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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN )  
 WATER COMPANY, INC. FOR (1) )  
 AUTHORITY TO INCREASE ITS RATES )  
 AND CHARGES FOR WATER UTILITY )  
 SERVICE, (2) REVIEW OF ITS RATES AND ) CAUSE NO. 45142  
 CHARGES FOR WASTEWATER UTILITY )  
 SERVICE, (3) APPROVAL OF NEW )  
 SCHEDULES OF RATES AND CHARGES ) APPROVED: JUN 26 2019  
 APPLICABLE TO WATER AND )  
 WASTEWATER UTILITY SERVICE, AND )  
 (4) AUTHORITY TO IMPLEMENT A LOW )  
 INCOME PILOT PROGRAM. )

ORDER OF THE COMMISSION

**Presiding Officers:**

**Sarah E. Freeman, Commissioner**  
**David L. Ober, Commissioner**  
**Carol Sparks Drake, Senior Administrative Law Judge**

On September 14, 2018, Indiana-American Water Company, Inc. (“Indiana American” or “Petitioner”) filed a Petition for General Rate Increase and Associated Relief under Ind. Code § 8-1-2-42.7, Notice of Provision of Information in Accordance with the Minimum Standard Filing Requirements and Request for Administrative Notice (“Petition”) with the Indiana Utility Regulatory Commission (“Commission”). In its Petition, Indiana American seeks authority to (i) increase its rates and charges for water service and (ii) implement a low income pilot program (“LIPP”). Petitioner also asked the Commission to review its rates and charges for wastewater utility service and approve new schedules of rates and charges applicable to water and wastewater utility service. That same day, Indiana American pre-filed the testimony and exhibits of the following witnesses:

- Deborah D. Dewey, President of Indiana American
- Douglas A. Brock, Vice President, Operations at Indiana American
- Stacy S. Hoffman, Director of Engineering at Indiana American
- Gregory D. Shimansky, Director, Rates & Regulatory for American Water Works Service Company, Inc. (“Service Company”)
- Nikole L. Bowen, Senior Manager of Regulatory Services for Service Company
- Gregory P. Roach, Senior Manager of Revenue Analytics for Service Company
- Constance E. Heppenstall, Senior Project Manager, Rates Studies, Gannett Fleming Valuation and Rate Consultants, LLC
- Charles B. Rea, Director, Rates & Regulatory for Service Company
- Ann E. Bulkley, Senior Vice President, Concentric Energy Advisors, Inc.

- Scott W. Rungren, Principal Regulatory Analyst for Service Company
- John R. Wilde, Vice President—Tax for Service Company
- Robert V. Mustich, Managing Director and East Region Rewards Business Leader, Willis Towers Watson
- Patrick L. Baryenbruch, President, Baryenbruch & Company, LLC.

On September 14, 2018, Indiana American also filed Petitioner’s Motion for Protection and Nondisclosure of Confidential and Propriety Information supported by affidavits from Nikole L. Bowen and Gregory D. Shimansky. By Docket Entry issued on October 2, 2018, confidential treatment was preliminarily granted for the information that was the subject of this motion, except for the names of Indiana American’s chemical suppliers.

Petitions to intervene were filed on September 19, 2018, by the City of Crown Point (“Crown Point”), the Town of Schererville (“Schererville”), Citizens Action Coalition of Indiana, Inc. (“CAC”), and Sullivan Vigo Rural Water Corporation (“Sullivan Vigo”); on October 1, 2018, by a group of industrial customers of Indiana American (“Industrial Group”)<sup>1</sup>; on October 3, 2018, by the Town of Whiteland (“Whiteland”); and on October 31, 2018, by Indiana Community Action Association, Inc. (“INCAA”) (collectively, the “Intervenors”). Docket Entries were issued granting each of these petitions to intervene.

Pursuant to notice and as provided in 170 IAC 1-1.1-15, the Commission held a prehearing conference at 3:00 p.m. on October 4, 2018, in Room 224, 101 West Washington Street, Indianapolis, Indiana. Notice of the prehearing conference was given and published as required by law with proofs of publication of the notice incorporated into the record and placed in the official files of the Commission. Petitioner, the Indiana Office of Utility Consumer Counselor (“OUCC”), and the Intervenors appeared by counsel and participated at the prehearing conference. The procedural schedule and other matters agreed upon at the prehearing conference were memorialized in a Prehearing Conference Order approved on October 24, 2018.

Pursuant to Ind. Code § 8-1-2-61(b), a public field hearing was held on November 7, 2018, in Seymour, Indiana. On November 26, 2018, a second field hearing was conducted in Gary, Indiana, which is the largest municipality in Petitioner’s service area. During the public field hearings, members of the public provided oral and/or written testimony.

On December 21, 2018, the OUCC and the Intervenors prefiled their respective cases-in-chief and/or direct testimony. The OUCC’s prefiled case-in-chief included the testimony of the following witnesses:

- Margaret A. Stull, Chief Technical Advisor in the OUCC’s Water/Wastewater Division
- Richard J. Corey, Utility Analyst in the OUCC’s Water/Wastewater Division
- Thomas W. Malan, Utility Analyst in the OUCC’s Water/Wastewater Division
- Scott A. Bell, Director of the OUCC’s Water/Wastewater Division

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<sup>1</sup> For purposes of this proceeding, the members of the Industrial Group are Arcelor Mittal USA, Fiat Chrysler Automobiles, and Praxair, Inc.

- James T. Parks, Utility Analyst II in the OUCC's Water/Wastewater Division
- Ralph C. Smith, Senior Regulatory Consultant, Larkin & Associates, PLLC
- Jerome D. Mierzwa, a Principal and Vice President, Exeter Associates, Inc.

Included as Attachment SAB-3 to the prefiled testimony of OUCC witness Bell were the written consumer comments the OUCC received pertaining to this docket. On December 26, 2018, the OUCC prefiled the testimony and exhibits of Edward R. Kaufman, Assistant Director of the OUCC's Water/Wastewater Division.

On December 21, 2018, the Industrial Group prefiled the testimony and attachments of Michael P. Gorman, Managing Principal, Brubaker & Associates, Inc. and Jessica A. York, Consultant – Public Utility Regulation, Brubaker & Associates, Inc.

Crown Point also on December 21, 2018, prefiled testimony from Gregory T. Guerrettaz, President, Financial Solutions Group, Inc. and William Steven Seelye, Managing Partner, The Prime Group, LLC.

The Towns of Schererville and Whiteland jointly prefiled testimony on December 21, 2018, from Chris Ekrut, Director of Environmental Practice and Vice President of Corporate Services, NewGen Strategies & Solutions, LLC.

CAC and INCAA also jointly prefiled testimony on December 21, 2018, from Kerwin L. Olson, Executive Director of CAC.

On January 3, 2019, Indiana American filed a Second Motion for Protection and Nondisclosure of Confidential and Proprietary Information supported by an affidavit from John Wilde. On January 4, 2019, Indiana American filed a Third Motion for Protection and Nondisclosure of Confidential and Proprietary Information supported by affidavits from Stacy S. Hoffman and Gregory D. Shimansky. By Docket Entry dated January 14, 2019, confidential treatment was preliminarily granted for the information that was the subject of Petitioner's second motion for protection. On January 17, 2019, Petitioner filed a supplement to its third motion for protection in which Indiana American provided additional information regarding the specific information in the prefiled testimony of James T. Parks that Petitioner deemed confidential. On January 22, 2019, Petitioner filed its Fourth Motion for Protection and Nondisclosure of Confidential and Proprietary Information supported by affidavits from Stacy S. Hoffman, John R. Wilde, and Ann E. Bulkley. By Docket Entry dated January 22, 2019, confidential treatment was preliminarily granted for the information that was the subject of Petitioner's third motion for protection and supplement to third motion, but confidential treatment was limited with respect to Mr. Parks' testimony to the redactions Petitioner identified in the supplement.

On January 22, 2019, Indiana American prefiled its rebuttal testimony, exhibits, and workpapers for witnesses Dewey, Hoffman, Shimansky, Brock, Roach, Bowen, Wilde, Bulkley, Rea, Rungren, Heppenstall, and Kerry A. Heid, P.E. That same day, the OUCC prefiled cross-answering testimony and exhibits of Mr. Mierzwa; the Industrial Group prefiled cross-answering testimony and exhibits of Ms. York; Crown Point prefiled cross-answering testimony and exhibits of Mr. Seelye; Schererville and Whiteland prefiled cross-answering testimony and exhibits of Mr.

Ekrut, and Whiteland prefiled cross-answering testimony of Norm Gabehart, Whiteland's Town Manager.

The Presiding Officers issued a Docket Entry on January 29, 2019, preliminarily granting confidential treatment for the information that was the subject of Petitioner's fourth motion for protection, except for the information redacted in the "Hours" column of Attachment NLB-3R. On January 31, 2019, Indiana American filed Petitioner's Second Supplement to Third Motion for Protection and Nondisclosure of Confidential and Proprietary Information to clarify that Attachments JTP-10 and JTP-11 contain confidential cost and bid information. By Docket Entry dated January 31, 2019, confidential treatment was preliminarily granted for Attachments JTP-10 and JTP-11.

A Docket Entry was issued on February 8, 2019, requesting Indiana American to respond to multiple questions related to its prefiled testimony and exhibits. Indiana American on February 12, 2019, filed its response to these Docket Entry questions.

On February 13, 2019, Indiana American, the OUCC, and the Intervenors (collectively, "Joint Movants") filed a Joint Agreed Motion to Continue Evidentiary Hearing requesting the Commission to continue the evidentiary hearing scheduled to commence on February 14, 2019, to afford the Joint Movants time to engage in settlement discussions. On February 14, 2019, the evidentiary hearing was continued on the record until February 18, 2019.

By Docket Entry dated February 14, 2019, the Presiding Officers, because not all of Indiana American's responses to the February 8, 2019 Docket Entry were responsive to the questions posed, issued an additional Docket Entry requesting Indiana American to provide additional information via responses to follow-up questions. Indiana American filed its response on February 18, 2019, to this Docket Entry.

The Joint Movants on February 15, 2019, filed a motion requesting an additional continuance of the evidentiary hearing that had been continued to February 18, 2019. They asked that the hearing be continued to February 25, 2019, to afford the Joint Movants additional time to engage in settlement discussions. On February 18, 2019, the evidentiary hearing was continued on the record to February 25, 2019. On February 21, 2019, the Joint Movants filed a Joint Status Report and Agreed Motion for Additional Continuance of Evidentiary Hearing in which they provided an update on the status of their settlement negotiations and asked that the hearing again be continued to afford time to memorialize the settlement and review related details. On February 22, 2019, the Presiding Officers issued a Docket Entry continuing the hearing to February 26, 2019, but requesting the Joint Movants to clarify their motion filed on February 21, 2019, by advising whether a settlement had been reached on all issues and among all the Joint Movants and to explain the status of the settlement agreement.

On February 25, 2019, the Joint Movants filed a Joint Notice for Leave to File Settlement Agreement and Request for Settlement Hearing. On February 26, 2019, the evidentiary hearing was continued on the record and converted to a settlement hearing to be held on April 11, 2019.

On March 18, 2019, Petitioner, on behalf of the Joint Movants, filed a Stipulation and

Settlement Agreement (the “Settlement Agreement”), including attachments, among Petitioner, the OUCC, and the Intervenors (collectively, the “Settling Parties”) with respect to the issues in this Cause. That same day, Indiana American prefiled testimony from Gregory D. Shimansky supporting the Settlement Agreement. The OUCC also prefiled settlement testimony from Margaret A. Stull and Jerome Mierzwa, and Crown Point prefiled settlement testimony from Gregory T. Guerrettaz.

On April 4, 2019, a Docket Entry was issued requesting Indiana American to provide information related to its actual capital structure as of December 31, 2018. Indiana American filed its response on April 5, 2019. On April 5, 2019, a Docket Entry was issued containing prospective questions related to the Settlement Agreement, particularly the LIPP, to provide a heads-up regarding matters the Presiding Officers wanted Indiana American to be ready to address at the settlement hearing. Indiana American was directed to assure a witness would be available at the settlement hearing who could answer questions regarding Indiana American’s LIPP, as well as questions upon the tax settlement included in the Settlement Agreement.

On April 11, 2019, a settlement hearing was held, and all the Settling Parties’ evidence, including the Settlement Agreement and supporting testimony, was admitted without objection. Having considered the evidence presented and based on the applicable law and the evidence, the Commission now finds:

**1. Notice and Jurisdiction.** Notice of the Petition filed in this Cause was given and published by Petitioner as required by law, and Petitioner provided its customers with timely notice summarizing the nature and extent of the proposed changes in its rates and charges for water service. Due, legal, and timely notices of the public hearings in this Cause, including the two field hearings, were given and published by the Commission as required by law. Indiana American is a public utility as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code §§ 8-1-2-42 and 42.7, the Commission has jurisdiction over Indiana American’s rates and charges for utility service. The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this proceeding.

**2. Petitioner’s Organization and Business.** Indiana American is a public utility with its principal place of business located at 153 North Emerson Avenue in Greenwood, Indiana. Indiana American provides water utility service to approximately 306,000 customers located in and around numerous communities throughout Indiana. Indiana American also provides sewer utility service to approximately 1,730 customers located in Hamilton, Wabash, and Delaware Counties. In total, Indiana American has 34 major service areas.

Indiana American renders water and sewer utility service by means of utility plant, property, equipment, and related facilities that are owned, leased, operated, managed, and controlled by Petitioner. These facilities are used and useful for the convenience of the public in the production, treatment, transmission, distribution, and sale of water for residential, commercial, industrial, public authority, and sale for resale purposes, for the provision of public and private fire service, and for the provision of sewer service.

**3. Existing Rates.** Petitioner’s existing basic rates and charges for water and wastewater utility service were established pursuant to the Commission’s Order in *Indiana-*

*American Water Co.*, Cause No. 44450 (IURC January 28, 2015) (the “2015 Rate Order”) and modified by the Commission’s Phase 1 Order in *Indiana American Water Co.*, Cause No. 45032 S4 (IURC July 31, 2018). Since the 2015 Rate Order, a Distribution System Improvement Charge (“DSIC”) was authorized in the Orders in Cause Nos. 42351 DSIC 9, issued May 4, 2016; 42351 DSIC 10, issued March 22, 2017; and 42351 DSIC 11, issued March 14, 2018.

4. **Test Year.** As authorized by Ind. Code § 8-1-2-42.7(d)(1) (“Section 42.7”), Petitioner proposed a forward-looking test period using projected data. Consistent with the Prehearing Conference Order, the test year to be used for determining Petitioner’s projected operating revenues, expenses, and operating income is the 12-month period ending April 30, 2020. The historical base period is the 12-month period ending December 31, 2017.

5. **Indiana American’s Requested Relief.** In its Petition, Indiana American sought Commission approval of an overall increase in rates and charges for water service that would produce additional water revenues in two steps of approximately \$38.9 million, reflecting an overall revenue increase of 17.50%. This overall revenue increase was comprised of a Step 1 increase of 8.22% and a Step 2 increase of 8.57%. No increase to rates and charges for wastewater service was proposed. As detailed in Indiana American’s case-in-chief, Petitioner also requested approval of a new schedule of rates and charges applicable to water and wastewater utility service and authority to implement a LIPP.

