from 35% to 21%, and the difference is to be collected from the ratepayer. Mr. Estep also explained that the application of the Act created a negative unprotected ADIT balance for the Wildwood Shores division because it has a net unprotected deferred tax liability that created an excess deferred benefit. Mr. Estep testified that Aqua Indiana and the OUCC negotiated several aspects in ascertaining the ADIT balance figures for the Impacted Divisions, including the appropriate inputs and methodology by which to calculate the ADIT balances.

Mr. Estep next summarized that the Settlement Agreement proposes to apply ARAM to calculate the amortization period for the Impacted Divisions' protected excess ADIT balances. Application of ARAM results in annual revenue reductions of the protected excess ADIT balances as listed in Section 1.B of the Settlement Agreement. Mr. Estep explained that Aqua Indiana's case-in-chief proposal on this point proposed reversing the excess ADIT balances using the 2018 estimated ARAM calculation. Following negotiations with the OUCC, Mr. Estep described that the Settling Parties reasonably agreed to use a 5-year average ARAM amount to normalize the return of the excess deferred taxes to ratepayers. Mr. Estep also explained that the Settlement Agreement provides that the unprotected excess ADIT balances would be amortized over a three-year period, resulting in the annual revenue reductions as set forth in Section 1.C of the Settlement Agreement.

Mr. Estep described the Tax Regulatory Liability accrued by each of the Impacted Divisions as a result of the Act, listing the balances for Wildwood Shores, Wymberly, Southern Hills and Darlington for the period of January 1, 2018 through April 24, 2018, and the balances for Aboite Wastewater, Lake County (Water) and Lake County (Sewer) for the period of January 1, 2018 through May 15, 2018. Mr. Estep explained that under the Settlement Agreement, the Impacted Divisions' Tax Regulatory Liability will be refunded via a surcharge credit and returned to the customers over 12 months. Mr. Estep explained that the surcharge credit will also be the mechanism for returning the amortized protected and unprotected excess ADIT to customers. Mr. Estep described that while the surcharge credits will change over time, in year one, the surcharge credit for each of the Impacted Divisions will be as follows:

- Aboite Wastewater: 2.74%
- Wildwood Shores: 12.96%
- Wymberly: 1.83%
- Southern Hills (Heir Industries): 1.57%
- Darlington: 0.00%
- Lake County (Water): 9.69%
- Lake County (Sewer): 3.17%

Mr. Estep explained that the proposed surcharge credits resulted from settlement negotiations with the OUCC. For example, Mr. Estep stated that the OUCC disagreed with calculating the surcharge credit by dividing the total amount to be returned to customers by the 2018 projected revenue, but the parties eventually agreed that the reduction in rates would be based on the revenue requirement used in each utility's most recent base rate case.

Mr. Estep also explained that there is no surcharge credit proposed in year one for the Darlington Division because the relative size of its unprotected excess ADIT asset should have resulted in a rate increase. However, the settling parties agreed that this Phase 2 proceeding was not an appropriate venue in which to seek a rate increase, so the Settlement Agreement contemplates no surcharge credit for the Darlington Division until Year Four, at which time a surcharge credit should be implemented to reflect amortization of protected excess ADIT.

Mr. Estep next stated that in the event the surcharge credit percentage for an Impacted Division in a given year results in either an over-refund or under-refund to its ratepayers, such amount will be trued-up or reconciled and used in the calculation of the next year's surcharge credit for such Impacted Division. This agreement is set forth in Section 1.F of the Settlement Agreement.

Mr. Estep explained that Section 1.G of the Settlement Agreement contains the mechanism for filing an annual revised tariff sheet to properly implement the surcharge credit as it shall be determined for each 12-month period. Mr. Estep discussed the revised tariff sheets for year 1 are attached to the Settlement Agreement as Attachment B. In ensuing years, the Settling Parties agreed that the Impacted Divisions would have until April 1st of the following year to submit the tariff for the next twelve-month period. To coordinate with the OUCC, Mr. Estep said Aqua Indiana has agreed to provide the OUCC with its proposed tariffs for the next twelve-month period, as well as any reconciliations and supporting workpapers, for the OUCC's review and input.

Mr. Estep also addressed that the OUCC had a concern about the projected excess ADIT amount by 2024 for the Aboite Wastewater Division. Mr. Estep explained that the Settlement Agreement provided in Section 1.H that Aqua Indiana agreed to make a compliance filing in this subdocket in January 2024 to adjust the Aboite Wastewater Division's protected excess ADIT ARAM reversal based on the average of the ARAM reversals from 2024 to 2028. However, Mr. Estep explained that Aqua Indiana need not make such a compliance filing if it has filed a base rate case for the Aboite Wastewater Division by January 2024.

Mr. Estep testified that the Settlement Agreement contained other provisions commonly found in settlements presented to the Commission. Mr. Estep concluded his testimony by asserting that the Settlement Agreement fully and fairly addresses all issues associated with the impact of the Act on Aqua Indiana's rates and charges, is supported by and is within the scope of the evidence presented by the Settling Parties, and was the result of extensive arms' length, good faith negotiations. Mr. Estep stated that, in his opinion, the Settlement Agreement is in the public interest and should be approved by the Commission in all respects.

B. OUCC. Margaret A. Stull supported the Settlement Agreement on behalf of the OUCC, including a review of the rate adjustment and ratepayer benefits achieved by the Settlement Agreement. Ms. Stull described that the Settlement Agreement provides tax benefits to customers in two ways: (1) a surcharge credit to fully refund over twelve months the Tax Regulatory Liability created by excess taxes embedded in Aqua Indiana's base rates since January 1, 2018; and (2) amortization of excess ADIT as of December 31, 2017.

Ms. Stull explained that the Settlement Agreement sets forth the amount of over-collected revenue by the Impacted Divisions. See Table 1, page 3 of Pub. Ex. 1-S. Ms. Stull stated the Settlement Agreement provides such over-collected revenue will be credited to active customers through a surcharge credit over a twelve-month period to be reflected in the first full billing month following issuance of a Final Order approving the Settlement.

Ms. Stull next described how the Settlement Agreement addresses the amortization of excess ADIT. Ms. Stull explained that excess ADIT represents the amount a utility has collected from ratepayers to pay future taxes that, as a result of the reduction in tax rates, will no longer be imposed and needs to be "repaid" or returned to customers. Ms. Stull testified that excess ADIT can either be protected (results from temporary federal income tax differences generated by the different book and tax depreciated rates) or unprotected (all other temporary federal income tax differences). Ms. Stull stated the Settlement Agreement set out the amounts of protected excess ADIT balance, which the parties agreed would be reversed using the ARAM method. Ms. Stull testified that based on Aqua Indiana's utility plant records, the remaining useful life of its utility plant for each Impacted Division ranges from 30 years to 47 years and approximates the expected amortization period for protected excess ADIT. Ms. Stull also described the calculations for the amortization of unprotected excess ADIT, all of which calculations are accurately reflected in Attachment A to the Settlement Agreement, broken down by Impacted Division on Table 2 to Ms. Stull's testimony.

Ms. Stull next explained that Aqua Indiana will annually true-up the amount returned to customers as compared to the amount reflected on Attachment A to the Settlement Agreement, and that the amount of the true-up will be used in the calculation of the next year's surcharge credit. Ms. Stull recognized that due to the different amounts to be returned over different time periods, as well as the necessity of the true-up, the amount of the surcharge credit will differ from year to year. Ms. Stull included Table 3, which summarized the Year 1 surcharge credit by Impacted Division. Ms. Stull reiterated that the Darlington Division will have no surcharge credit until its unprotected ADIT balance has been fully amortized at the end of Year 3.

Ms. Stull also addressed the compliance filings contemplated by the Settlement Agreement, including that Aqua Indiana will file an annual revised tariff sheet reflecting the amount of the surcharge credit percentage for each Impacted Division. She also noted that Aqua Indiana will have until April 1 of the following year to submit the tariff for the next twelve-month period, and that the Aqua Indiana and the OUCC have agreed to work together in advance of each compliance filing to address any concerns or questions the OUCC may have. Ms. Stull also explained that unless it has filed a base rate case for the Aboite Wastewater Division in the interim, Aqua Indiana will make a compliance filing in January 2024 to adjust the Aboite Wastewater Division's protected excess ADIT ARAM reversal based on the average of the ARAM reversals from 2024 to 2028.

Ms. Stull validated that the revised tariffs included as Settlement Agreement Attachment B properly implement the revenue reductions contemplated by the terms of the Settlement Agreement. Ms. Stull testified that the Settlement Agreement reflects compromises made by Aqua Indiana from the positions taken in its initial Phase 2 subdocket testimony, and provides a fair result for Aqua Indiana's ratepayers.

5. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406.

Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind., Inc. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

Based on the evidence of record, particularly the supporting settlement testimony, we find that the Settlement Agreement represents a reasonable resolution to the issues raised in this proceeding and is in the public interest. The Settlement Agreement provides a fair and reasonable approach for returning the benefits that result from the Act to Aqua Indiana's customers of the Impacted Divisions. We previously approved base rate reductions for Aqua Indiana's Impacted Divisions through our 30-day filing process to ensure that base rates paid by those customers reflect the reduction in the federal income tax rate from 35% to 21 %. In this second phase of our investigation, the parties have reached a consensus on providing further benefits to customers by addressing the return of the Tax Regulatory Liability and refunding excess ADIT.

A. Tax Regulatory Liability Refund. The Tax Regulatory Liability is comprised of rates and charges collected by Aqua Indiana between January 1, 2018 and April 24, 2018 for the Impacted Divisions of Wildwood Shores, Wymberly, Southern Hills and Darlington, and between January 1, 2018 and May 15, 2018 for the Impacted Divisions of Aboite Wastewater, Lake County (Water) and Lake County (Sewer) based upon a federal income tax expense at a rate of 35% instead of the Act's 21 % rate. Our January 3, 2018 Order in underlying Cause No. 45032 required Aqua Indiana to record the difference between the 35% and revised 21% federal income tax rate as a regulatory liability.

Under the terms of the Settlement Agreement, the Tax Regulatory Liability accrued by each Impacted Division will be returned to customers. The Settlement Agreement includes a mechanism whereby the Impacted Divisions' Tax Regulatory Liability will be refunded via a surcharge credit and returned to their respective customers over a 12 month period. We find the Settlement Agreement's approach for the return of the Tax Regulatory Liability is reasonable and will benefit the public by ensuring the Tax Regulatory Liability is quickly and appropriately translated into lower utility rates for customers.

B. Excess ADIT Reversal. Depreciation charges and taxes are operating expenses incurred by utilities. Utilities use straight-line depreciation to determine the depreciation charges that are included in operating expenses. In contrast, accelerated depreciation deductions are permitted by the Internal Revenue Code ("IRC") for determining taxes payable. This means that a utility's income taxes payable in a period may differ from its income tax expense for the period that it records for ratemaking purposes. The large early deductions result in reduced taxes payable during the early years of an asset's life followed by corresponding increases in taxes payable during the later years of the asset's life. The same amount of taxes eventually must be paid using either accelerated or straight-line depreciation as long as the tax rate is unchanged.

Because Aqua Indiana collects more from ratepayers to cover its tax obligation early in the life of an asset than it actually pays in taxes during such early period, the difference is accounted for in a deferred tax account, or reserve. If tax rates are constant, deferred taxes for this asset are built up in the account and then drawn down to zero over the asset's life as lower tax charges during the asset's early years are followed by higher taxes during its later years. Aqua Indiana accounts for this as an ADIT liability. However, as a result of the Act's reduction in the income tax rate, Aqua Indiana's Impacted Divisions will now pay less in future taxes than it anticipated when funding the ADIT, resulting in excess ADIT.

The Settlement Agreement addresses both protected and unprotected excess ADIT. The IRC requires balances associated with depreciable property, plant, and equipment (i.e., protected excess ADIT) utilize ARAM to calculate the annual amortization of excess ADIT balances, if the utility has adequate data to apply ARAM. In the Settlement Agreement, the parties agree that the ARAM methodology should be used to amortize the excess protected ADIT balances. Based on Aqua Indiana's utility plant records, the remaining useful life of its utility plant for each Impacted Division ranges from 30 years to 47 years and approximates the expected amortization period for protected excess ADIT. No specific amortization period is required for the unprotected excess ADIT balances. The parties to the Settlement Agreement have agreed to an amortization period of

three years for the unprotected excess ADIT balances. We find these excess ADIT amortization methodologies reasonable and fair.

The Settlement Agreement provides that Aqua Indiana's Impacted Divisions shall return the excess ADIT to ratepayers via the surcharge credit, the same mechanism by which the Tax Regulatory Liability will be returned. The amount of the surcharge credit for each Impacted Division will change from year to year, as in Years Two and Three, the surcharge credit will reflect only the return of excess ADIT. By Year Four, following the conclusion of the three-year amortization of unprotected excess ADIT, the surcharge credit will reflect the return of only excess protected ADIT. This mechanism reasonably and efficiently provides the benefits of the Act to ratepayers.