6. **Opposition and Rebuttal.** The OUCC and the Intervenors raised a number of challenges to Indiana American’s original filing, including challenging rate base, rate of return, operating and maintenance (“O&M”) expenses, cost of service allocation, and rate design. The OUCC and the Intervenors also raised issues regarding Indiana American’s proposed treatment of certain issues arising from the Tax Cuts and Jobs Act (“TCJA”), including amortization of excess accumulated deferred income taxes (“EADIT”) and deferral of the regulatory liability created as a result of the Commission’s January 3, 2018 Order in Cause No. 45032. The extent to which these parties disagreed with each other upon these issues is shown in their respective cross-answering testimony. The extent to which Indiana American agreed or disagreed with the OUCC and the Intervenors was addressed in Indiana American’s rebuttal evidence.

7. **Settlement Agreement.** The Settlement Agreement filed with the Commission on March 18, 2019, (Settling Parties’ Joint Exhibit 1) presents the Settling Parties’ resolution of the issues in this Cause. The Settlement Agreement is attached to this Order and incorporated by reference. Each of the witnesses offering settlement testimony discussed the arm’s-length nature of the negotiations that led to the Settlement Agreement and the efforts undertaken to reach a balanced settlement that fairly resolves the issues.

OUCC witness Stull testified that the Settlement Agreement is the product of intense, arm’s-length negotiations that required each party to compromise on difficult issues. Public’s Ex. 10 at p. 2, lines 21-22. She testified that in making compromises, each party needed to assess the litigation risk that the Commission will find the other side’s case more compelling. Public’s Ex. 10 at p. 2, lines 22-24. Ms. Stull further testified that the Settlement Agreement strikes an appropriate balance between the interests of ratepayers and those of Indiana American. Public’s Ex. 10 at p. 2, line 24 through p. 3, line 1. She testified the numerous customer benefits the

Settlement Agreement provides led the OUCC, as the statutory representative of all ratepayers, to conclude the Settlement Agreement is an equitable resolution supported by the evidence and should be approved. Public's Ex. 10 at p. 3, lines 1-5.

Among the ratepayer benefits generated by the settlement that Ms. Stull identified is a substantive reduction to the overall rate increase Petitioner originally sought. Ms. Stull testified that Indiana American requested approval to increase its total operating revenues 17.50% or \$38,884,477 per year. This rate increase was proposed to be implemented in two steps with a Step 1 revenue increase of 8.22% (additional revenues of \$18,273,669) and a Step 2 revenue increase of 8.57% (additional revenues of \$20,610,808). She stated the Settling Parties agreed to an overall revenue increase of approximately 7.86%, which after completing both steps of implementation will yield additional annual revenues of \$17,249,127; therefore, the agreed increase to Indiana American's annual revenue of up to \$17,500,000 is lower than Indiana American initially requested. Ms. Stull stated the settlement results in an agreed revenue increase of approximately 1.72% or additional revenues of \$3,836,226 for Step 1 and a revenue increase for Step 2 of approximately 6.03% or additional revenues of \$13,663,774. Public's Ex. 10 at p. 4.

Ms. Stull also testified concerning the Settling Parties' agreement on Indiana American's proposed LIPP. The LIPP will be offered in three locations instead of two as Petitioner originally proposed and will be partially funded by Indiana American contributed funds, another change from Petitioner's original pilot program proposal. She stated that under the settlement, the total program cost of this pilot program will be borne evenly (50/50) between a deferred asset and non-deferred contributions from Indiana American. For every year of the LIPP, except years one and two, Indiana American will contribute up to \$300,000 annually. The maximum \$300,000 annual contribution will be distributed evenly over the three selected locations (Gary, Muncie, and Terre Haute) where the LIPP will be offered. Ms. Stull noted that the Settling Parties agreed to a reservation of rights as to the allocation among customer classes of the deferred contribution in Indiana American's next base rate case.

Other ratepayer benefits Ms. Stull identified in her testimony include: (1) an overall reduction of \$4,618,675 in total O&M expense from Indiana American's rebuttal position (Public's Ex. 10 at p. 5, lines 12-14); (2) a reduction in Indiana American's proposed cost of common equity of 10.8% by 100 basis points to an agreed cost of equity<sup>2</sup> for purposes of settlement of 9.80% (Public's Ex. 10 at p. 9, lines 10-14); and (3) agreement by Indiana American to flow back the \$5,821,888 balance of the regulatory liability created as a result of the Commission's January 3, 2018 Order in Cause No. 45032 to customers over a 12-month period commencing when Step 2 rates are implemented. (Public's Exhibit 10 at p. 15, lines 13-14).

Indiana American witness Shimansky also testified in support of the Settlement Agreement. Mr. Shimansky testified that the settlement is the result of arm's-length negotiations by a diverse group of stakeholders with differing views on the issues raised in this Cause and in Cause No. 45032 S4 ("Tax Subdocket"). Petitioner's Ex. 5-S at p. 5, lines 10-12. He further testified that the Settling Parties devoted many days to discussions, collaborative exchange of information, and settlement negotiations. Petitioner's Ex 5-S at p. 5, lines 13-15. Mr. Shimansky

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<sup>2</sup> Throughout this Order, cost of equity, cost of common equity, and return on equity are used interchangeably to refer to the Commission-authorized return on equity.

testified the Settlement Agreement is in the public interest and represents a reasonable resolution of the issues in this Cause and in the Tax Subdocket. Petitioner's Ex. 5-S at p. 5, lines 1-7.

Crown Point witness Guerrettaz also testified in support of the Settlement Agreement. Mr. Guerrettaz testified that the compromise the Settling Parties reached with respect to cost of service and rate design results in an approximate 8% increase for sale for resale ("SFR") wholesale customers as compared to the approximately 24.5% to 33.9% range Indiana American originally proposed. Crown Point Ex. 4 at p. 3, lines 8-14. Mr. Guerrettaz testified that Crown Point retains a strong interest in alternative wholesale water rate designs including time of use, interruptible rates, and transmission rates, and Crown Point will continue to pursue alternative rates. He reiterated Crown Point's concerns regarding the allocation of capital costs to Crown Point from Indiana American's approximately 30 other major service areas, noting that relatively few of the other service areas have SFR customers. Mr. Guerrettaz testified that to address these concerns, Indiana American and Crown Point have agreed to meet, exchange needed information, and attempt to reach agreement on rate design issues. Crown Point Ex. 4 at p. 5, lines 18-19. Mr. Guerrettaz sponsored a letter dated March 18, 2019, from Indiana American's President, Deborah Dewey, to Crown Point's Mayor committing to meet with Crown Point, exchange information, and explore agreement on alternative wholesale rate structures (e.g. time of use, interruptible, and transportation), and if agreement is reached, to jointly file for and support approval of this agreement. In her letter, Ms. Dewey acknowledged that Crown Point's participation in this settlement will not limit Crown Point's right to pursue alternative wholesale rates in future Commission proceedings. Mr. Guerrettaz further testified that given the separate preservation of Crown Point's right to pursue alternative wholesale rates, he supports approval of the Settlement Agreement. Crown Point Ex. 4 at p. 5, lines 10-12.

OUCG witness Mierzwa also testified in support of the Settlement Agreement, specifically with respect to its cost allocation and rate design aspects. Mr. Mierzwa testified the Settlement Agreement resolves the issues related to cost allocation and rate design raised in this Cause. Public's Ex. 11 at p. 2, lines 24-25. He also testified the Settlement Agreement is the product of arm's-length negotiations, and the Settling Parties' agreement upon rate design and cost of service generally moves the revenues from each customer class toward the allocated cost-of-service in Indiana American's case-in-chief and falls within the range of proposed outcomes if this Cause had been litigated. Public's Ex. 11 at p. 3, lines 5-17. He stated the Settlement Agreement provides for an increase of \$17,500,000 in Petitioner's operating revenues in two steps. More specifically, an operating revenue increase of \$3.8 million or 1.73% will be effective upon the later of the date of the Order in this Cause or July 1, 2019, and an additional increase of \$13.7 million or 6.07% will be effective upon the date Petitioner certifies its end of test year net plant in service or May 1, 2020, whichever is later. Mr. Mierzwa demonstrated in Table 1 in his settlement testimony the revenues to be recovered from each customer class under each step of the settlement. Public's Ex. 11 at p. 4.

Mr. Mierzwa testified that he believes the Settlement Agreement is in the public interest. Public's Ex. 11 at p. 7, lines 1-12. He recommended the Commission approve the Settlement Agreement.

While these witnesses testified to the reasonableness of the settlement as a whole, their

respective settlement testimony also offered additional perspectives on its terms, as discussed below.

**A. Operating Revenues.** As discussed by Mr. Shimansky and Ms. Stull, Paragraph 2(a) of the Settlement Agreement sets forth the Settling Parties' agreement upon operating revenues. Although Ms. Stull testified the Settling Parties agreed to pro forma revenues at present rates for the test year of \$222,749,127, Public's Ex. 10 at p. 4, lines 19-20, the Settlement Agreement confirms \$222,749,127 represents the agreed total pro forma revenues at present rates (Step 1) as opposed to Step 2, which is the test year. Settlement Agreement, Appendix A at p. 1. Mr. Shimansky testified the agreed amount represents a reasonable compromise. He noted that in its case-in-chief, Indiana American proposed a \$2,854,679 reduction to Step 1 present rate revenues to recognize the effects of its estimated residential declining consumption, while the OUCC recommended a lower reduction of \$1,334,900. Petitioner's Ex. 5-S at p. 11, line 19 through p. 12, line 6. According to Mr. Shimansky, the difference between the adjustments that Indiana American and the OUCC proposed was based upon disagreement upon the rate at which residential water usage is declining. Petitioner's Ex. 5-S at p. 11, line 21 through p. 12, line 6. He testified that Petitioner's witness Roach performed a regression analysis for the 2008-2017 period that reflects residential revenues are declining and will continue to decline by approximately 2.1%. OUCC witness Kaufman disagreed. His analysis estimated this decrease is leveling off, leading Mr. Kaufman to recommend a lower reduction to test year revenues. Mr. Shimansky testified that the Industrial Group also recommended a lower declining use adjustment into the forecasted period, which decreased Indiana American's claimed revenue deficiency by approximately \$1.2 million, and Crown Point recommended the adjustment be disallowed in its entirety. Petitioner's Ex. 5-S at p. 12, lines 6-12.

Mr. Shimansky testified the \$222,749,127 amount includes using the OUCC's recommended declining use adjustment, which effectively increases Indiana American's projected revenues by \$1,519,779. Petitioner's Ex. 5-S at p. 12, lines 14-18. This figure also corrects for excess DSIC revenues mistakenly included in Indiana American's projection that OUCC witness Stull identified and Indiana American agreed to on rebuttal. Mr. Shimansky stated this reduces present rate revenues by \$953,834. He testified that while \$222,749,127 is not based on a particular methodology or percentage of declining use, it represents a reasonable compromise of the issues and results in projected revenues within the range of the evidence. Ms. Stull similarly testified the agreed amount is not based on any particular calculation methodology or percentage of declining usage. Public's Ex. 10 at p. 5, line 1. She stated that for purposes of settlement, the Settling Parties agreed to test year operating revenues consisting of water revenues of \$217,361,195, sewer revenues of \$1,370,090, water late fee revenues of \$1,294,659, and other water revenues of \$2,723,183. Public's Ex. 10 at p.5, lines 4-7.

**B. Cost of Capital.** Mr. Shimansky and Ms. Stull also testified regarding the Settling Parties' agreement with respect to capital structure and cost of equity as set forth in Paragraph 2(b) of the Settlement Agreement. Mr. Shimansky testified that in its case-in-chief Indiana American proposed a projected capital structure of 56.36% common equity and 43.64% long-term debt, as well as a return on equity ("ROE") of 10.80% to account for the business and financial risk factors facing Indiana American. Petitioner's Ex. 5-S at p. 14, lines 4-9. Mr. Shimansky stated the Industrial Group recommended a 50/50 capital structure and a 9.35% ROE,

with 9.35% representing the midpoint of Mr. Gorman's recommended range of 9.0% and 9.7%, while the OUCC recommended an ROE of 8.6%. Petitioner's Ex. 5-S at p. 14, lines 9-12. He testified that other intervenors also recommended lower ROE percentages than Petitioner proposed, with Crown Point's witness Guerrettaz recommending an ROE of 9.00% and Schererville/Whiteland's witness Ekrut recommending an ROE of no greater than 9.75% based on the settlement in Cause No. 44450 and Mr. Ekrut's perspective that Indiana American's risks have not significantly changed since that proceeding. Petitioner's Ex. 5-S at p. 14, lines 12-18.

Ms. Stull testified the Settling Parties ultimately agreed a 9.80% cost of common equity should be authorized based on a capital structure that consists of 46.59% debt and 53.41% common equity. Public's Ex. 10 at p. 9, lines 1-4. She further testified the agreed capital structure and cost of equity produce a weighted cost of capital of 6.17% in Step 1 and 6.25% in Step 2.

Mr. Shimansky and Ms. Stull both testified the agreed capital structure and cost of equity figures are reasonable and within the range of evidence presented in this Cause. Petitioner's Ex. 5-S at p. 14, lines 20-21; Public's Ex. 10 at p. 9, lines 5-7. Mr. Shimansky testified the parties arrived at the stipulated ROE based on a multitude of factors, including Petitioner's belief that Indiana American still faces cash flow risks from the TCJA associated with the repairs deduction. Petitioner's Ex. 5-S at p. 14, line 21 through p. 15, line 2. He testified a 9.8% ROE with a 53.41% equity level represents a level of risk and compensation for that risk that is within the range of evidence in this case. Petitioner's Ex. 5-S at p. 15, lines 4-5. Mr. Shimansky also testified the agreed projected capital structure is in line with Indiana American's actual capital structure, which was 53.58% equity as of December 31, 2018, and is within the range discussed in Indiana American's most recent financing case (Cause No. 44682). Mr. Shimansky testified that Indiana American will work throughout the year to stay at the level projected in the Settlement Agreement. Petitioner's Ex. 5-S at p. 13, line 20 through p. 14, line 2. Ms. Stull noted the agreed ROE reduces Petitioner's proposed cost of equity by 100 basis points as compared to Petitioner's original proposal and brings Indiana American closer to the debt/equity ratio used in its prior rate cases and closer to a 50/50 split. Public's Ex. 10 at p. 9, lines 10-13. She testified the agreed capital structure serves to reduce Petitioner's overall revenue increase and produces a more reasonable result in this Cause. Public's Ex. 10 at p. 9, lines 13-14.