The Settlement Agreement contemplates an annual true-up, so that the surcharge credit accurately returns to customers the appropriate amount as reflected on Settlement Agreement Attachment A, Schedule 1. Additionally, the Settlement Agreement provides that Aqua Indiana will submit to the OUCC its proposed tariffs for the Impacted Divisions for the next twelve-month period, for review and input. We approve of the parties' willingness to collaborate on these issues.

Based on the evidence presented, we find the Settlement Agreement reasonably and appropriately provides for the return of excess ADIT as well as the Tax Regulatory Liability. The clarity of the annual tariffs for each Impacted Division will indicate to customers that the benefits of the Act are being received by them. We further find that the Settlement Agreement serves the public interest by contributing to ensuring bill reductions are issued to customers more quickly than a fully litigated proceeding.

Finally, the parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at *7-8 (IURC March 19, 1997).

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

1. The Settlement Agreement, a copy of which is attached to this Order, is approved in all respects.
2. The tariff sheet for each Impacted Division, in the clean forms attached as Attachment B to the Settlement Agreement, shall be submitted to the Commission's Water/Wastewater Division for use in the first full billing month following the issuance of this Final Order.
3. Beginning March 1, 2020, Aqua Indiana annually shall provide the OUCC with its proposed tariffs for the next twelve-month period, including any reconciliations and supporting workpapers for the OUCC's review and input.

4. Beginning April 1, 2020, Aqua Indiana shall annually submit proposed tariffs for the next twelve-month period to the Commission's Water/Wastewater Division for approval.

5. In January 2024, Aqua Indiana shall make a compliance filing in this subdocket to adjust the Aboite Wastewater Division's protected excess ADIT based on the average of the 2024-2028 amortization; provided, however, the foregoing compliance filing need not be made if Aqua Indiana has filed a base rate case between the date of this Final Order and January 2024.

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

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: DEC 19 2018

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



Mary M. Becerra
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE INDIANA UTILITY)
REGULATORY COMMISSION'S)
INVESTIGATION INTO THE IMPACTS OF)
THE TAX CUTS AND JOBS ACT OF 2017 AND) CAUSE NO. 45032 S19
POSSIBLE RATE IMPLICATIONS UNDER)
PHASE 2 FOR AQUA INDIANA, INC.)

STIPULATION AND SETTLEMENT AGREEMENT

Respondent, Aqua Indiana, Inc. (“Respondent”) and the Indiana Office of Utility Consumer Counselor (“OUCC”) (collectively, the “Settling Parties”), solely for purposes of compromise and settlement and to reduce controversy and avoid protracted litigation and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of all matters pending before the Indiana Utility Regulatory Commission (“Commission”) in this subdocket in the Commission’s investigation into the effects of the Tax Cuts and Jobs Act of 2017 (the “Act”) on utility rates in Cause No. 45032, subject to their incorporation by the Commission into a final, non-appealable order (“Final Order”) without modification for further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”) in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS

- A. The Settling Parties agree that as of December 31, 2017, the protected excess accumulated deferred income tax (“ADIT”) balance (before application of a gross up

factor) for each of Respondent's divisions where the impact of the Act results in a direct rate benefit to customers (each, an "Impacted Division"), is as follows:

- Aboite Wastewater: \$2,921,993
- Wildwood Shores: \$10,173
- Wymberly: \$151,867
- Southern Hills (Heir Industries): \$13,728
- Darlington: \$104,286
- Lake County (Water): \$581,234
- Lake County (Sewer): \$189,653

See Settlement Agreement Attachment A, Schedule 2. The Settling Parties further agree that as of December 31, 2017, the unprotected ADIT balance (before application of a gross up factor) for each of Respondent's Impacted Divisions, is as follows:

- Aboite Wastewater: (\$4,335)
- Wildwood Shores: \$42,342
- Wymberly: (\$722)
- Southern Hills (Heir Industries): (\$136)
- Darlington: (\$95,239)
- Lake County (Water): (\$816)
- Lake County (Sewer): (\$780)

See Settlement Agreement Attachment A, Schedule 2.

B. The Settling Parties agree that the protected excess ADIT balance should be amortized in accordance with the application of the average rate assumption method ("ARAM"). See Settlement Agreement Attachment A, Schedule 2. This results in an annual revenue reduction of the protected ADIT balance for the Impacted Divisions as follows:

- Aboite Wastewater: \$49,503
- Wildwood Shores: \$238
- Wymberly: \$664
- Southern Hills (Heir Industries): \$303
- Darlington: \$7,109

- Lake County (Water): \$16,164
- Lake County (Sewer): \$5,436

See Settlement Agreement Attachment A, Schedule 1.

C. The Settling Parties agree that the unprotected excess ADIT balance should be amortized over a 3-year period. See Settlement Agreement Attachment A, Schedule 2. This results in an annual revenue reduction of the unprotected ADIT balance for the Impacted Divisions as follows:

- Aboite Wastewater: (\$1,445)
- Wildwood Shores: \$14,114
- Wymberly: (\$241)
- Southern Hills (Heir Industries): (\$45)
- Darlington: (\$31,746)
- Lake County (Water): (\$272)
- Lake County (Sewer): (\$260)

See Settlement Agreement Attachment A, Schedule 1.

D. The Settling Parties agree that the regulatory liability amount resulting from the change in the federal income tax rate for the period of January 1, 2018 up to and including April 24, 2018 for Wildwood Shores, Wymberly, Southern Hills and Darlington, and from January 1, 2018 up to and including May 15, 2018 for Aboite Wastewater, Lake County (Water) and Lake County (Sewer), are as follows:

- Aboite Wastewater: \$206,805
- Wildwood Shores: \$1,515
- Wymberly: \$6,938
- Southern Hills (Heir Industries): \$999
- Darlington: \$4,653
- Lake County (Water): \$7,190
- Lake County (Sewer): \$7,711

See Settlement Agreement Attachment A, Schedule 7.

E. The Settling Parties agree that, with respect to the Impacted Divisions, Respondent will apply a surcharge credit (*i.e.*, negative surcharge) to customers' bills as a means to return protected excess ADIT, unprotected excess ADIT, and the regulatory liability. Settlement Agreement Attachment A, Schedule 1. The surcharge credit in 2019 (Year One) will reflect a credit for the regulatory liability, which shall be returned to customers over 12 months, amortization of excess protected ADIT, and amortization of excess unprotected ADIT. In 2020 and 2021 (Years Two and Three), the surcharge credit will reflect the return of only excess protected and unprotected ADIT. By 2022 (Year Four), the surcharge credit will reflect the return of only excess protected ADIT. As such, consistent with the above description, the Settling Parties agree there shall be three surcharge credit changes over the course of four years.