**C. Rate Base.** Ms. Stull and Mr. Shimansky also testified regarding the Settling Parties' agreement upon the rate base cap and rate base certification process set forth in Paragraphs 2(c) and 2(d) of the Settlement Agreement. Mr. Shimansky testified the Settling Parties agreed Step 2 rates will be based upon actual net original cost rate base, not to exceed \$1,182,170,152 ("Rate Base Cap"). This represents a \$40 million reduction from Indiana American's proposed Step 2 rate base. Petitioner's Ex. 5-S at p. 15, lines 10-13. He stated Petitioner agreed the \$40 million reduction is composed of non-DSIC eligible assets. Petitioner's Ex. 5-S at p. 15, lines 13-14. Mr. Shimansky testified that subject to the certification process set forth in Paragraph 2(c) of the Settlement Agreement, Indiana American anticipates \$4,826,590 of the \$40 million decrease will come out of Step 1 Rates. Petitioner's Ex. 5-S at p. 18, lines 19-21. He testified that is the amount included for BT SOP 98-01, and for purposes of settlement, Indiana American agreed to not include that in rate base when calculating Step 1 and Step 2 rates. But, Mr. Shimansky testified Petitioner reserves the right to file for DSIC recovery with respect to eligible improvements in excess of the level forecasted. Also, under the Settlement Agreement, the Rate

Base Cap does not foreclose inclusion of amounts in excess of the Rate Base Cap in rate base in future years. Petitioner's Ex. 5-S at p. 15, lines 14-16.

Mr. Shimansky testified the stipulated Rate Base Cap in Paragraph 2(c) of the Settlement Agreement is a reasonable compromise by the Settling Parties. Petitioner's Ex. 5-S at p. 17, lines 17-19. He explained that in its case-in-chief, Indiana American sought to include \$541.7 million of total utility plant in service additions in rate base, excluding acquisitions and developer additions. Petitioner's Ex. 5-S at p. 15, lines 18-19. Mr. Shimansky testified that OUCC witness Parks recommended disallowing approximately \$247 million of Indiana American's capital projects. From Mr. Shimansky's perspective, Mr. Parks' recommendation was largely due to a disagreement between the OUCC and Indiana American over process, specifically, the level of information Indiana American should have provided to the parties and when this should have been provided to support that Petitioner's projects are prudent and reasonable. Petitioner's Ex. 5-S at p. 16, lines 10-16. Mr. Shimansky testified that Paragraph 6 of the Settlement Agreement is intended to minimize these issues in future rate proceedings by outlining specific information Indiana American will provide in its next rate case and thereafter to support its capital projects. Petitioner's Ex. 5-S at p. 17, lines 19-22. He testified Paragraph 6 also sets forth a process for Indiana American to provide its comprehensive planning studies to facilitate the OUCC's expeditious review of Petitioner's capital program. Petitioner's Ex. 5-S at p. 17, line 21 through p. 18, line 7.

Ms. Stull testified the public interest is served by the clarity the Settlement Agreement terms add to the level of support and detail Indiana American will provide for its capital projects in future rate cases. Public's Ex. 10 at p. 13, lines 21-24. She opined that given the procedural timeline to evaluate a rate case filed under Ind. Code § 8-1-2-42.7, the public interest is served when the consumer parties receive meaningful support for proposed capital expenditures as early in the process as possible. Public's Ex. 10 at p. 13, line 24 through p. 14, line 4. Ms. Stull testified that while the Settlement Agreement adds clarity to the level of support Indiana American will provide in future cases for its capital projects, it does not prohibit the OUCC or any intervenor from asking for more detail, documents, or information.

Mr. Shimansky testified that Indiana American's agreement to reduce its rate base forecast by \$40 million, composed of non-DSIC eligible assets, represents a compromise on this issue. Petitioner's Ex. 5-S at p. 18, lines 10-24. He testified that to reach this compromise, Indiana American, the OUCC, and the Industrial Group moved considerably off of their case-in-chief positions. Petitioner's Ex. 5-S at p. 18, lines 17-18. Ms. Stull testified the Rate Base Cap garners significant benefits for customers. Public's Ex. 10 at p. 12, lines 4-5. She testified the Step 2 Rate Base Cap provides customers certainty by limiting Indiana American's utility plant upon which Petitioner can earn a return. Public's Ex. 10 at p. 12, lines 8-10. Ms. Stull further testified that customers also benefit from the agreement that the assets which comprise the \$40 million rate base reduction are not DSIC-eligible, so the assets cannot be removed from Indiana American's rate base and then charged to customers as part of a future DSIC proceeding. Public's Ex. 10 at p. 12, lines 12-16.

**D. Rate Base Certification and Update Mechanism.** Mr. Shimansky also testified regarding the rate base certification process the parties agreed upon in Paragraph 2(d) of

the Settlement Agreement. He described the agreed process and testified it is virtually the same process that was approved for Northern Indiana Public Service Company in Cause No. 44498. Petitioner's Ex. 5-S at p. 19, lines 6-7. Under Paragraph 2(d), Indiana American shall certify it has completed the amount of net plant indicated in its certification and the corresponding net plant additions have been placed in service and are used and useful in providing utility service as of the date of certification. Petitioner's Ex. 5-S at p. 19, lines 6-10. Mr. Shimansky testified that with respect to Step 1 rates, Indiana American will certify its net utility plant in service as of April 30, 2019, and calculate the resulting Step 1 rates using the agreed capital structure set forth in Table 3 of the Settlement Agreement. Petitioner's Ex. 5-S at p. 19, lines 10-13. Step 1 rates will become effective upon the date of the Commission's Order in this Cause or July 1, 2019, whichever is later. Petitioner's Ex. 5-S at p. 19, lines 13-14. With respect to Step 2 rates, he stated Indiana American will certify its net utility plant in service as of the end of the test year (April 30, 2020) and calculate rates using the agreed capital structure. Mr. Shimansky reiterated that Step 2 rates will go into effect upon the later of the date Petitioner certifies its end of test year net plant in service or May 1, 2020, Petitioner's Ex. 5-S at p. 20, lines 1-3, with the understanding that the total stipulated increase will not exceed \$17,500,000 over pro forma revenues at present rates. Petitioner's Ex. 5-S at p. 19, lines 18-23.

Mr. Shimansky testified that in addition to the test year certification process, the Settling Parties agreed to a process for the OUCC and intervening parties to challenge Indiana American's end of test year certification, and he described this process. Petitioner's Ex. 5-S at p. 20, lines 4-14. Mr. Shimansky stated that through this process, the OUCC and intervening parties will have 60 days from the date of the Step 2 certification to object to Indiana American's certified test-year-end plant in service. If objections cannot be resolved informally, a hearing will be held to determine Petitioner's actual test-year-end net plant in service, and rates will be trued-up (with carrying charges) retroactive to the date the Step 2 rates became effective. Petitioner's Ex. 5-S at p. 20, lines 6-11. He noted the certification process is not, however, an opportunity to challenge the prudence of Petitioner's forecast. Petitioner's Ex. 5-S at p. 20, lines 13-14.

Ms. Stull testified the public interest is served by the rate base terms outlined in the Settlement Agreement, Public's Ex. 10 at p. 12, lines 17-23, because the Step 1 and Step 2 rate base certification process provides for a transparent review of Indiana American's rate base, including plant in service and related calculations. She stated that if the Commission determines a Step 2 rate base issue raised by the non-Indiana American Settling Parties warrants a change to Indiana American's Step 2 rates, the Settlement Agreement provides that such a change will be applied retroactively, with carrying charges to be applied to customers' benefit. Public's Ex. 10 at p. 12, lines 20-23. Ms. Stull testified this process serves as an incentive for timely, thorough review that the assets Indiana American has certified are in service and used and useful. Public's Ex. 10 at p. 12, line 23 through p. 13, line 2.

**E. Operating Expenses, Depreciation, and Amortization.** Mr. Shimansky also testified regarding the Settling Parties' agreement upon operating expenses, depreciation, and amortization in Paragraph 2(e) of the Settlement Agreement. Mr. Shimansky testified that in determining the agreed forecasted level of operating expenses of \$165,980,395, the Settling Parties stipulated to certain levels of forecasted purchased water, fuel and power, salaries and wages, group insurance, other benefits, support services, contract services, and regulatory expense.

Petitioner's Ex. 5-S at p. 21, lines 1-7. Mr. Shimansky testified the Settling Parties also stipulated to the forecasted level of depreciation expense at Step 2 of \$52,528,975, forecasted amortization expense of \$274,699, and forecasted Taxes Other Than Income Tax expense at Step 2 of \$17,526,349. He stated the detail supporting these forecasted expense levels is included in Appendix A to the Settlement Agreement. Petitioner's Ex. 5-S at p. 21, lines 8-11. Mr. Shimansky reviewed each operating expense adjustment and explained how the Settling Parties reached the stipulated amount for each expense. Petitioner's Ex. 5-S at pp. 18-31. For each expense, he testified the agreed amount (described in greater detail below) represents a reasonable compromise of the issue. Ms. Stull also testified the negotiated adjustments to operating expenses, depreciation, and amortization represent agreements the Settling Parties reached as part of the overall settlement package. Public's Ex. 10 at p. 5, lines 14-15.

In his settlement testimony, Mr. Shimansky stated that for purposes of settlement, Indiana American reduced its projected purchased water expense of \$498,786 by \$32,078, for total forecasted purchased water expense for the test year of \$466,708. He testified Indiana American's case-in-chief proposal of a \$120,295 increase to purchase water expense was based on the City of Boonville's then-pending rate increase and an inflationary adjustment for Ramsey Water Company ("Ramsey"). Indiana American's proposed adjustment results in total forecasted purchased water expense for the test year of \$498,786. He stated the OUCC disagreed with Indiana American's purchased water expense adjustment because Petitioner used Boonville's proposed Phase I and Phase II rates, not the OUCC's, to project the increase associated with Boonville's rate case and because the OUCC viewed the inflationary adjustment associated with Ramsey as inappropriate since Ramsey had no rate increase pending. He testified the OUCC ultimately recommended total pro forma purchase water expense of \$466,708. Petitioner's Ex. 5-S at p. 21, line 13 through p. 22, line 5. Mr. Shimansky stated that since Indiana American and the OUCC filed their cases-in-chief in this proceeding, the parties in Boonville's pending case submitted a settlement stipulating to a Phase I rate increase that is approximately two-thirds of Boonville's initial request. Petitioner's Ex. 5-S at p. 22, lines 6-8. Ms. Stull similarly testified that purchased water expense was reduced to reflect the settlement in Cause No. 45069 (Boonville Municipal Water). Public's Ex. 10 at p. 7, lines 3-4.

With respect to fuel and power expense, Mr. Shimansky testified Indiana American originally proposed an adjustment of \$84,212, which the OUCC opposed, and that questions had been posed via a Docket Entry about the effect of the TCJA on energy expenses. Petitioner's Ex. 5-S at p. 22, lines 15-17. For purposes of settlement, Mr. Shimansky stated the Settling Parties agreed to reduce Indiana American's adjustment by \$50,000, which equals more than half what Indiana American originally proposed. Petitioner's Ex. 5-S at p. 22, lines 17-19. He testified this compromise is a reasonable resolution of the issues associated with Petitioner's energy cost projections. Petitioner's Ex. 5-S at p. 22, lines 19-21.

Concerning labor expense, Mr. Shimansky testified the stipulated forecasted level of salaries and wages (including Group Insurance and Other Benefits) for the test year is \$18,614,068 (Petitioner's Ex. 5-S at p. 23, line 4), reflecting a reduction of the salaries and wages expense by \$514,123, along with a reduction to Group Insurance of \$97,708 and Other Benefits of \$35,227, for a total reduction of \$647,058 (Petitioner's Ex. 5-S at p. 24, lines 4-6) from Indiana American's forecasted level in its case-in-chief. He stated Indiana American's stipulated level of labor expense

is based on a headcount of 364 full-time employees, which is the number currently employed. Petitioner's Ex. 5-S at p. 23, lines 3-7. Indiana American's original forecasted increase was based on a budgeted staffing level of 374 full-time positions. Petitioner's Ex. 5-S at p. 23, lines 11-13. Ms. Stull testified the salaries and wages expense was reduced by the ten positions Indiana American projected in its case-in-chief but had not yet filled. Public's Ex. 10 at p. 7, lines 4-6. Mr. Shimansky testified this adjustment carries through other labor-related expenses as shown on the Summary of Adjustments tab of Attachment GDS-1S to his settlement testimony.

Mr. Shimansky also testified upon the stipulated level of pension and other post-employment benefits ("OPEB") expense, stating the stipulated forecasted level of pension expense for the test year is \$2,047,560. He stated the higher expense is primarily due to an update for the latest re-measurement the actuary performed and inclusion of all cost components (not just service costs) consistent with the methodology for calculating pension expense in Indiana American's prior cases. Mr. Shimansky testified the stipulated level of OPEB expense for the test year is negative \$1,990,876, again due to the actuary's latest re-measurement and inclusion of all cost components (not just service costs). Petitioner's Ex. 5-S at p. 24, lines 9-15. Mr. Shimansky testified the support for the stipulated pension and OPEB expense forecasts was presented in the New Pension and OPEB tab in Attachment GDS-1S to his settlement testimony. He stated that four months of the total net decrease from returning to the previous methodology for calculating the expense will be reflected in Step 1 rates, with the remaining eight months of the total net decrease to be reflected in Step 2. This results in a net decrease to Pension/OPEB expense in Step 1 of \$497,140 (pension increase of \$313,189 and OPEB decrease of \$810,329) and a further net decrease to Pension/OPEB expense in Step 2 of \$994,281 (pension increase of \$626,378 and OPEB decrease of \$1,620,659). Mr. Shimansky stated that splitting this decrease between the two steps mitigates the Step 2 rate increase because a larger part of the net reduction associated with this issue will occur in Step 2. Petitioner's Ex. 5-S at p. 25, lines 13-16.

With respect to support services expense, Mr. Shimansky testified that for purposes of settlement, Indiana American reduced the forecasted level presented in its case-in-chief by \$353,887 to remove expenses categorized as business development, and the Settling Parties agreed to keep \$254,517 in rate case expense that Ms. Stull testified on direct should be reclassified as service company expense. He stated the Settling Parties agreed to a \$50,000 reduction to annual rate case expense amortization, which is driven by reduced projected levels of expense that Petitioner hopes to capture as a result of settling rather than fully litigating this case. Petitioner's Ex. 5-S at p. 27, lines 10-16. Ms. Stull testified the regulatory expense adjustment reduces the amount collected from Indiana American's customers for the cost of this rate case. Public's Ex. 10 at p. 7, lines 8-10.

Mr. Shimansky stated the stipulated forecasted level of contract services expense for the test year of \$1,916,965 reduces the expense amount Indiana American forecasted in its case-in-chief by \$507,500 to reflect a reduced forecasted expense associated with contractor line locates. He testified the actual number of line locate requests in 2018 was 197,419. This did not meet the 8% increase Indiana 811 predicted, which Mr. Brock testified in his direct and rebuttal testimony formed the basis for Indiana American's original projected contract services expense level. Petitioner agreed in the settlement that a reduction in the forecasted level of expense for contractor line locates is appropriate. Petitioner's Ex. 5-S at p. 28, lines 13-20.

With respect to the agreed amortization expense of \$274,699, Ms. Stull testified this amount includes amortization of the comprehensive planning studies over a 15-year period and amortization of BT SOP costs. Public's Ex. 10 at p. 7, lines 16-18. Mr. Shimansky testified this amount reflects the Settling Parties' agreement to remove \$216,000 from amortization related to comprehensive planning study costs and \$122,000 related to BT SOP 98-01 for a total downward adjustment of \$338,000. Petitioner's Ex. 5-S at p. 28, lines 22-24. He testified the Settling Parties agreed to reflect the net effect (a \$216,000 reduction to amortization expense) of the OUCC's proposal with respect to recovery of comprehensive planning study costs (amortization over 15 years), provided that going forward, Indiana American will be permitted to defer all costs of conducting comprehensive planning studies in a regulatory asset to be amortized over a 15-year period. Petitioner's Ex. 5-S at p. 29, lines 18-21. With respect to amortization related to the BT SOP 98-01 costs, Mr. Shimansky testified that for purposes of settlement, Indiana American agreed to reduce this amortization expense by the \$122,213 the OUCC recommended. Petitioner's Ex. 5-S at p. 29, line 23 through p. 30, line 23.

Mr. Shimansky described additional stipulated adjustments in the Settlement Agreement to Indiana American's forecasted expense levels and the impact of the stipulated deferred federal income tax expense which will be discussed below. Each of the additional adjustments is shown in the Summary of Adjustments tab of Attachment GDS-1S. Mr. Shimansky also testified regarding an additional adjustment category shown in the support for Paragraph 2(e) of the Settlement Agreement, consisting of an additional forecasting adjustment made solely to achieve the overall level of increase agreed upon during settlement negotiations to achieve the agreed rate impact. He testified this adjustment in the amount of \$1,574,391 (with \$214,250 being reflected in Step 1) is shown in Miscellaneous Expense on the Summary of Adjustments tab in Attachment GDS-1S. Mr. Shimansky stated this is an overall adjustment to the total O&M forecast. Petitioner's Ex. 5-S at p. 31, lines 2-11.

**F. TCJA and Pending Issues in Cause No. 45032 S4.** Mr. Shimansky and Ms. Stull also testified regarding the agreement the Settling Parties reached upon the issues pending in Cause No. 45032 S4 (the "Tax Subdocket") as set forth in Paragraph 3(a) of the Settlement Agreement. Mr. Shimansky testified that while the remainder of the Settlement Agreement is conditioned upon the Commission's approval in this Cause, Paragraph 3 is conditioned on approval in the Tax Subdocket. Petitioner's Ex. 5-S at p. 31, lines 13-24. According to Mr. Shimansky, the Settlement Agreement is being submitted in both cases, with approval of Paragraphs 3(a) and 3(b) requested in the Tax Subdocket without a modification or condition being imposed that is not acceptable to the Settling Parties. Petitioner's Ex. 5-S at p. 31, lines 17-23. Ms. Stull highlighted the pending issues in the Tax Subdocket, including: (1) refund of the regulatory liability created by the Commission's January 3, 2018 Order in Cause No. 45032; (2) amortization of protected excess accumulated deferred income taxes ("EADIT"); and (3) amortization of unprotected EADIT.<sup>3</sup> Public's Ex. 10 at p. 15, lines 4-7.

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<sup>3</sup> In his settlement testimony, Mr. Shimansky discusses the parties' agreement on each of the issues to be approved in the Tax Subdocket. With respect to refunding the \$5.8 million regulatory liability, Mr. Shimansky testified that for purposes of settlement the parties agreed to flow back the deferred dollars as a bill credit ratably over a 12-month period commencing with implementation of Step 2 rates. Petitioner's Ex. 5-S at p. 35, lines 8-18. Mr. Shimansky testified the agreed 12-month time period is a compromise between the OUCC's proposal to refund the money

Mr. Shimansky testified regarding the interplay between this Cause and the Tax Subdocket, as well as the limited approval the Settling Parties are seeking of TCJA-related issues in this Cause. For purposes of this Cause, the Settling Parties seek approval of their agreement that, for purposes of Step 1 rates, Indiana American will use the estimate provided in Petitioner's rebuttal testimony to reflect the reduction for deferred federal income tax expense. Petitioner's Ex. 5-S at p. 36, lines 19-22. The Settling Parties also seek approval of their agreement that for purposes of Step 2 rates, if the Internal Revenue Service ("IRS") issues a Private Letter Ruling that amortization of repairs related EADIT cannot be faster than under ARAM, the estimate producing annual amortization of \$1.7 million will continue to be used until Indiana American's next general rate case, at which point the EADIT amortization will be trued up using the actual ARAM calculation. Petitioner's Ex. 5-S at p. 36, line 22 through p. 37, line 3.

**G. Low Income Pilot Program.** In its case-in-chief, Indiana American proposed initiating a LIPP that targets low income customers and gives participating water customers an 80% discount on their monthly meter charge. Petitioner's Ex. 9 at p. 25, line 20 through p. 26, line 2. Mr. Shimansky and Ms. Stull testified regarding the Settling Parties' agreement upon Indiana American's implementation of a LIPP. Mr. Shimansky testified that in its case-in-chief, Indiana American proposed offering the LIPP in two cities, Terre Haute and Muncie, Indiana, in order for Petitioner to gather data on participation and the impact on bad debt expense before considering expanding or revising the program. Petitioner's Ex. 5-S at p. 37, lines 10-13. He stated Indiana American also originally proposed to defer the cost associated with the discount applied to participating customers' bills to a regulatory asset for recovery in Indiana American's next general rate case. Petitioner's Ex. 5-S at p. 37, lines 13-15. Mr. Shimansky testified that under the settlement, Gary, Indiana, is added as a third location in the LIPP. Petitioner's Ex. 5-S at p. 38, lines 8-11.

Mr. Shimansky reviewed the Settling Parties' agreement as to how the LIPP's costs will be recovered. Under the Settlement Agreement, the total program cost for the LIPP will be borne evenly (50/50) between the deferred asset and non-deferred contribution as established in the Settlement Agreement. Petitioner's Ex. 5-S at p. 38, lines 11-14. For every year of the LIPP except Years One and Two, the Settling Parties agreed, subject to the recovery provisions in the Settlement Agreement, Indiana American will contribute up to \$300,000 per year to the LIPP, allocated equally among the three pilot locations (i.e. up to \$100,000 per location), with the actual amount contributed depending on participation. Petitioner's total annual contribution will not exceed \$300,000 (or \$100,000 for each individual community), except for Year Two when Petitioner's total contribution will not exceed \$450,000, and will continue until the earlier of the next general rate case filing or termination of the LIPP. Petitioner's Ex. 5-S at p. 38, lines 14-21. The Settling Parties further agreed that of the maximum annual contribution amount, an amount not to exceed \$150,000 per year will be accrued in a deferred asset, without carrying charges, for recovery in Indiana American's next general rate case. Petitioner's Ex. 5-S at p. 38, lines 21-24.

Mr. Shimansky testified that Petitioner's contribution obligation will commence with

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immediately and the Industrial Group's proposal to flow it back over two-years. Petitioner's Ex. 5-S at p. 35, lines 11-13. Mr. Shimansky testified that by starting the bill credit commensurate with Step 2 rates, the Step 2 rate increase is mitigated, which some parties desired. Petitioner's Ex. 5-S at p. 35, lines 16-18.

commencement of the LIPP; however, only the \$150,000 to be deferred in a regulatory asset will actually be contributed in the first year of the LIPP, with the remaining non-deferred portion of the first year contribution to be made at the time of the second year contribution. Petitioner's Ex. 5-S at p. 39, lines 2-6. Accordingly, for the second year only of the LIPP, the maximum contribution to be made by Indiana American could be as high as \$450,000, with \$300,000 from Petitioner's non-deferred contribution and \$150,000 in the deferred asset. Petitioner's Ex. 5-S at p. 39, lines 6-9. Mr. Shimansky stated Indiana American's subsequent annual contributions will not exceed \$300,000. Petitioner's Ex. 5-S at p. 39, lines 8-9.

Mr. Shimansky testified the agreement the Settling Parties reached with respect to the LIPP is a reasonable compromise that will allow the pilot program to be conducted to determine whether a broader low-income assistance program could meet the legislative policies the General Assembly established and to analyze the program's impact on Indiana American's operations. Petitioner's Ex. 5-S at p. 39, lines 11-17. Ms. Stull testified the LIPP is intended to provide bill relief to qualifying, low-income customers in the areas identified, with the settlement providing an additional \$100,000 in annual LIPP funding and expanding the areas in which eligible customers can participate by also including Gary, Indiana. Public's Ex. 10 at p. 20, lines 1-6. She noted Indiana American originally proposed the LIPP be funded entirely through customer rates, while the OUCC advocated for shareholder funding of the program. Public's Ex. 10 at p. 20, lines 6-8. Ms. Stull opined that the settlement strikes an even balance between these two positions, providing for ratepayer and shareholder funding for the LIPP. Public's Ex. 10 at p. 20, lines 8-10.

**H. Conservation.** Mr. Shimansky also testified regarding the Settling Parties' conservation related agreement in Paragraph 5 of the Settlement Agreement. He stated that in CAC/INCAA's case-in-chief, CAC/INCAA witness Olson testified CAC would like Indiana American to evaluate and further consider offering its customers water demand side management or efficiency programs. Petitioner's Ex. 5-S at p. 39, lines 20-23. According to Mr. Olson, providing rebates for water-efficiency measures provides enormous potential for bill savings and overall system conservation opportunities. Petitioner's Ex. 5-S at p. 39, lines 22-24. Mr. Shimansky testified that under Paragraph 5, Indiana American will conduct a good faith review of market potential and customer impact of a utility-sponsored water conservation program in its service territory. Petitioner's Ex. 5-S at p. 40, lines 1-4. He testified that Indiana American agreed such a utility-sponsored water conservation program could include non-behavioral, measure-based conservation efforts, such as device distribution programs, direct installation programs, manufacturer buy-down programs, and rebate and voucher programs for water conservation measures and services. Petitioner's Ex. 5-S at p. 40, lines 3-7.

Ms. Stull testified the agreed conservation program serves the public interest as a means to examine any public benefit from Indiana American's good faith review of market potential and customer impact. Public's Ex. 10 at p. 20, lines 10-12.

**I. Effect of Settlement Agreement in Future Proceedings.** Mr. Shimansky and Ms. Stull also testified regarding Paragraph 6 of the Settlement Agreement which sets forth the Settling Parties' agreement as to its effect in future proceedings. These terms include agreement upon the information Indiana American will provide in its case-in-chief in its next general rate case to support capital projects, as well as the process for Indiana American to provide its

comprehensive planning studies and other relevant materials. Petitioner's Ex. 5-S at p. 40, lines 9-14. Paragraph 6 also includes the Settling Parties' agreement upon the accounting treatment for expenses associated with Petitioner's comprehensive planning studies and addresses the revised journal entries Indiana American will make for the Yankeetown and Merom acquisitions. Petitioner's Ex. 5-S at p. 40, lines 14-16.

Mr. Shimansky testified Paragraph 6(a) sets forth information Indiana American will provide in its case-in-chief in its next general rate case to support its capital program and mitigate the risk of disputes over forecasted capital projects. He testified that developing an agreed process to provide capital project information and the comprehensive planning studies, as the Settling Parties have done (as further described below), is intended to minimize issues in future rate cases, give Indiana American a clearer indication of what information, beyond the Minimum Standard Filing Requirements ("MSFRs"), should be provided in its case-in-chief, and facilitate a thorough and expeditious review by the OUCC of Indiana American's capital program within its 98-day timeframe to prepare responsive testimony. Petitioner's Ex. 5-S at p. 18, lines 1-8.

Mr. Shimansky testified that for projects greater than \$500,000, the information to be provided is shown in Paragraph 6(a)(i) of the Settlement Agreement and for recurring capital investments that are individually less than \$500,000, the agreed information is set forth in 6(a)(ii). Petitioner's Ex. 5-S at p. 41, lines 8-10. He testified that for purposes of future general rate cases involving a forward-looking test period, Indiana American will, to the extent the information in Paragraph 6(a)(i) and (ii) exists, include this information in the workpapers supporting its case-in-chief. Petitioner's Ex. 5-S at p. 41, lines 10-13. If the information does not exist, Indiana American will explain in testimony or exhibits how the forecasted capital additions were determined; provided, that if the Commission promulgates rules amending the MSFRs for a rate case utilizing a forward-looking test period, those rules shall supersede the agreement in Paragraph 6(a). Petitioner's Ex. 5-S at p. 41, lines 13-18. Mr. Shimansky stated that if any party believes Indiana American failed to provide the required information, the party must file a deficiency notice within the timeframe set forth in 170 IAC 1-5-4; otherwise, Indiana American, according to Mr. Shimansky, will be deemed to have filed a complete case-in-chief for purposes of a motion to dismiss based on not meeting the MSFRs. Petitioner's Ex. 5-S at p. 41, lines 16-23.

Mr. Shimansky also testified regarding Paragraph 6(a)(iii) of the Settlement Agreement which sets forth the Settling Parties' agreement upon access to studies, including Indiana American's comprehensive planning studies. Mr. Shimansky stated that subject to the terms outlined in Paragraph 6(a)(iii) of the Settlement Agreement, Indiana American will provide the OUCC with copies of the studies, reports, or analyses – including comprehensive planning studies, if applicable – for operations that are projected to include an individual project that qualifies as a "major project" under the MSFRs contemporaneous with filing its case-in-chief. Petitioner's Ex. 5-S at p. 42, lines 6-12. He testified the Settling Parties agreed to work cooperatively to find reasonable solutions to afford timely access to the voluminous materials related to the case; however, he acknowledged nothing in the Settlement Agreement shall be construed as prohibiting the OUCC or any intervenor from identifying and asking for more detail, documents, or information in addition to what Indiana American provides under Paragraph 6(a)(iii). Petitioner's Ex. 5-S at p. 42, lines 12-19.

Mr. Shimansky and Ms. Stull testified that Paragraph 6(a) resolves the parties' dispute regarding support for Indiana American's forecasted capital projects and mitigates the risk of similar disputes in future rate cases. Petitioner's Ex. 5-S at p. 41, lines 1-5; Public's Ex. 10 at p. 13, lines 5-10. Ms. Stull testified the public interest is served by the clarity these settlement terms add to the level of support Indiana American will provide and will enable the consumer parties to receive meaningful support for capital expenditures as early in the review process as possible. Public's Ex. 10 at p. 13, line 21 through p. 14, line 4.

Mr. Shimansky also testified regarding the Settling Parties' agreement upon the deferral and amortization of Indiana American's costs of conducting comprehensive planning studies and their agreement upon revising the acquisition journal entries for Yankeetown and Merom, as set forth in Paragraphs 6(b) and 6(c) of the Settlement Agreement, respectively. Petitioner's Ex. 5-S at p. 43, lines 1-18. Mr. Shimansky testified that following the issuance of an Order approving the Settlement Agreement, all costs of conducting comprehensive planning studies shall be deferred and amortized over a 15-year period. Petitioner's Ex. 5-S at p. 43, lines 1-3. Under Paragraph 6(c), Indiana American will revise the journal entry to record the acquisitions for those systems to reflect the journal entry submitted in Petitioner's Exhibit JCH-6 (Cause No. 44400) and Petitioner's Exhibits JCH-5 (Cause No. 44399), respectively. Petitioner's Ex. 5-S at p. 43, lines 8-16.