The Settling Parties agree that in Year One, the surcharge credit for each of the Impacted Divisions shall be:

- Aboite Wastewater: 2.74%
- Wildwood Shores: 12.96%
- Wymberly: 1.83%
- Southern Hills (Heir Industries): 1.57%
- Darlington: 0.00%
- Lake County (Water): 9.69%
- Lake County (Sewer): 3.17%

See Settlement Agreement Attachment A, Schedule 1. Due to the relative size of Darlington's unprotected excess ADIT asset, a rate increase should result. See Settlement Agreement Attachment A, Schedule 1. However, the Settling Parties agree that Phase 2 of the Commission's tax investigation is an inappropriate venue to seek a rate increase, and therefore the Settling Parties agree

that there should be a zero surcharge credit for the Darlington Division until Year Four, at which time a negative surcharge credit shall be implemented to reflect amortization of protected excess ADIT.

- F. The Settling Parties agree that, for each Impacted Division, Respondent will true-up annually the amount actually returned to customers pursuant to the surcharge credit as compared to amount reflected on the row entitled “Total amount to return to customers” on Settlement Agreement Attachment A, Schedule 1. The amount of the true-up amount will be used in calculation of the next year’s surcharge credit.
- G. Due to the different amounts to be returned over different time periods, as well as the necessity for the true-up as described in the preceding section, the amount of the surcharge credit will differ from year to year. The Settling Parties agree that for each of the Impacted Divisions, Respondent will file a revised tariff sheet reflecting the amount of the surcharge credit percentage for each year. The first revised tariff sheet will be reflected in the first full billing month following a Final Order approving the Settlement Agreement. The Settling Parties agree that the revised tariff sheets for year 1 for each Impacted Division, attached as Settlement Agreement Attachment B, properly implement the surcharge credit to be applied. Because of the potential for reconciliations as set forth in Section 1.F, the Settling Parties agreed that each Impacted Division shall have until April 1 of the following year to submit the tariff for the next twelve-month period. By March 1 of each year, Respondent agrees to provide the OUCC with its proposed tariffs for the next twelve-month period, as well as any reconciliations and supporting workpapers for the OUCC’s review and input.

- H. The Settling Parties agree that, in January 2024, Respondent shall make a compliance filing in Cause No. 45032-S19 to adjust the Aboite Wastewater Division's protected excess ADIT amortization based on the average of the next five years' (2024 – 2028) amortization. The Settling Parties agree that if Respondent has filed a base rate case for the Aboite Wastewater Division between now and January 2024, then the requirement to make the compliance filing discussed in the preceding sentence shall be eliminated.
- I. The Settling Parties agree that this Settlement Agreement fully addresses the impact of the Act on the rates and charges of Respondent's Impacted Divisions.

II. PRESENTATION OF THE SETTLEMENT TO THE COMMISSION

- A. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. The concurrence of the Settling Parties with the terms of this Settlement Agreement is expressly predicated upon the Commission's approval of the Settlement Agreement in its entirety without any modification or any condition that may be unacceptable by any Settling Party. If the Commission does not approve the Settlement Agreement in its entirety and without change, the Settlement Agreement shall be null and void and deemed withdrawn, upon notice in writing by any Settling Party within fifteen (15) days after the date of the Final Order that any modifications made by the Commission are unacceptable to it.
- B. The Settling Parties shall jointly file this Settlement Agreement and supporting evidence. The Settling Parties will file testimony specifically supporting the

settlement. The Settling Parties will work collaboratively in the preparation of the testimony supporting the settlement agreement. Such evidence together with the evidence previously prefiled by Respondent in this Cause will be offered into evidence without objection and the Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety without any change or with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Commission will continue to hear this Cause with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement.

- C. The Settling Parties shall jointly agree on the form, wording and timing of public/media announcement (if any) of this Settlement Agreement and the terms thereof. No Settling Party will release any information to the public or media prior to the aforementioned announcement. The Settling Parties may respond individually without prior approval of the other Settling Parties to questions from the public or media, provided that such responses are consistent with such announcement and do not disparage any of the Settling Parties. Nothing in this Settlement Agreement shall limit or restrict the Commission's ability to publicly comment regarding this Settlement Agreement or any Order affecting this Settlement Agreement.

III. EFFECT AND USE OF THE SETTLEMENT

- A. It is understood that this Settlement Agreement is reflective of a negotiated settlement and neither the making of this Settlement Agreement nor any of its provisions shall

constitute an admission by any Settling Party to this Settlement Agreement in this or any other litigation or proceeding. It is also understood that each and every term of this Settlement Agreement is in consideration and support of each and every other term.

- B. This Settlement Agreement shall not constitute and shall not be used as precedent by any person in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce the terms of this Settlement Agreement.
- C. This Settlement Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Settling Parties may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.
- D. The Settling Parties agree that the evidence in support of this Settlement Agreement and the previously prefiled evidence constitute substantial evidence sufficient to support this Settlement Agreement and provide an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of this Settlement Agreement, as filed. If requested by the Commission, the Settling Parties shall prepare and file an agreed proposed order with the Commission.
- E. The communications and discussions during the negotiations and conferences and any materials produced and exchanged concerning this Settlement Agreement all relate to offers of settlement and shall be privileged and confidential, without prejudice to the

position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise.

- F. The undersigned Settling Parties have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby.
- G. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of the Final Order approving this Settlement Agreement in its entirety and without change or condition(s) unacceptable to any Settling Party (or related orders to the extent such orders are specifically implementing the provisions of this Settlement Agreement). The Settling Parties shall support or not oppose this Settlement Agreement in the event of any appeal or a request for a stay by a person not a party to this Settlement Agreement or if this Settlement Agreement is the subject matter of any other state or federal proceeding.
- H. The provisions of this Settlement Agreement shall be enforceable by any Settling Party before the Commission and thereafter in any state court of competent jurisdiction as necessary.
- I. This Settlement Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ACCEPTED and AGREED as of the 15th day of October, 2018.

AQUA INDIANA, INC.



Thomas M. Bruns
President

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

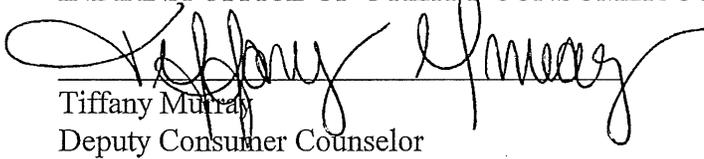
Tiffany Murray
Deputy Consumer Counselor

ACCEPTED and AGREED as of the 15th day of October, 2018.

AQUA INDIANA, INC.

Thomas M. Bruns
President

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Tiffany Murray
Deputy Consumer Counselor

AQUA INDIANA

IURC CAUSE NO. 45032-S19

ATTACHMENT A - SCHEDULES

(Uploaded to IURC Online Portal as a separate file in native Excel)

SCHEDULE OF SEWER RATES AND CHARGES - S-4

Applicability: Applicable to current and future customers receiving ~~water~~ sewer utility service from system operated by the Aboite Wastewater Division of Aqua Indiana, Inc. and previously operated by Utility Center, Inc. in Allen County, Huntington County and Whitley County, Indiana.

A. GENERAL METERED RATE

For use of and service rendered by the sewer utility system of the Company, the sewer consumption in gallons shall be based on the metered use of water supplied at the customer's premise.

Metered Rate Per Water Meter per Month

Service Charge per Month – All Meter Sizes \$ 30.85

Volumetric Charge per Thousand Gallons per Month – All Meter Sizes \$ 4.91

B. UNMETERED RATE

Residential customers not having a water meter to determine actual consumption for the billing month shall be billed on a flat, unmetered, uniform rate. Non-residential customers or customers with service lines estimated to be larger than a 5/8-inch equivalent service line and not having a water meter to determine actual consumption for the billing month shall be billed on flat, uniform rate based on a meter equivalent basis or equivalent establishment defined by the Company.

Unmetered Rate per Month

Unmetered Residential Rate \$ 60.33

Unmetered Non-Residential Rate Customer Specific based upon equivalent flow of single family residence.

C. SYSTEM DEVELOPMENT CHARGE

System Development Charge	\$1,300.00 per equivalent dwelling unit
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A system development charge will be billed for each new connection to the system. One-half of the system development charge is to be paid upon request for service and one-half to be paid upon connection of service.

D. INSPECTION FEE

The hourly charge for utility personnel to inspect sewer lines installed by an outside contractor shall be \$32.00 during regular business hours from 7:30 a.m. to 4:30 p.m. weekdays. The charge for inspection after regular business hours and on weekends shall be a two-hour minimum charge of \$85.00 and an hourly charge of \$40.00 for each additional hour. This fee will be charged to the party requesting the inspection.

E. LATE PAYMENT CHARGE

The Company will collect a late payment charge in the amount of ten percent (10%) of the first three (3) dollars of a delinquent amount and three percent (3%) of the delinquent amount in excess of three (3) dollars.

F. RECONNECTION CHARGE

When service is turned off for non-payment of bill, or for any reason beyond the control of the utility, and a re-establishment of service is required by any one customer, a charge will be made by the utility to cover the cost of discontinuance and re-establishment of service. The customer shall pay the charge, together with any arrears due the utility, before service is re-established. The amount of this charge shall be \$35.00 for customers receiving service under the General Metered Rate. For customers receiving service under the Unmetered Rate, the amount of this charge shall be \$800.00 where the Company physically disconnected a customer with the installation of a shut-off valve. In those situations where the Company can re-establish service to a customer with the use of a valve previously installed at the customer's location, the charge shall be \$35.00.

G. RETURNED CHECK CHARGE

Each customer who causes a check to be returned by their financial institution due to their account not having sufficient funds to allow such check to be processed, shall be charged \$34.00 to cover the cost incurred by the utility having to re-process the original transaction.

H. DEPOSITS

The utility may require a reasonable deposit from a customer to secure payment of charges for services if the utility determines that the customer or applicant does not meet the criteria for creditworthiness set forth in the Rules and Regulations of the Commission. The standard deposit for service shall be \$50. However, such deposit, if required, shall not exceed an amount equal to 1/6 of the expected annual billings for the customer at the address at which service is rendered. Interest on and refund of such deposits shall be in accordance with the Company's rules and regulations.

I. SERVICE CHARGE

When service is requested by a customer to perform a repair on their property for any reason beyond the control of the utility, a service charge of \$32.00 per hour during regular business hours of 7:30 a.m. to 4:30 p.m. weekdays, will be made and added to the customer's regular monthly billing and made a part thereof, subject to the rules and regulations pertaining to such billings. If the service call is made after regular business hours, the customer shall be charged a two hour minimum charge of \$87.00 and \$40.00 for each additional hour of service. These charges will be assessed in the same manner as listed above.

J. ESTABLISHMENT OF SERVICE FEE

Any new sewer customer requesting service to which the General Metered Rate will apply at a premise not previously connected shall be charged a fee of \$26.00 to cover the administrative cost to initiate service for the residence or business. For customers requesting service to which the Unmetered Rate will apply at a premise not previously connected shall be charged a fee of \$16.00. This one-time service fee will be charged to the customer's regular monthly billing.

K. TCJA SURCHARGE CREDIT

2.74%

SCHEDULE OF SEWER RATES AND CHARGES - S-4

Applicability: Applicable to current and future customers receiving sewer utility service from system operated by the Aboite Wastewater Division of Aqua Indiana, Inc. and previously operated by Utility Center, Inc. in Allen County, Huntington County and Whitley County, Indiana.

A. GENERAL METERED RATE

For use of and service rendered by the sewer utility system of the Company, the sewer consumption in gallons shall be based on the metered use of water supplied at the customer's premise.

Metered Rate Per Water Meter per Month

Service Charge per Month – All Meter Sizes \$ 30.85

Volumetric Charge per Thousand Gallons per Month – All Meter Sizes \$ 4.91

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Residential customers not having a water meter to determine actual consumption for the billing month shall be billed on a flat, unmetered, uniform rate. Non-residential customers or customers with service lines estimated to be larger than a 5/8-inch equivalent service line and not having a water meter to determine actual consumption for the billing month shall be billed on flat, uniform rate based on a meter equivalent basis or equivalent establishment defined by the Company.

Unmetered Rate per Month

Unmetered Residential Rate \$ 60.33

Unmetered Non-Residential Rate Customer Specific based upon equivalent flow of single family residence.

C. SYSTEM DEVELOPMENT CHARGE

System Development Charge	\$1,300.00 per equivalent dwelling unit
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K. TCJA SURCHARGE CREDIT

2.74%

SCHEDULE OF SEWER RATES AND CHARGES - S-1

Applicability: Applicable to current and future customers receiving wastewater utility service from system operated by the Lake County Division of Aqua Indiana, Inc. and previously operated by Consumers Indiana Water Company in Lake County, Indiana.