Mr. Shimansky testified that Indiana American believes the agreement stated in Paragraph 6(b) for the deferral and amortization of the costs of comprehensive planning studies is a reasonable compromise and will allow a complete recovery of the costs of conducting these studies. Petitioner's Ex. 5-S at p. 43, lines 3-6. With respect to Indiana American's agreement to revise the journal entries associated with the Yankeetown and Merom acquisitions consistent with Paragraph 6(c), Ms. Stull testified the public interest is served by adherence to Commission directives. Public's Ex. 10 at p. 14, line 16. She noted the agreed journal entry recording the Russiaville acquisition matches what the Commission ordered in Cause No. 44584. Public's Ex. 10 at p. 14, lines 17-18.

**J. Timing of Indiana American's Next General Rate Case.** Mr. Shimansky testified Paragraph 7 of the Settlement Agreement sets forth the Settling Parties' agreement upon the timing of filing Indiana American's next rate case. Under Paragraph 7, it is anticipated the settlement in this Cause will allow Indiana American to operate without seeking a general increase in base water rates and charges before January 2022. Petitioner's Ex. 5-S at p. 43, lines 20-23. Mr. Shimansky testified that while Paragraph 7 does not impose a rate case moratorium on Indiana American despite the consumer parties' expressing an interest in doing so, it is an acknowledgment of how important it is to the other parties to understand the anticipated timing of Petitioner's future general rate case. Petitioner's Ex. 5-S at p. 44, line 1. He testified the parties agreed that, while not anticipated, certain circumstances short of emergency relief under Ind. Code § 8-1-2-113 could justify an earlier filing, and nothing in the Settlement Agreement impacts Indiana American's ability to file a petition seeking an increase in sewer rates and charges. Petitioner's Ex. 5-S at p. 44, lines 4-7.

**K. Revenue Allocation and Rate Design.** Mr. Shimansky also testified regarding Paragraph 8 of the Settlement Agreement which sets forth the Settling Parties' agreement upon rate design and revenue allocation. He testified that, for purposes of settlement,

the Settling Parties agree the Commission should approve the rate design set forth in Appendix C of the Settlement Agreement. This resets the DSIC to zero and accomplishes the agreed allocation. Petitioner's Ex 5-S at p. 44, lines 11-24. Mr. Shimansky testified the agreed revenue allocation largely flowed from the allocation presented in Petitioner's cost of service study, and Indiana American consulted with the intervenor groups to develop a rate design that best meets each group's needs. Petitioner's Ex. 5-S at p. 44, lines 19-20.

Mr. Shimansky reviewed the rate designs for each customer class and explained how that design best met customers' needs. Petitioner's Ex. 5-S at p. 45, line 7 through p. 47, line 9. For residential customers, he testified the agreed rate design represents a decrease from the total current fixed charges (meter charges and DSIC) customers are paying. The remainder of the costs allocated to the residential customer class are allocated to the first block of the volumetric charge for general water service. Petitioner's Ex. 5-S at p. 45, lines 9-15.

Mr. Shimansky stated that during settlement discussions, the SFR customers sought to have the stipulated revenue allocation spread over the SFR class pro forma billing determinants to achieve an across-the-board increase to both current fixed and variable charges for the SFR class of 8.04%, which is reflected in the stipulated revenue allocation and rate design.<sup>4</sup> Petitioner's Ex. 5-S at p. 46, lines 12-15. He stated the Industrial Group preferred that the industrial class current fixed charge remain unchanged so the increase flows entirely through the volumetric charge; therefore, the stipulated customer charge is set at the level currently being recovered through fixed charges, even though Petitioner's case-in-chief proposed a reduction to the fixed charges over the two steps. Petitioner's Ex. 5-S at p. 46, lines 18-23. Mr. Shimansky stated the Industrial Group expressed concern about the further increase to the volumetric rate if the fixed charges are lowered. Petitioner's Ex. 5-S at p. 46, line 23 through p. 47, line 1.

Mr. Shimansky testified the Settling Parties agreed each Settling Party retains all its rights to advocate for alternative cost of service studies and rate designs that differ from those in the Settlement Agreement in future rate cases. Petitioner's Ex. 5-S at p. 44, line 24 through p. 45, line 3.

OUCG witness Mierzwa testified in support of the rate design and revenue allocation provisions in Paragraph 8 of the Settlement Agreement. He testified the Settlement Agreement resolves all the cost allocation and rate design issues in this Cause. Public's Ex. 11 at p. 2, lines 24-25. Mr. Mierzwa reviewed the Settling Parties' agreement upon the monthly fixed charge for residential customers. He testified the Settlement Agreement provides a compromise between Indiana American's proposal to increase the monthly fixed charge for customers served by 5/8-inch, 3/4-inch, and 1-inch meters, and the OUCG's recommendation that the current 5/8-inch meter monthly fixed customer charge be maintained. The Settlement Agreement adopts smaller increases in the monthly fixed charge for residential customers served by 5/8-inch, 3/4-inch, and 1-inch

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<sup>4</sup> The SFR class was represented in this proceeding by four intervenors, Petitioner's two largest SFR customers, Schererville and Crown Point, and two small SFR customers, Whiteland and Sullivan Vigo Water Corporation. According to Mr. Shimansky, Schererville and Crown Point are the only two SFR customers with volumes that would trigger the second rate block under Indiana American's tariff. Petitioner's Ex. 5-S at p. 46, lines 7-11.

meters.<sup>5</sup> Public's Ex. 11 at p. 6, lines 11-13. Mr. Mierzwa testified lower monthly fixed charges are consistent with effective conservation efforts which, in the long-term, will result in reduced rates to customers. He stated lower fixed monthly charges are also consistent with competitive pricing. Public's Ex. 11 at p. 6, lines 15-18.

Mr. Mierzwa testified the Settlement Agreement does not similarly reduce the monthly fixed charge for larger-sized meters. Public's Ex. 11 at p. 6, lines 19-20. Because classes other than residential are largely served by larger meters, he stated that became a reasonable point to draw a distinction when designing rates, particularly the treatment of fixed monthly charges. Public's Ex. 11 at p. 6, lines 21-23. Mr. Mierzwa testified the terms of the Settlement Agreement, he believes, are in the public interest and represent a reasonable resolution of the issues regarding cost allocation and rate design. He stated customers will benefit from the customer charges in the Settlement Agreement, as they are properly balanced to meet the general usage characteristics of residential and non-residential customers. Public's Ex. 11 at p. 7, lines 10-12. Mr. Mierzwa recommended the Commission approve the Settlement Agreement. Public's Ex. 11 at p. 7, lines 10-20.

**L. Settlement Effect, Scope, and Approval.** Mr. Shimansky testified that Paragraph 9 of the Settlement Agreement addresses the effect and scope of the settlement, the approval being sought for the Settlement Agreement, and applicable conditions of the Settlement Agreement. Petitioner's Ex. 5-S at p. 47, lines 10-24. Mr. Shimansky testified Paragraph 9 specifically clarifies that the Settlement Agreement is the result of negotiations and compromises reached during those negotiations, and neither the making of the Settlement Agreement nor any of its provisions shall constitute an admission or waiver by a Settling Party in any proceeding other than this Cause or the Tax Subdocket, now or in the future, nor shall the Settlement Agreement be cited as precedent. Petitioner's Ex. 5-S at p. 47, lines 13-18. Mr. Shimansky testified the Settling Parties agreed the Settlement Agreement is a compromise and will be null and void unless approved in its entirety without modification or a condition that is unacceptable to a Settling Party. Petitioner's Ex. 5-S at p. 47, lines 19-21. He testified the Settlement Agreement also includes provisions concerning the substantial evidence in the record supporting approval of the Settlement Agreement, recognizes the confidentiality of the settlement communications, and reflects other terms typically found in settlement agreements before the Commission. Petitioner's Ex. 5-S at p. 47, lines 21-24.

**8. Commission Discussion and Findings.** The Settlement Agreement represents the Settling Parties' proposed resolution of the issues in this Cause. As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Indiana 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. 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.

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<sup>5</sup> Mr. Mierzwa testified that the vast majority of residential customers are served by meters 1-inch and below. Public's Ex. 11 at p. 6, lines 20-21.

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. v. Public Service Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion 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. When making this determination, the Commission strives to advance the public interest by ensuring reliable service at reasonable rates as opposed to inter-party tranquility by accepting parties' settlements without scrutiny; consequently, it is imperative the Commission be provided with substantive evidentiary support for settlements.

The Commission has before it substantial evidence from which to determine the reasonableness of the Settlement Agreement's terms, including the Settling Parties' agreement on Petitioner's rate base, methodology to be used in determining Petitioner's rate increase, agreed allocation of the increase, agreed rate design, and agreement on the cost of equity ("COE") and the adjustments to determine Petitioner's adjusted financial results at present and settlement rates, all of which we find is supported by the settlement testimony. The agreed pro forma adjustments are also supported by the Appendices to the Settlement Agreement; therefore, we have substantive information from which to discern the basis for the components of the increase in Indiana American's base rates and charges under the Settlement Agreement and find the evidence supports that they are reasonable.

In so finding, we note the revenue increase will be significantly less than what Indiana American originally sought. OUCC witness Stull testified there are a number of customer benefits generated by the Settlement Agreement, including a substantive reduction to the overall rate increase Petitioner sought. Public's Ex. 10 at p. 2, lines 19-20. In supporting approval of the Settlement Agreement, she testified Indiana American initially requested approval to increase its total operating revenues 17.50% or \$38,884,477 per year, with this rate increase to be implemented in two steps. She stated the Settling Parties, however, agreed to an overall revenue increase of approximately 7.86% and if approved, Indiana American will be allowed to increase rates and collect, after both steps are implemented, additional annual revenues of \$17,500,000. Ms. Stull testified the Settlement Agreement provides for a reasonable increase, resolves the parties' dispute regarding what information Indiana American should provide in its case-in-chief in future cases to support its capital program, and resolves the complicated issues arising from the TCJA that are currently pending in the Tax Subdocket. She opined that the Settlement Agreement represents a compromise that the OUCC and other Settling Parties support as fair, reasonable, and beneficial to the utility and its customers, is in the public interest, and should be approved.

Below, the Commission will review and address specific components of the Settlement Agreement.

**A. Rate Base and Capital Projects Information to be Included in Future Rate Cases.** The primary driver for the original disparity between the OUCC and Petitioner concerning rate base was the OUCC's recommendation to disallow significant portions of Indiana

American's capital program. The OUCC's position on rate base focused upon the absence of sufficient information in Indiana American's case-in-chief upon its forecasted capital projects. The Industrial Group did not challenge the prudence of the forecasted additions but asserted the pace of this investment could be slowed to produce a revenue reduction without sacrificing Indiana American's ability to provide safe and adequate customer service.

Under the Settlement Agreement, Indiana American will provide specific information in its case-in-chief in its next general rate case and thereafter with respect to its utility plant additions to rate base. Meeting this threshold is designed to eliminate the claimed evidentiary deficiencies in this Cause. We find that notwithstanding Petitioner's future compliance with the Settlement Agreement and/or compliance with the MSFRs when filing its case-in-chief, the burden of proof will remain Indiana American's to demonstrate the propriety of its forecasted capital projects, related costs, and other matters. Providing the agreed information shall not mean this burden has been met. We view the Settling Parties' agreement upon the information Indiana American is to provide as the minimum information Petitioner shall provide under the Settlement Agreement. It is, and shall remain, any petitioner's burden to prove in its case-in-chief – not on rebuttal – the propriety of its requested relief. Waiting until rebuttal, after the other parties have filed their responsive cases-in-chief, or until after discovery needlessly wastes time and resources. We, therefore, find that while the Settling Parties' agreement upon the capital project information Petitioner shall provide in future rate cases is in the public interest since this should assure Petitioner files a more robust case-in-chief, this will not diminish Petitioner's burden of proof in its case-in-chief.

With respect to rate base, Indiana American has agreed to reduce its forecasted rate base at Step 2 by \$40 million, to be accomplished through the imposition of a Rate Base Cap for purposes of Step 2 rates of \$1,182,170,152. This figure includes \$114,004,218 in DSIC-eligible plant additions (excluding costs of removals and retirements). In any application for DSIC including improvements placed in service before April 30, 2020, Indiana American must identify the plant additions composing the \$114,004,218 (excluding costs of removals and retirements) of distribution system additions as well as those plant additions that qualify for and for which DSIC recovery is sought. We find this will provide certainty for customers and the utility and reduces the overall water rate increase Indiana American seeks in this case, to the benefit of its ratepayers. The Rate Base Cap does not, however, foreclose inclusion of amounts in excess of the Rate Base Cap in rate base in future cases. Based upon the settlement testimony of Mr. Shimansky and Ms. Stull, the Commission finds this resolution of rate base is reasonable in the context of the overall settlement and was shown to be in the public interest.

## **B. Cost of Capital.**

1. **Capital Structure.** Indiana American's projected capital structure for purposes of Step 1 and Step 2 rates reflected a forecasted equity ratio of 56%. The capital structure in the Settlement Agreement is based on an equity ratio of 53.41%, which is closer to Indiana American's actual capital structure at the end of 2018, as confirmed in Petitioner's response to a Docket Entry question, and closer to the capital structure projected in its last financing proceeding. The evidence reflects Indiana American's commitment to achieve an actual capital structure when implementing Step 1 and Step 2 rates in line with the Settlement Agreement.

The Commission finds this stipulation is reasonable given Petitioner's capital structure at year-end 2018 and is supported by the evidence.

2. **COE.** The Settling Parties agree Indiana American's COE will be 9.8%, representing a reduction from Indiana American's initial request of 10.8% and an increase to the OUCC and Intervenors' initial ROE proposals. The agreed COE and capital structure will produce a weighted cost of capital of 6.17% in Step 1 and 6.25% in Step 2. We find the settlement testimony from the OUCC and Indiana American supports this compromise; therefore, the Commission further finds the stipulated COE of 9.8% is within the range of the evidence and is reasonable.

C. **Agreed Revenue Deficiency and O&M Expense Adjustments.** The Settlement Agreement resolves the Settling Parties' disputes with respect to Petitioner's proposed adjustment for a decline in customer consumption. The Settlement Agreement also incorporates the Settling Parties' agreed resolution on various operating expenses incurred to provide water utility service, including purchased water, fuel and power, salaries and wages, group insurance, other benefits, support services, contract services, and regulatory expense. The Settlement Agreement incorporates a stipulated forecasted level of depreciation, amortization, and tax (other than income tax) expense. Indiana American and the OUCC presented settlement testimony describing the basis for the compromise upon these revenue and expense adjustments as summarized above.<sup>6</sup>

The Commission finds the terms of the Settlement Agreement and the supporting settlement testimony demonstrate the Settling Parties' agreement on the deficiency adjustments is reasonable and within the range of the evidence. In doing so, we note that time will clarify whether OUCC witness Kaufman's perspective that Indiana American's declining use rate is leveling off is correct, as his analysis reflects, and if so, the propriety of using this approach in Petitioner's next rate case.

D. **TCJA.** The Settling Parties' resolution of the pending issues in the Tax Subdocket (Cause No. 45032 S4) was presented at a settlement hearing held in the Tax Subdocket and resolved in the Commission's Order approved in that Cause. As a result of the Settlement Agreement, Indiana American's Step 1 rates in this case will include annual amortization of \$1.7 million related to excess accumulated deferred income taxes. Whether that level of amortization continues for purposes of Step 2 rates is dependent upon the Private Letter Ruling process approved in the Tax Subdocket. We note, however, that Mr. Shimansky acknowledged in responding to questions at the settlement hearing in this proceeding that issuance of an Order in the Tax Subdocket was not required for Indiana American to seek the Private Letter Ruling. Any inference otherwise in the Settlement Agreement is incorrect. This request could have – and we believe should have – been made months ago. We, therefore, direct Indiana American to assure this expeditiously moves forward by promptly conferring with the other Settling Parties upon the Private Letter Ruling request language, consistent with the Settlement Agreement, and submitting

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<sup>6</sup> While the Commission finds the Settling Parties' agreement on operating expenses is reasonable, we encourage Petitioner to rein in the level of support services time expended on its rate case and assure all such time, when allocated to its rate case, is properly so allocated. In this Cause, Indiana American's service company hours for this rate case through December 31, 2018, equaled over 6,000 labor hours, a figure we find staggering.

the request for a Private Letter Ruling to the IRS within 30 days of the date of this Order unless otherwise authorized by the Presiding Officers for good cause.

For purposes of Step 2 rates, the annual amortization of \$1.7 million approved for Step 1 rates shall continue until the IRS issues the Private Letter Ruling, in which case, amortization shall be as thereafter ordered in the Tax Subdocket unless the IRS issues a Private Letter Ruling that amortization of repairs related EADIT cannot be faster than under ARAM. In that event, the estimate producing annual amortization of \$1.7 million will continue to be used for purposes of Step 2 rates until Petitioner's next general rate case, at which point the EADIT amortization will be trued up using the actual ARAM calculation.

**E. Low Income Pilot Program.** The OUCC and the Industrial Group raised objections to Indiana American's original proposal to recover all the costs of Indiana American's proposed LIPP from ratepayers. In settlement, the Settling Parties agreed the pilot program costs will be borne equally by Indiana American's shareholders and its customers. In addition, the Settling Parties agreed to add a third location for the LIPP. Now, it will be offered in Gary, Terre Haute, and Muncie. The Commission finds the stipulations regarding the LIPP in the Settlement Agreement are reasonable and in the public interest and should be approved; provided, however, that although the Settlement Agreement sets a cap on Petitioner's annual investment in each of the three project locales and does not set a floor, the Commission expects Indiana American's investment to annually be close to or equal to the cap.

In addition, it is important Indiana American develop well-defined metrics that will be useful in evaluating the LIPP and that Petitioner is transparent concerning the information learned; consequently, Indiana American shall file a report annually, commencing on or before January 31, 2020, and by each January 31 thereafter throughout the life of the LIPP, reporting the following, at a minimum: (1) the number of customers who participated in the LIPP that year for each locale; (2) the total dollar amount, regardless of funding source, that was disbursed directly to customers that year as a result of the LIPP via (a) a bill credit or (b) alternative credit (identifying this alternative); (3) the total dollar amount, regardless of funding source, that was expended during the prior year on the LIPP; (4) the number of Indiana American customers (a) who requested and received assistance in each of the three pilot locations and (b) the number of customers in each of the three locations who requested but were declined assistance; (5) the dollar impact the LIPP had on Petitioner's average bad debt amount in each of the three cities where it was implemented; (6) the impact the LIPP had on disconnections in each of the three cities; (7) the administrative costs associated with the LIPP that year; (8) the total value of accounts in arrears for customers considered low income for each of the pilot cities; and (9) the average dollar amount benefit to the LIPP participants. Also, as of the settlement hearing, Indiana American had not yet identified the metrics it believes are important and will use in evaluating the success of this pilot program. Indiana American is directed to define and include these metrics in its first annual report filed by January 31, 2020. Within 60 days after the LIPP concludes, Indiana American shall file a final report with the Commission that includes the foregoing information (1) through (9) for the period since its last annual report and also provide a full analysis of the LIPP, including all the factors Petitioner used to assess whether this program should be continued and its analysis of these factors, as well as what modifications, if any, Petitioner recommends making to the program prospectively

if implemented more broadly.<sup>7</sup>

**F. Conservation.** In response to testimony that CAC/INCAA offered, Indiana American agreed as part of the settlement to conduct a good faith review of market potential and customer impact of a utility-sponsored water conservation program and to meet and discuss the findings of such a review with interested Settling Parties. The Commission finds this provision of the Settlement Agreement is a reasonable manner in which to address the concerns CAC/INCAA raised.

**G. Certification and Implementation of Step 1 and Step 2 Rates.** The Settlement Agreement provides the Settling Parties' agreed process for implementing Step 1 and Step 2 rates. This process tracks closely the process the Commission approved in *N. Ind. Pub. Serv. Co.*, Cause No. 44988 (IURC September 18, 2018), which also used a forward-looking test period. For Step 1 rates, Indiana American will certify its net utility plant in service as of April 30, 2019, and calculate the resulting Step 1 rates using the projected capital structure reflected in Table 3 of the Settlement Agreement. The Settling Parties agreed Step 1 rates will become effective upon the later of the date of this Order or July 1, 2019. Indiana American is to serve all Settling Parties with its Step 1 certification as soon as possible after the closing of its books following April 30, 2019.

For Step 2 rates, Indiana American will certify its net utility plant in service as of the end of the test year (April 30, 2020) and calculate the resulting Step 2 rates using the projected capital structure reflected in Table 3 of the Settlement Agreement. Step 2 rates will be based upon actual net original cost rate base that does not exceed the Rate Base Cap of \$1,182,170,152 and actual depreciation expense associated with the Rate Base Cap; provided, the total increase shall not exceed \$17,500,000 over pro forma revenues at present rates. Step 2 rates are to become effective upon the later of the date Indiana American certifies its end of test year net plant in service or May 1, 2020. The OUCC and Intervenors will have 60 days from the date of certification to state any objections to Indiana American's certified test-year-end net plant in service. If these objections cannot be resolved informally, the Settling Parties agreed a hearing will be conducted to determine Indiana American's actual test-year-end net plant in service, and rates will be trued up (with carrying charges) retroactive to the date that Indiana American's Step 2 rates became effective.

Step 2 rates shall be calculated in accordance with the Commission's Order in the Tax Subdocket (Cause No. 45032 S4) approving the settlement in that matter.

The Commission finds the stipulated rate base certification and rate implementation process is reasonable, supported by the settlement testimony, and should be approved.

**H. Revenue Allocation and Rate Design.** The Settlement Agreement presents the Settling Parties' overall agreement with respect to distribution of the revenues Indiana American is permitted to collect as a result of the settlement. The rate design presented in the Settlement Agreement reflects the agreements reached with respect to each customer class to fairly

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<sup>7</sup> Indiana American shall appropriately notify the Indiana 211 Partnership, Inc. ("Indiana 211") regarding its LIPP so this option is included in the Indiana 211 data base, particularly the resource data base for the communities where this pilot is offered.

address that class’s needs. In his settlement testimony, Mr. Shimansky explains how the agreed rate design meets the respective customer needs. Under the settlement, residential customers will experience a decrease from the total current fixed charges (meter charges and DSIC) they currently pay. SFR customers will experience an across-the-board increase (fixed and volumetric) of 8.04% after Step 2, and for large volume retail customers, the current level of fixed charges remains unchanged, with the revenue increase to be recovered through increases in the volumetric charges. The evidence supports the Settling Parties’ agreement on rate design for the various customer classes. The Commission, therefore, finds the negotiated compromise on rate design is reasonable and should be approved.

**I. Timing of Petitioner’s Next General Rate Case.** The evidence supporting the settlement reflects the timing of Petitioner’s next general rate case was a significant consideration for the Settling Parties in reaching the overall agreement. The Commission finds the provision in the Settlement Agreement on this timing is a reasonable manner in which to address the parties’ concerns.

**9. Conclusion.** The settlement testimony provides substantive support demonstrating why the Settlement Agreement is reasonable and in the public interest. Based upon our review of this testimony and the other evidence in the record, including the Settlement Agreement and its attachments, the Commission finds the Settlement Agreement is within the range of outcomes presented and represents a reasonable resolution of the issues.

Based on the evidence, including the Settlement Agreement, and the findings made above, the Commission finds the original cost of Petitioner’s water and sewer utility properties as of April 30, 2020, is as follows:

**ORIGINAL COST RATE BASE**

<b><u>UTILITY PLANT IN SERVICE</u></b>	\$1,940,323,928
LESS: ACCUMULATED DEPRECIATION	(\$537,583,236)
NET UTILITY PLANT	\$1,402,740,692
LESS: CONTRIBUTIONS IN AID OF CONSTRUCTION	(171,506,936)
LESS: CUSTOMER ADVANCES	(50,231,287)
LESS: NORTHWEST BILLING CHANGE	(197,031)
LESS: CAPACITY ADJUSTMENT – SOMERSET	(272,515)
ADD: ACQUISITION ADJUSTMENT	11,847
ADD: WABASH BILLING CHANGE	195,907
ADD: MATERIALS AND SUPPLIES (13 MONTH AVERAGE)	1,428,475
 <b>NET ORIGINAL COST RATE BASE</b>	 <b>\$1,182,170,152</b>

Based upon the Settlement Agreement and the foregoing findings, we find Petitioner’s capital structure and weighted cost of capital as of April 30, 2020, is as follows:

## CAPITAL STRUCTURE AND OVERALL WEIGHTED COST OF CAPITAL

<u>Class of Capital</u>	<u>Pro Forma Amount</u>	<u>% of Total</u>	<u>(%) Cost</u>	<u>Weighted Cost</u>
Long-term debt	\$463,799,134	38.03%	5.19%	1.97%
Common equity	\$531,771,238	43.60%	9.80%	4.27%
ADIT	\$223,526,407	18.33%	0.00%	0.00%
Other Zero	\$80,657	0.01%	0.00%	0.00%
JDIT	\$344,492	0.03%	8.35%	0.00%
Total capitalization	<u>\$1,219,521,928</u>	<u>100.00%</u>		<u>6.25%</u>

On the basis of the Settlement Agreement and the supporting evidence presented in this proceeding and subject to the certification and update mechanism provided in the Settlement Agreement, we find Petitioner should be authorized to increase its rates and charges to produce additional operating revenue of up to \$17,500,000, or a 7.86% increase in total operating revenues, resulting in total annual operating revenue of \$240,249,127. This is the overall increase the Commission authorizes based upon Petitioner's rate base as of April 30, 2020. This revenue is reasonably estimated to afford Petitioner the opportunity to earn net operating income of \$74,268,732.

The Commission further finds the settlement is reasonable, supported by substantial evidence, and is in the public interest. Accordingly, the Settlement Agreement is approved.

**10. Effect of Settlement Agreement.** Consistent with the terms of the Settlement Agreement, the Settlement Agreement is not to 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 or of this Order, the Commission finds our approval herein should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at 7-8 (IURC March 19, 1997).

**11. Confidentiality.** Petitioner filed motions for protection and nondisclosure of confidential and proprietary information on September 14, 2018, and on January 3, January 4, and January 22, 2019, that were supported by affidavits showing certain documents to be submitted to the Commission contain confidential, proprietary, competitively sensitive, and/or trade secrets as defined under Ind. Code §§ 24-2-3-2 and 5-14-3-4. Docket Entries were issued on each of these motions finding such information to be preliminarily confidential, after which the information was submitted under seal. The Commission finds the information previously granted preliminary confidential treatment is confidential and exempt from public access and disclosure by the

Commission under Ind. Code §§ 5-14-3-4 and 8-1-2-29.

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

1. The March 18, 2019 Stipulation and Settlement Agreement, a copy of which is attached to this Order, is approved in its entirety.

2. Subject to the certification process set forth in the Settlement Agreement, Indiana American is authorized over the course of the future test year to adjust and increase its base rates and charges for water utility service to produce an increase in total operating revenues of up to approximately 7.86% in accordance with the findings above, which rates and charges shall be designed to produce total annual operating revenues of up to \$240,249,127, which are expected to produce annual net operating income of up to \$74,268,732.

3. Petitioner is authorized to implement the authorized rate increase in two steps to be implemented as set forth in Ordering Paragraph Nos. 4 and 5 below.

4. For the first step, Indiana American shall file new schedules of rates and charges with the Water/Wastewater Division of the Commission on the basis set forth above in Finding Paragraph No. 8, together with a schedule by NARUC subaccount detail of the actual utility plant in service as of April 30, 2019, an affidavit certifying such investment is actually in service, and a calculation of actual depreciation expense thereon as of April 30, 2019. Petitioner's new schedules of rates and charges shall be effective upon the later of the date of the Commission's Order in this Cause or July 1, 2019.

5. For the second step, Indiana American shall file new schedules of rates and charges with the Water/Wastewater Division of the Commission to update its rate base as of the end of the test year (April 30, 2020). The second step rate increase will be based upon actual net original cost rate base that does not exceed \$1,182,170,152. Petitioner shall include a schedule by NARUC subaccount detail of the actual utility plant in service as of April 30, 2020, an affidavit certifying such investment is actually in service, and a calculation of actual depreciation expense thereon as of April 30, 2020. Step 2 rates shall become effective upon the later of the date that Indiana American certifies the end of test year net plant in service or May 1, 2020. The OUCC and all Intervenors in this Cause will have 60 days from the date of certification to state any objections to Petitioner's certified test-year-end net plant in service. If these objections are not informally resolved, a hearing will be conducted as set forth in the Settlement Agreement.

6. All schedules of rates and charges submitted under Ordering Paragraph Nos. 4 and 5 shall be developed according to the agreed upon rate design as filed with the Settlement Agreement and otherwise in the manner described by the terms of the Settlement Agreement, including the agreed allocation among customer classes.

7. As set forth in Paragraph 2(e) of the Settlement Agreement, for purposes of Step 1 rates, Petitioner shall use the estimate Indiana American provided in its rebuttal in this Cause to reflect the reduction for deferred federal income tax expense. Whether that level of amortization

continues for purposes of Step 2 rates is dependent upon the Private Letter Ruling process the Commission approved in Cause No. 45032 S4. If the IRS issues a Private Letter Ruling that amortization of repairs related EADIT cannot be faster than under ARAM, the estimate producing annual amortization of \$1.7 million shall continue to be used for purposes of Step 2 rates until Indiana American's next general rate case, at which point the EADIT amortization will be trued up using the actual ARAM calculation. If the Private Letter Ruling permits amortization of repairs related EADIT faster than under ARAM or otherwise determines that amortization using non-normalized accounting is appropriate, Step 2 rates shall be calculated and filed in accordance with the Commission's Order in the Tax Subdocket.