1. MONTHLY RATES

Available to Residential and Commercial Users who also take water service from the Company.

Residential Users	
Single Family	\$43.22 per unit*
Multiple Family	\$32.33 per unit*

Available only to those Residential and Commercial Users who do not have water service from the Company available to them.

Residential Users	
Single Family	\$43.22 per unit*
Multiple Family	\$32.33 per unit*
Commercial User.....	\$2.56* per 1,000 gallons based on measurement device furnished by user and approved by Company

2. BILLING TERMS

Billings will be made on the basis of the above rates and are due and payable at the stated rates. All delinquent bills shall be increased by ten percent (10%) of the first \$3.00 of the delinquent amount and three percent (3%) of the delinquent amount in excess of \$3.00.

3. TCJA SURCHARGE CREDIT

3.17%

*Subject to the sewer tracking factor in Appendix A

Appendix A

Lake County– Sewer Division
Schedule of Sewer Rates and Charges

Sewer Tracking Adjustment – The Sewer tracking factor set forth in this schedule is applicable where clearly denoted on other rate schedules and shall be occasioned solely by changes in the wholesale cost of wastewater treatment.

Sewer Tracking Rate (Commercial Only).....	\$2.47 per 1,000 gallons
Sewer Tracking Flat Rate (Residential Only).....	\$16.16 per month.

This tracker was approved by the Commission in conference on May 2, 2012.

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SCHEDULE OF SEWER RATES AND CHARGES - S-1

Applicability: Applicable to current and future customers receiving wastewater utility service from system operated by the Lake County Division of Aqua Indiana, Inc. and previously operated by Consumers Indiana Water Company in Lake County, Indiana.

1. MONTHLY RATES

Available to Residential and Commercial Users who also take water service from the Company.

Residential Users

Single Family	\$43.22 per unit*
Multiple Family	\$32.33 per unit*

Available only to those Residential and Commercial Users who do not have water service from the Company available to them.

Residential Users

Single Family	\$43.22 per unit*
Multiple Family	\$32.33 per unit*
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3. TCJA SURCHARGE CREDIT

3.17%

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*Subject to the sewer tracking factor in Appendix A

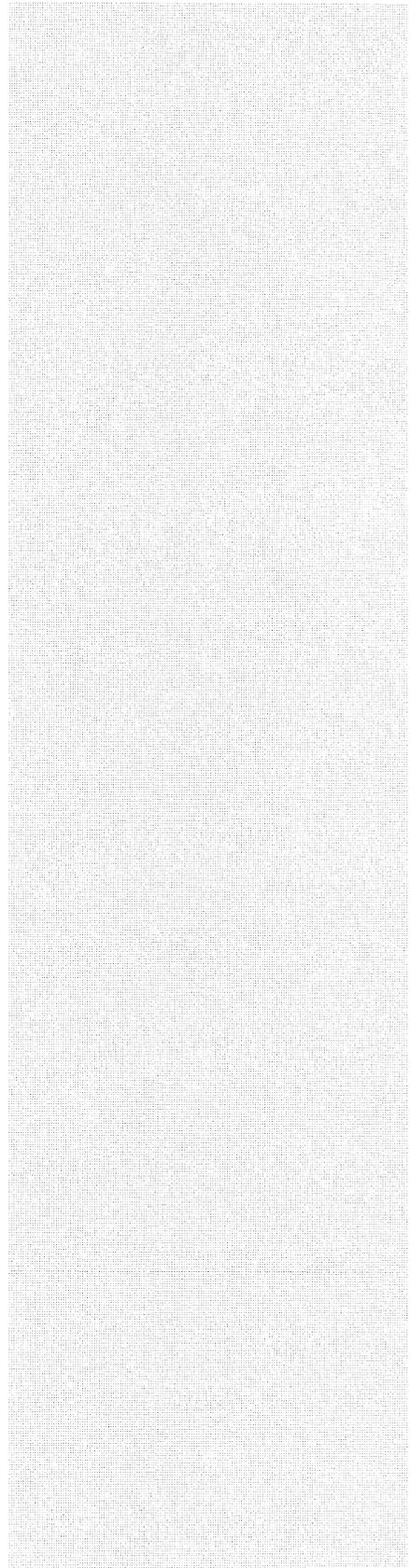
Appendix A

Lake County– Sewer Division
Schedule of Sewer Rates and Charges

Sewer Tracking Adjustment – The Sewer tracking factor set forth in this schedule is applicable where clearly denoted on other rate schedules and shall be occasioned solely by changes in the wholesale cost of wastewater treatment.

Sewer Tracking Rate (Commercial Only).....\$2.47 per 1,000 gallons
Sewer Tracking Flat Rate (Residential Only).....\$16.16 per month.

This tracker was approved by the Commission in conference on May 2, 2012.



SCHEDULE OF WATER RATES AND CHARGES - W-2

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Lake County Division of Aqua Indiana, Inc. and previously operated by Consumers Indiana Water Company in Lake County, Indiana.

1. **CUSTOMER CHARGES**

All metered general water service customers shall pay a customer charge based on the size of meter or meters installed regardless of the amount of water used.

Monthly Charge		
Meter Size	Positive Displacement	Turbine
5/8"	\$7.80	
3/4"	\$17.04	
1"	\$20.97	
1 1/2"	\$39.31	
2"	\$58.97	
3"	\$107.46	\$124.50
4"	\$175.61	\$210.99
6"	\$347.29	\$431.16
8"	\$551.73	\$542.55
10"	\$790.25	\$996.00
12"	\$1,221.40	\$1,473.02

When two or more meters are installed or parallel the customer charges will be based on one meter size larger.

2. USAGE CHARGES

The following shall be the rates for water usage and are in addition to the customer charge and public fire protection charge.

<u>Monthly Usage – Gallons</u>	<u>Rates per 1,000 Gallons</u>
First 10,000	\$4.96*
Over 10,000	\$2.17*

Multiply units – When multiple units are served by one meter, the above usage rates shall be applied on a "per unit" basis.

3. PUBLIC FIRE PROTECTION CHARGES

Application to all metered water service customers (except for Sales for Resale) located in a municipality, township, or fire protection district in which public fire hydrants are connected to Company's water mains.

Monthly Charge

All metered water service customers (except Sales for Resale) located in a municipality, township, or fire protection district in which public fire hydrants are connected to Company's water mains shall pay a Public Fire Protection Service Charge in the amount as set forth below, such charge being in addition to the rates and charges set forth elsewhere in this tariff for regular water service.

<u>Location</u>	<u>5/8"</u>	<u>3/4"</u>	<u>1"</u>	<u>1 1/2"& Larger</u>
Lake County	0.77	1.15	1.93	3.84

* Subject to the water tracking factor in Appendix A.

4. WATER PLANT FUND

All applications for new water service connections shall be accompanied by a contribution as follows:

Domestic:

Single Family Residence	\$200.00
Apartment – 3 Bedroom.....	\$200.00
Apartment – 2 Bedroom.....	\$150.00
Apartment – 1 Bedroom.....	\$100.00
Apartment – Efficiency.....	\$50.00
Mobile Home.....	\$120.00

Commercial and Industrial:

Each 100 gals. per day average usage.....	\$50.00
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In the case of commercial and industrial customers, the initial determination of the amount of contribution will be made by the Company based on information supplied by the prospective customer relating to quantities of water to be used. If, during the period of water service to such customers, the quantity of water actually used by such customer is found to be substantially (more than 10%) different from originally estimated, the contribution required herein will be recomputed based on actual usage and the difference between the original contribution and the recomputed contribution will be paid by the customer if the recomputed contribution is higher or refunded by the Company if the recomputed contribution is lower.

All contributions received by the Company in accordance with this Rule will be identified as such on the books of the Company and will be used only for the purpose of providing additional source of supply, pumping, purification, storage or water transmission facilities. Any such facilities provided will at all times be the property of the Company.

MISCELLANEOUS CHARGES

Miscellaneous charges shall be as stated in the Rules, Regulations and Conditions of Service on file with the Commission or as set forth below:

The reconnection fee charged by the Company shall be \$25.00.

The charge for the testing of meters one inch (1") and smaller shall be \$7.50, and the charge for the testing one and one-quarter (1¼") and two inch (2") meters will be \$15.00.

The Company will collect a late fee of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of a delinquent amount in excess of three dollars (\$3.00).

The minimum charge for water provided for building and construction purposes shall be \$5.00, payable in advance.

TCJA SURCHARGE CREDIT

9.69%

Appendix A

Lake County Water Division
Schedule of Water Rates and Charges

Water Tracking Adjustment – The water tracking factor set forth in this schedule is applicable where clearly denoted on other rate schedules and shall be occasioned solely by changes in the wholesale cost of water, in accordance with 170 IAC 6-5-1.

Water Tracking Rate\$2.10 per 1,000 gallons

This tracker was approved by the Commission in conference on May 2, 2012.

SCHEDULE OF WATER RATES AND CHARGES - W-2

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Lake County Division of Aqua Indiana, Inc. and previously operated by Consumers Indiana Water Company in Lake County, Indiana.

1. CUSTOMER CHARGES

All metered general water service customers shall pay a customer charge based on the size of meter or meters installed regardless of the amount of water used.

Meter Size	Monthly Charge	
	Positive Displacement	Turbine
5/8"	\$7.80	
3/4"	\$17.04	
1"	\$20.97	
1 1/2"	\$39.31	
2"	\$58.97	
3"	\$107.46	\$124.50
4"	\$175.61	\$210.99
6"	\$347.29	\$431.16
8"	\$551.73	\$542.55
10"	\$790.25	\$996.00
12"	\$1,221.40	\$1,473.02

When two or more meters are installed or parallel the customer charges will be based on one meter size larger.

2. USAGE CHARGES

The following shall be the rates for water usage and are in addition to the customer charge and public fire protection charge.

<u>Monthly Usage – Gallons</u>	<u>Rates per 1,000 Gallons</u>
First 10,000	\$4.96*
Over 10,000	\$2.17*

Multiply units – When multiple units are served by one meter, the above usage rates shall be applied on a "per unit" basis.

3. PUBLIC FIRE PROTECTION CHARGES

Application to all metered water service customers (except for Sales for Resale) located in a municipality, township, or fire protection district in which public fire hydrants are connected to Company's water mains.

Monthly Charge

All metered water service customers (except Sales for Resale) located in a municipality, township, or fire protection district in which public fire hydrants are connected to Company's water mains shall pay a Public Fire Protection Service Charge in the amount as set forth below, such charge being in addition to the rates and charges set forth elsewhere in this tariff for regular water service.

<u>Location</u>	<u>5/8"</u>	<u>3/4"</u>	<u>1"</u>	<u>1 1/2"& Larger</u>
Lake County	0.77	1.15	1.93	3.84

* Subject to the water tracking factor in Appendix A.

4. WATER PLANT FUND

All applications for new water service connections shall be accompanied by a contribution as follows:

Domestic:

Single Family Residence	\$200.00
Apartment – 3 Bedroom.....	\$200.00
Apartment – 2 Bedroom.....	\$150.00
Apartment – 1 Bedroom.....	\$100.00
Apartment – Efficiency.....	\$50.00
Mobile Home.....	\$120.00

Commercial and Industrial:

Each 100 gals. per day average usage.....	\$50.00
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In the case of commercial and industrial customers, the initial determination of the amount of contribution will be made by the Company based on information supplied by the prospective customer relating to quantities of water to be used. If, during the period of water service to such customers, the quantity of water actually used by such customer is found to be substantially (more than 10%) different from originally estimated, the contribution required herein will be recomputed based on actual usage and the difference between the original contribution and the recomputed contribution will be paid by the customer if the recomputed contribution is higher or refunded by the Company if the recomputed contribution is lower.

All contributions received by the Company in accordance with this Rule will be identified as such on the books of the Company and will be used only for the purpose of providing additional source of supply, pumping, purification, storage or water transmission facilities. Any such facilities provided will at all times be the property of the Company.

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Miscellaneous charges shall be as stated in the Rules, Regulations and Conditions of Service on file with the Commission or as set forth below:

The reconnection fee charged by the Company shall be \$25.00.

The charge for the testing of meters one inch (1") and smaller shall be \$7.50, and the charge for the testing one and one-quarter (1¼") and two inch (2") meters will be \$15.00.

The Company will collect a late fee of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of a delinquent amount in excess of three dollars (\$3.00).

The minimum charge for water provided for building and construction purposes shall be \$5.00, payable in advance.

TCJA SURCHARGE CREDIT

9.69%

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Appendix A

Lake County Water Division
Schedule of Water Rates and Charges

Water Tracking Adjustment – The water tracking factor set forth in this schedule is applicable where clearly denoted on other rate schedules and shall be occasioned solely by changes in the wholesale cost of water, in accordance with 170 IAC 6-5-1.