8. As set forth in Paragraph 4 of the Settlement Agreement, Petitioner is authorized to implement its LIPP in Muncie, Terre Haute, and Gary, Indiana, and recover the costs of implementing such program pursuant to Paragraph 4 of the Settlement Agreement; provided, Indiana American shall annually file a report under this Cause with the Commission by January 31, commencing with January 31, 2020, that includes, at a minimum, the information directed above in Finding No. 8.E and shall file a final report consistent with Finding No 8.E.

9. The agreed rate design set forth in Appendix C of the Settlement Agreement which resets the DSIC to zero and accomplishes the agreed allocation is approved.

10. The information Petitioner, the OUCC, and Intervenors filed in this Cause pursuant to Petitioner's four motions for protection and nondisclosure of confidential and proprietary information is deemed confidential under Ind. Code § 5-14-3-4, is exempt from public access and disclosure by Indiana law, and shall be held confidential and protected from public access and disclosure by the Commission.

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

**HUSTON, FREEMAN, OBER, AND ZIEGNER CONCUR; KREVDA ABSENT:**

**APPROVED:** JUN 26 2019

**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

PETITION OF INDIANA-AMERICAN )  
 WATER COMPANY, INC. FOR (1) )  
 AUTHORITY TO INCREASE ITS RATES )  
 AND CHARGES FOR WATER UTILITY )  
 SERVICE, (2) REVIEW OF ITS RATES )  
 AND CHARGES FOR WASTEWATER )  
 UTILITY SERVICE, (3) APPROVAL OF )  
 NEW SCHEDULES OF RATES AND )  
 CHARGES APPLICABLE TO WATER )  
 AND WASTEWATER UTILITY )  
 SERVICE, AND (4) AUTHORITY TO )  
 IMPLEMENT A LOW INCOME PILOT )  
 PROGRAM.

CAUSE NO. 45142

STIPULATION AND SETTLEMENT AGREEMENT

Indiana-American Water Company, Inc. (“Indiana American” or “Petitioner”), the Indiana Office of Utility Consumer Counselor (“OUCC”), the Indiana American Industrial Group (“Industrial Group”), City of Crown Point, Town of Schererville, Town of Whiteland, Sullivan-Vigo Rural Water Corporation, Citizens Action Coalition, and Indiana Community Action Association, Inc. (collectively, the “Settling Parties”)<sup>1</sup>, by their respective counsel, respectfully request that the Indiana Utility Regulatory Commission (“Commission”) approve this Stipulation and Settlement Agreement (“Stipulation”). The Settling Parties agree that the terms and conditions set forth below represent a fair and reasonable resolution of the issues described herein, subject to incorporation into a final order of the Commission which approves this Stipulation – both in Cause No. 45032 S4 in the case of the terms set forth in Paragraph 3 below and in Cause 45142 in the case of the remainder of the terms of this Stipulation -- without any modification or condition that is not

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<sup>1</sup> The Settling Parties listed are all of the parties to this general rate case proceeding. The Indiana Industrial Group and U.S. Steel are separate parties to the tax subdocket proceeding (Cause No. 45032 S4) and join in and agree to be bound by Paragraph 3 of this Stipulation for purposes of that proceeding.

acceptable to the Settling Parties. The Settling Parties will cooperate to jointly submit to the Commission a form of a proposed order that would approve this Stipulation.

This Stipulation has been reached subsequent to the filing of Indiana American's case-in-chief, the OUCC and other intervenors' respective cases-in-chief, Indiana American's rebuttal evidence, and OUCC and other intervenors' respective cross-answering testimony and evidence in this proceeding. Those filings have framed the discussions among the Settling Parties, and formed the basis for the Settling Parties to reach agreement on the terms reflected in this Stipulation. A basic component of each party's willingness to enter this agreement is the overall result that is achieved hereby. The Settling Parties have agreed to concessions on individual issues to which the Settling Parties would not be willing to agree but for the overall result produced by this Stipulation and Settlement Agreement. In other words, each party is agreeing to forego or compromise on positions on individual issues in exchange for the overall settlement result produced collectively by all of the concessions. As set forth in Appendices A (Pro Forma Income Statement), B (Revenue Requirement and supporting schedules), and C (Revenue Allocation and Rate Design), the parties have negotiated terms that resolve all issues in this proceeding. The agreed upon adjustments to pro forma results of operations, rate base, and cost of capital are founded upon documented prefiled positions that are in the record in this proceeding. The Settling Parties have agreed that the Company and the OUCC will, and the other Settling Parties may, file Settlement Testimony in support of this Stipulation.

All issues not specifically addressed in the enumerated paragraphs below are as reflected in Appendices A through C attached hereto and incorporated herein by reference.

The Settling Parties stipulate and agree as follows:

**1. Rate Increase.**

Petitioner shall be authorized to increase its basic rates and charges (collectively “rates”) for water service in two steps as described in this Stipulation. Subject to and as adjusted for the Step 1 and Step 2 rate certification set forth in Paragraph 2(d) below, the rates shall be designed to produce, after completion of both steps of implementation, additional annual revenues of \$17,500,000. The increase produces total annual operating revenues after Step 2 (total company) of \$240,249,127. The stipulated increase produces total net operating income after Step 2 of \$74,268,732, which the Parties stipulate is a fair return on the fair value of Petitioner’s rate base for purposes of this case. The calculation is set forth in Appendix B. Based on projected additional revenues of \$17,500,000, the overall increase over total operating revenues is approximately 7.86%.

The agreed upon rate increase reflects the following forecasted original cost rate base, cost of capital, operating expenses, and revenues (See Appendices A & B), which the Parties agree are reasonable for purposes of compromise and settlement:

**Table 1. Rate Base as of April 30, 2019 and 2020**

Components of Original Cost Rate Base	Per Books				
	as of December 31, 2017	Adjustments (as of April 30, 2019)	Step 1 (as of April 30, 2019)	Adjustments (as of April 30, 2020)	Step 2 (as of April 30, 2020)
<b>Utility Plant:</b>	\$1,664,347,710	\$124,674,531	\$1,789,022,241	\$151,301,687	\$1,940,323,928
<b>Accumulated Depreciation:</b>	\$494,134,121	\$21,734,090	\$515,868,211	\$21,715,025	\$537,583,236
<b>Net Utility Plant:</b>	<u>\$1,170,213,589</u>	<u>\$102,940,441</u>	<u>\$1,273,154,030</u>	<u>\$129,586,662</u>	<u>\$1,402,740,692</u>
<b>Deduct:</b>					
Contributions in aid of construction	\$161,238,063	\$6,361,977	\$167,600,040	\$3,905,896	\$171,505,936
Customer advances for construction	40,281,702	5,779,981	46,061,683	4,169,604	50,231,287
Northwest Billing Change - Bi-Monthly to Monthly	295,547	0	295,547	(98,516)	197,031
Capacity Adjustment - Somerset	217,962	62,224	280,186	(7,671)	272,515
Total Deductions:	<u>\$202,033,274</u>	<u>\$12,204,182</u>	<u>\$214,237,456</u>	<u>\$7,969,313</u>	<u>\$222,206,769</u>
<b>Add:</b>					
Acquisition Adjustment (net)	\$14,234	(\$1,364)	\$12,870	(\$1,023)	\$11,847
Wabash Billing Change - Area Two to Area One	293,861	0	293,861	(97,954)	195,907
Materials and supplies	1,409,855	18,620	1,428,475	0	1,428,475
Total Additions:	<u>\$1,717,950</u>	<u>\$17,256</u>	<u>\$1,735,206</u>	<u>(\$98,977)</u>	<u>\$1,636,229</u>
<b>Original Cost Rate Base - Total Company:</b>	<u>\$969,898,265</u>	<u>\$90,753,515</u>	<u>\$1,060,651,780</u>	<u>\$121,518,372</u>	<u>\$1,182,170,152</u>

Note: Adjusted Rate Base reflects the elimination of Southern Indiana High Service Pumps as per Cause No. 43680 and the elimination of Northwest Tunnel's outstanding easement payments as per Cause No. 44450

**Table 2. Pro Forma Proposed Rates –Step 1 and Step 2**

Description	Base Year	Present Rates			Proposed Rate			Proposed Rates		
	Ended 12/31/2017	Adjustments	Step 1	Adjustments	Step 1	Adjustments	Step 2	Adjustments	Step 2	
Operating Revenues:	\$222,515,256	\$233,871	\$222,749,127	\$3,836,226	\$226,585,353	\$0	\$226,585,353	\$13,663,774	\$240,249,127	
Total Operation & Maintenance Expense:	73,076,551	7,244,103	80,320,654	39,007	80,359,661	(2,354,422)	78,005,239	138,920	78,144,159	
Depreciation	48,054,562	67,805	48,122,367	0	48,122,367	4,406,608	52,528,975	0	52,528,975	
Amortization	535,287	(260,588)	274,699	0	274,699	0	274,699	0	274,699	
General Taxes	15,684,056	1,579,538	17,263,594	55,038	17,318,632	0	17,318,632	207,717	17,526,349	
Income Taxes	25,812,897	(12,142,257)	13,670,640	951,894	14,622,534	(495,084)	14,127,450	3,378,763	17,506,213	
Total Operating Expenses:	\$163,163,353	(\$3,511,399)	\$159,651,954	\$1,045,939	\$160,697,893	\$1,557,102	\$162,254,995	\$3,725,400	\$165,980,395	
Net Utility Operating Income:	\$59,351,903	\$3,745,270	\$63,097,173	\$2,790,287	\$65,887,460	(\$1,557,102)	\$64,330,358	\$9,938,374	\$74,268,732	

**Table 3. Capital Structure – Step 1 and Step 2**

		Settlement Figures			CapStr.		Step 2			CapStr.
		Step 1	Cost	Wt Cost			Step 2	Cost	Wt Cost	
		%				%				
Long Term Debt	\$ 413,259,859	37.41%	5.26%	1.97%	46.6%	\$ 463,799,134	38.03%	5.19%	1.97%	46.6%
ADIT	\$ 217,647,012	19.70%	0.00%	0.00%		\$ 223,526,407	18.33%	0.00%	0.00%	
Other Zero	\$ (299,202)	-0.03%	0.00%	0.00%		\$ 80,657	0.01%	0.00%	0.00%	
JDIT	\$ 381,500	0.03%	8.39%	0.00%		\$ 344,492	0.03%	8.35%	0.00%	
Common Equity	\$ 473,706,090	42.88%	9.80%	4.20%	53.41%	\$ 531,771,238	43.60%	9.80%	4.27%	53.41%
	\$ 1,104,695,259	100.00%		6.17%		\$ 1,219,521,928	100.00%		6.25%	

**2. Resolution of Issues Impacting Rate Increase.**

All agreed upon revenue requirement components are detailed in Appendices A and B. As a result of settlement negotiations, the Company agrees to decrease its overall rate request by \$21.25 million. The attached Appendices show the resolution and comparison of positions for Operating Income (Appendix A) and Rate Base (Appendix B), as well as explanations of the settlement positions for cost of capital and overall rate increase (Appendices A and B respectively).

The material pro forma reductions as a result of settlement discussions are described specifically below. While an explanation of these individual adjustments is provided, the negotiated

amounts represent agreements reached by the Parties as part of the overall settlement package of terms.

(a) Revenues

Total company pro forma revenues at present rates for the test year for purposes of settlement will be \$222,749,127. That figure represents the amount the Settling Parties agree is reasonable for purposes of compromise and settlement, and is not based on a particular calculation methodology or percentage of declining usage. Total pro forma revenues at present rates are detailed in the attached schedules.

(b) Capital Structure and Cost of Equity

For purposes of settlement, the Company has agreed to change its forecasted capital structure that will be used to set rates for the future test period as shown in Table 3 above, reflecting a level of equity as a percentage of total investor-supplied capital of 53.41%. The Settling Parties have agreed to a cost of common equity of 9.8%, producing a weighted cost of capital of 6.17% in Step 1 and 6.25% in Step 2 based on the above-described capital structure, which the Settling Parties stipulate and agree is both reasonable and within the range of the evidence that has been submitted.

(c) Rate Base

As discussed in more detail below, the Settling Parties agree that Indiana American's actual net original cost rate base at Step 2, upon which it is authorized to earn a reasonable return, will not exceed \$1,182,170,152, representing a \$40 million reduction from Indiana American's forecasted Step 2 rate base in its testimony in this

Cause. The \$40 million reduction to the forecast is composed of non-DSIC eligible assets.

(d) Rate Base Certification

For purposes of this section, Petitioner shall certify it has completed the amount of net plant indicated in its certification and the corresponding net plant additions have been placed in service and are used and useful in providing utility service as of the date of certification. Petitioner will serve all Settling Parties with its certification.

(i) *Certification – Step 1 Rates*

The Company will certify its net utility plant in service as of April 30, 2019 and calculate the resulting Step 1 rates using the capital structure reflected in Table 3 above. Step 1 rates will become effective upon the later of the date of the Commission's order in this case or July 1, 2019. Indiana American will serve all Settling Parties with its Step 1 certification as soon as possible after the closing of its books following April 30, 2019.

(ii) *Certification – Step 2 Rates*

The Company will certify its net utility plant in service as of the end of the test year (April 30, 2020) and calculate the resulting Step 2 rates using the capital structure reflected in Table 3 above. Step 2 rates will be based upon actual net original cost rate base that does not exceed \$1,182,170,152 (the "Rate Base Cap") and actual depreciation expense associated with the Rate Base Cap; however, the total increase shall not exceed \$17,500,000 over pro forma revenues at present rates.

Step 2 rates will become effective upon the later of the date the Company certifies its end of test year net plant in service or May 1, 2020.

The OUCC and intervening parties will have 60 days from the date of certification to state any objections to the Company's certified test-year-end net plant in service.

If objections cannot be resolved informally, a hearing will be held to determine the Company's actual test-year-end net plant in service, and rates will be trued-up (with carrying charges) retroactive to the date that the Company's Step 2 rates became effective as stated above in this Paragraph 2(d)(ii).

To the extent the Company's actual net original cost rate base as of April 30, 2020 exceeds the Rate Base Cap, the Company is not foreclosed from including those additional investments in rate base in a future general rate case. In forecasting its rate base, the Company has forecasted investment from the end of the period covered by the Company's most recent DSIC filing (November 30, 2017) through the end of the test year (April 30, 2020) totaling \$ 114,004,218 (excluding costs of removals and retirements) in improvements that might qualify for a distribution system improvement charge (DSIC) pursuant to IC 8-1-31 but for their inclusion in rate base in this Cause. Accordingly, Petitioner may not apply for a DSIC for improvements placed in service before April 30, 2020, unless the Company shall have invested more than \$114,004,218 (excluding costs of removals and retirements) in distribution system improvements during the period between November 30, 2017 and April 30, 2020. An application under IC § 8-1-31-1 et seq. that includes in-service distribution system improvements shall only include distribution system

improvement costs that exceed the \$114,004,218 (excluding costs of removals and retirements) projected to be made during the period between November 30, 2017 and April 30, 2020. In any application for DSIC including improvements placed in service before April 30, 2020, Petitioner shall identify the plant additions composing the \$114,004,218 (excluding costs of removals and retirements) of distribution system additions as well as those plant additions that qualify for and for which DSIC recovery is sought.