Water Tracking Rate\$2.10 per 1,000 gallons

This tracker was approved by the Commission in conference on May 2, 2012.

SCHEDULE OF SEWER RATES AND CHARGES - S-2

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Southern Hills Division of Aqua Indiana, Inc. and previously operated by Heir Industries, Inc. in Clark County, Indiana.

RECURRING CHARGES:

Sanitary Sewage Disposal Service, Flat Rate	\$65.88 per month per equivalent dwelling unit
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NON-RECURRING CHARGES:

System Development Charge	\$1,475.00 per equivalent dwelling unit
New Tap Inspection Fee	\$ 175.00
Disconnection Fee	\$ 120.00
Reconnection Fee	\$ 120.00
Returned Check Charge	\$ 35.00

LATE PAYMENT PENALTY FEE:

The Company will collect a late payment penalty fee of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount in excess of three dollars (\$3.00).

TCJA SURCHARGE CREDIT

1.57%

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SCHEDULE OF SEWER RATES AND CHARGES - S-2

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Southern Hills Division of Aqua Indiana, Inc. and previously operated by Heir Industries, Inc. in Clark County, Indiana.

RECURRING CHARGES:

Sanitary Sewage Disposal Service, Flat Rate	\$65.88 per month per equivalent dwelling unit
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NON-RECURRING CHARGES:

System Development Charge	\$1,475.00 per equivalent dwelling unit
New Tap Inspection Fee	\$ 175.00
Disconnection Fee	\$ 120.00
Reconnection Fee	\$ 120.00
Returned Check Charge	\$ 35.00

LATE PAYMENT PENALTY FEE:

The Company will collect a late payment penalty fee of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount in excess of three dollars (\$3.00).

TCJA SURCHARGE CREDIT

1.57%

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SCHEDULE OF SEWER RATES AND CHARGES - S-5

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Wildwood Shores Division of Aqua Indiana, Inc. and previously operated by Wildwood Shores Utilities Corporation in Morgan County, Indiana.

RATES FOR SINGLE FAMILY RESIDENTIAL AND COMMERCIAL CUSTOMERS

Sanitary Sewage Disposal Service, Flat Rate	\$ 76.80 per month per equivalent dwelling unit
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RATE FOR SCHOOL CUSTOMERS

Unmetered Flat Monthly Rate, during school year	\$ 1.76 per school user, based on average daily attendance
Unmetered Flat Monthly Rate, when school is not in session	\$ 123.45 per month

NON-RECURRING RATES

Disconnect/Reconnect Charge	\$ 875
New Tap Inspection Fee	\$ 175

LATE PAYMENT PENALTY FEE

The Company will collect a late payment charge in the amount of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount in excess of three dollars (\$3.00).

SYSTEM DEVELOPMENT CHARGE

System Development Charge	\$ 2,800 per equivalent dwelling unit
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A system development charge will be billed for each new connection to the system. One-half of the system development charge is to be paid upon request for service and one-half to be paid upon connection of service.

TCJA SURCHARGE CREDIT

12.96%

SCHEDULE OF SEWER RATES AND CHARGES - S-5

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Wildwood Shores Division of Aqua Indiana, Inc. and previously operated by Wildwood Shores Utilities Corporation in Morgan County, Indiana.

RATES FOR SINGLE FAMILY RESIDENTIAL AND COMMERCIAL CUSTOMERS

Sanitary Sewage Disposal Service, Flat Rate	\$ 76.80 per month per equivalent dwelling unit
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RATE FOR SCHOOL CUSTOMERS

Unmetered Flat Monthly Rate, during school year	\$ 1.76 per school user, based on average daily attendance
Unmetered Flat Monthly Rate, when school is not in session	\$ 123.45 per month

NON-RECURRING RATES

Disconnect/Reconnect Charge	\$ 875
New Tap Inspection Fee	\$ 175

LATE PAYMENT PENALTY FEE

The Company will collect a late payment charge in the amount of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount in excess of three dollars (\$3.00).

SYSTEM DEVELOPMENT CHARGE

System Development Charge	\$ 2,800 per equivalent dwelling unit
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A system development charge will be billed for each new connection to the system. One-half of the system development charge is to be paid upon request for service and one-half to be paid upon connection of service.

TCJA SURCHARGE CREDIT

12.96%

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Schedule of Sewer Rates and Charges - S-6

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Wymberly Division of Aqua Indiana, Inc. and previously operated by Wymberly Sanitary Works, Inc. in Floyd County, Indiana.

RATE FOR RESIDENTIAL CUSTOMERS

Sanitary Sewage Disposal Service, Flat Rate \$ 77.48 per month

RATE FOR COMMERCIAL CUSTOMERS

Base charge, regardless of water usage \$ 1.94 per month
Variable charge, based on metered water usage \$ 3.34 per 1,000 gallons

NON-RECURRING RATE

Tap-Inspection Fee \$ 175.00
Reconnection Fee \$ 15.00

LATE PAYMENT PENALTY FEE

The Company will collect a late payment charge in the amount of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount excess of three dollars (\$3.00).

CAPACITY CHARGE

Capacity charge \$ 2,800.00
A capacity charge will be billed for each connection. One-half of the capacity charge is to be paid upon request for service and one-half to be paid upon connection of service.

TCJA SURCHARGE CREDIT

1.83%

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Schedule of Sewer Rates and Charges - S-6

Applicability: Applicable to current and future customers receiving water utility service from system operated by the Wymberly Division of Aqua Indiana, Inc. and previously operated by Wymberly Sanitary Works, Inc. in Floyd County, Indiana.

RATE FOR RESIDENTIAL CUSTOMERS

Sanitary Sewage Disposal Service, Flat Rate \$ 77.48 per month

RATE FOR COMMERCIAL CUSTOMERS

Base charge, regardless of water usage \$ 1.94 per month
Variable charge, based on metered water usage \$ 3.34 per 1,000 gallons

NON-RECURRING RATE

Tap-Inspection Fee \$ 175.00
Reconnection Fee \$ 15.00

LATE PAYMENT PENALTY FEE

The Company will collect a late payment charge in the amount of ten percent (10%) of the first three dollars (\$3.00) of a delinquent amount and three percent (3%) of the delinquent amount excess of three dollars (\$3.00).

CAPACITY CHARGE

Capacity charge \$ 2,800.00
A capacity charge will be billed for each connection. One-half of the capacity charge is to be paid upon request for service and one-half to be paid upon connection of service.

TCJA SURCHARGE CREDIT

1.83%