The Settling Parties agree there will be no deferred asset reflecting post-in-service allowance for funds used during construction and deferred depreciation associated with the major projects included in this Cause within the Company's certified rate base in either Step 1 or Step 2. This Stipulation does not affect the Company's ability to file a petition seeking such accounting treatment and to include the resulting regulatory asset in rate base in future general rate cases or the rights of the parties to oppose such relief.

(e) Operating Expenses, Depreciation and Amortization

For purposes of settlement, the Settling Parties agree to a forecasted level of Operating Expenses at Step 2 of \$165,980,395 including forecasted Depreciation Expense at Step 2 of \$52,528,975, forecasted Amortization Expense at Step 2 of \$274,699, and forecasted Taxes Other than Income Tax Expense at Step 2 of \$17,526,349. The detailed stipulations underlying these forecast adjustments are set forth in Appendix A, which is incorporated herein by reference.

With respect to the reduction to deferred Federal income tax expense, the Settling Parties agree that for purposes of Step 1 rates in the pending rate case (Cause

No. 45142), the Company will use the estimate provided in the Company's rebuttal in Cause No. 45142. Subject to the provisions of Paragraph 3 below, which are to be submitted for Commission approval in Cause No. 45032 S4, if the Internal Revenue Service issues a Private Letter Ruling that determines amortization of repairs-related excess accumulated deferred income taxes ("EADIT") cannot be faster than under the Average Rate Assumption Method ("ARAM") without causing a normalization violation, then the Settling Parties agree for purposes of Cause 45142, the estimate producing annual amortization of \$1.7 million will continue to be used for purposes of Step 2 rates until the Company's next general rate case at which point the EADIT amortization will be trued up using the actual ARAM calculation.

**3. Tax Cuts and Jobs Act of 2017 ("TCJA") - Cause No. 45032 S4**

The following terms of this Stipulation address pending issues in the Company's subdocket proceeding in the Commission's investigation into the impact of the TCJA (Cause No. 45032 S4, referred to herein as the "tax subdocket"). The Settling Parties agree the terms and conditions set forth herein represent a fair and reasonable resolution of the remaining issues in the tax subdocket based on the record as it currently exists in that proceeding, subject to incorporation into a final order of the Commission in the tax subdocket which approves Paragraphs 3(a) and 3(b) of this Stipulation without any modification or condition that is not acceptable to the Settling Parties. The Settling Parties will cooperate to submit jointly to the Commission a form of a proposed order that would approve Paragraphs 3(a) and 3(b) of this Stipulation in Cause No. 45032 S4.

(a) Excess Accumulated Deferred Income Taxes

The Settling Parties have agreed in the pending rate case (Cause No. 45142) that, for purposes of Step 1 rates, the Company will use the estimate of excess

accumulated deferred income taxes (“EADIT”) provided in the Company’s rebuttal in Cause No. 45142, which produces a result that is approximately the same as an estimate using the average rate assumption method (“ARAM”) to the entirety of Indiana American’s EADIT.

The Settling Parties further agree that the Company will seek a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”) requesting a determination whether the Commission has the discretion to order an amortization for EADIT related to the Company’s repairs deduction that is faster than ARAM. The Settling Parties agree the PLR request is not an opportunity for advocacy for one outcome or another and that the PLR request will be drafted using neutral and unbiased language. The Settling Parties will confer on the wording of the draft PLR request to objectively frame the issue while adhering to IRS guidelines and requirements (Rev. Proc. 2017-1, Part III, Section 7) before the PLR request is submitted to the IRS for resolution. If the IRS requires additional information, the Company shall use reasonable efforts to coordinate any response with the non-Company Settling Parties prior to responding to any such request within the confines of IRS requirements and deadlines. The Company will file notice of the results of the ruling with the Commission and all parties to the tax subdocket within ten (10) business days of receipt of the Private Letter Ruling. No Settling Party shall be deemed to have waived any position in any subsequent case as to whether Indiana American may recover the costs it incurs associated with the PLR request. For purposes of permitting the Commission to make the necessary findings consistent with the terms of this Stipulation, the Company will waive confidential treatment of

(1) the fact of its request for a Private Letter Ruling and (2) the overall results of the ruling.

If the IRS issues a Private Letter Ruling that amortization of repairs related EADIT cannot be faster than ARAM without causing a normalization violation, the Settling Parties have agreed Indiana American will continue to use the estimate producing annual amortization of \$1.7 million for purposes of Step 1 and Step 2 rates in Cause No. 45142 until the Company's next general rate case, at which point the EADIT amortization will be trued up using the actual ARAM calculation. In that event, the Commission shall issue an order to dismiss the tax subdocket proceeding.

If the IRS issues a Private Letter Ruling determining that the Commission has discretion to order amortization for EADIT related to the Company's repairs deduction that is faster than ARAM, or otherwise determining that amortization using non-normalized accounting would be appropriate, the Settling Parties agree and hereby request that the Commission establish, by order in the tax subdocket, the appropriate amortization period for such non-normalized EADIT and order the Company to file revised rates to reflect the revised amortization for the non-normalized EADIT along with the true-up for the actual ARAM calculation for all EADIT required to be normalized.

(b) Regulatory Liability – Deferral

The \$5,821,888.14 balance of Indiana American's regulatory liability created as a result of the Commission's January 3, 2018 order in Cause No. 45032 shall be flowed to customers as a bill credit commencing with implementation of Step 2 rates ratably over a twelve-month period allocated among customer classes in accordance

with the allocation methodology associated with the underlying rates that generated the regulatory liability.

#### **4. Low Income Pilot Program**

The Company agrees to add the Gary, Indiana service territory as a third location for inclusion in the Low Income Pilot Program (“LIPP”). The Settling Parties agree that the total program cost for the LIPP will be borne evenly (50/50) between the deferred asset and non-deferred contribution established herein.

For every year of the LIPP except for Year One and Two, the Settling Parties agree that the Company will contribute up to \$300,000 per year to the LIPP, allocated equally among the three pilot locations (ie, up to \$100,000 per location). The actual amount contributed will depend on participation with the requirement that the total contribution not to exceed \$300,000 annually, except for Year Two when the total contribution will not exceed \$450,000, and will continue until the earlier of the next general rate case filing, or termination of the LIPP. Of the maximum annual contribution amount, an amount not to exceed \$150,000 per year will be accrued in a deferred asset, without carrying charges, for recovery in the Company’s next general rate case.

The Company’s contribution obligation will commence with the commencement of the LIPP; however, in Year One of the LIPP, only the \$150,000 deferred asset will be contributed, with the remaining non-deferred portion of the first year’s contribution to be made at the time of the second year’s contribution. Accordingly, for Year Two of the LIPP, the maximum contribution to be made by the Company could be as high as \$450,000, with \$300,000 from the Company’s non-deferred contribution and \$150,000 in the deferred asset. All subsequent annual contributions under this provision will not exceed \$300,000.

The Settling Parties have agreed to a reservation of rights with respect to the allocation among customer classes of the deferral, and the Settling Parties may raise any and all arguments concerning the allocation among customer classes of the deferral in the Company's next base rate case.

## **5. Conservation**

Indiana American will conduct a good faith review of market potential and customer impact of a utility-sponsored water conservation program in its service territory. Indiana American agrees such a utility-sponsored water conservation program proposal could include non-behavioral, measure-based conservation efforts, such as device distribution programs, direct installation programs, manufacturer buy down programs, and rebate and voucher programs for water conservation measures and services. Indiana American agrees to meet and discuss preliminary and final findings of its efforts under this Paragraph 5 with interested Settling Parties at mutually agreeable times.

## **6. Effect of Stipulation In Future Proceedings**

As a part of this Stipulation and Settlement Agreement and for purposes of Petitioner's next general rate case and thereafter, the parties stipulate and agree to the following terms and conditions. Other than as stated in this Paragraph 6, the Settling Parties reserve the right to take positions in future cases, including but not limited to, positions that may be inconsistent with the revenue requirements, cost of capital, rate base, cost of service, revenue allocation, rate design, and other matters set forth in this Stipulation and Settlement Agreement:

- (a) Information Regarding Capital Projects

The parties have resolved their dispute regarding the support for Petitioner's forecasted capital projects for purposes of the current case and stipulate that an agreement among the parties regarding information to be included in future cases will mitigate the risk of future similar disputes. Accordingly, for purposes of future general rate cases involving a forward looking test period, Indiana American will, to the extent such information exists, include the following information in its workpapers supporting its case-in-chief; *provided, however*, that if the Commission promulgates rules amending or adapting the minimum standard filing requirements for a rate case utilizing a forward-looking test period, then those promulgated rules shall supersede the parties' agreement in this Paragraph 6(a). To the extent the following information does not exist, Indiana American will explain in testimony or exhibits how it determined the forecasted capital additions by subaccount and how it calculated the cost of the capital additions it forecasted by subaccount. If any of the Settling Parties believes Indiana American has failed to provide the required information, that party must file a deficiency notice within the timeframe as set forth in 170 IAC 1-5-4; otherwise, Indiana American is deemed to have filed a complete case-in-chief for purposes of a motion to dismiss based on a failure to meet the Minimum Standard Filing Requirements ("MSFRs"). Nothing herein shall be construed to establish, alter, or amend any party's burden of proof in any subsequent rate case. No Settling Party shall be deemed to have waived the ability to request additional information nor shall Petitioner be deemed to have waived any objection to discovery in excess of the information promised below. The foregoing promises shall not constitute a basis for objecting to a data request or other method of discovery in any subsequent proceeding.

**(i) *Projects Greater than \$500,000.***

- a. Project name
- b. Project number, including Comprehensive Planning Study project number (if applicable)
- c. Project cost or cost estimate, including contingency allowance and non-construction costs (with identification of the amounts and percentages allocated for (or other basis for determining) non-construction costs)
- d. Actual or projected project construction start and in-service date
- e. Location
- f. Dollar amount of additions
- g. Amount and derivation of cost of removals
- h. Total dollar amount of additions and cost of removals
- i. Project description and purpose (including, if applicable, a list of major components of new construction, treatment and pumping capacities, and storage volumes)
- j. Project benefits
- k. Project background (including identification of any studies, reports, or analyses which provided background, input, or which were considered in developing the project scope, including any alternatives that were considered.)

**(ii) *Recurring Capital Investments That Are Individually Less Than \$500,000***

- a. Categories of recurring projects
- b. Cost projections by category

- c. Identification in testimony, attachment(s), or workpaper(s) of the historic operating experience and assumptions, including applicable unit costs, quantities and contingency and non-construction costs used to build the cost projections for known and anticipated recurring investments

***(iii) Access to Studies Including Comprehensive Planning Studies***

Subject to the terms of this Paragraph 6(a)(iii), contemporaneous with the filing of its case in chief in a general rate case, Indiana American will provide the OUCC with copies of the studies, reports, or analyses -- including Comprehensive Planning Studies if applicable -- for operations that are projected to include an individual project that would qualify as a “major project” pursuant to the MSFRs. The Parties will work cooperatively to find reasonable solutions to afford timely access to the materials related to the case. Nothing herein shall be construed as prohibiting the OUCC or any other intervenor from specifically identifying and asking for more detail, documents, or information other than what Indiana American has agreed to provide in this section, including other or historical reports previously conducted and nothing shall be construed as estopping the Company from interposing any objection to such requests.

***(b) Deferral and Amortization of Comprehensive Planning Studies***

Following issuance of an Order approving this Stipulation, all costs of conducting comprehensive planning studies shall be deferred and amortized over a 15-year period.

***(c) Acquisition Journal Entries***

Based upon the evidence and filings in the respective causes, Indiana American will revise the journal entry to record the acquisitions for Yankeetown and Merom to reflect the journal entry submitted in Petitioner's Exhibit JCH-6 (Cause No. 44400) and Petitioner's Exhibit JCH-5 (Cause No. 44399), respectively. The journal entry to record the Russiaville acquisition matches the journal entry ordered in Cause No. 44584 and thus will not be changed.

**7. Next General Rate Increase**

It is anticipated that this settlement will allow Indiana American to operate without seeking a general increase in base water rates and charges before January 2022. While not anticipated, circumstances, short of emergency rate relief under IC § 8-1-2-113, could justify an earlier filing. Nothing in this Stipulation affects the Company's ability to file a petition seeking an increase in its base rates and charges for sewer service or the timing thereof. Should Indiana American deem it necessary to seek a base rate increase before January 2022, it agrees to provide the Settling Parties and the Commission with 60 days notice in advance of such filing, including a statement as to why the rates set by this Settlement are no longer just and reasonable.

**8. Revenue Allocation and Rate Design**

The agreed allocation of the stipulated increase is set forth in Appendix C. The Settling Parties agree that the Commission should proceed to approve the rate design set forth in Appendix C, which resets the DSIC to zero and accomplishes the agreed allocation. Given the efforts to gradualize impacts on the various customer classes, the Settling Parties agree that in light of the proposed and agreed upon rate design and allocation among customer classes, the various cost of service study and allocation disputes raised in this case are moot, and do not need to be resolved at this time, and request that the Commission not issue any finding approving any particular cost of

service study. The Parties retain all rights to advocate for alternative cost of service studies and rate designs different from those in this Settlement in future proceedings. The rates set forth in the attached Appendix C are the rates that would be in effect after the filing of the April 30, 2020 certification described in Paragraph 2(d)(ii) of this Stipulation.

#### **9. Stipulation Effect, Scope and Approval.**

The Stipulation is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to any Settling Party. Each term of the Stipulation is in consideration and support of each and every other term. If the Commission does not approve the Stipulation in its entirety – with Paragraph 3 to be approved in Cause No. 45032 S4 -- or if the Commission makes modifications that are unacceptable to any Settling Party, the Stipulation shall be null and void and shall be deemed withdrawn upon notice in writing by any party within 15 days after the date of the final order stating that a modification made by the Commission is unacceptable to the Settling Party.

The Stipulation is the result of compromise in the settlement process and neither the making of the Stipulation nor any of its provisions shall constitute an admission or waiver by any Settling Party in any other proceeding, now or in the future. The Stipulation shall not be used as precedent in any other current or future proceeding or for any other purpose except to the extent provided for herein or to the extent necessary to implement or enforce its terms.

The evidence to be submitted in support of the Stipulation, together with evidence already admitted, constitutes substantial evidence sufficient to support the Stipulation and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Stipulation.

The communications and discussions and materials produced and exchanged during the negotiation of the Stipulation relate to offers of settlement and shall be privileged and confidential.

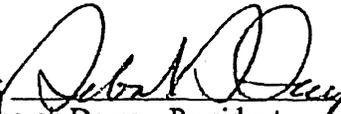
The undersigned represent and agree that they are fully authorized to execute the Stipulation on behalf of the designated party who will be bound thereby.

The Settling Parties will either support or not oppose on rehearing, reconsideration and/or appeal, an IURC Order accepting and approving this Stipulation in accordance with its terms.

*(signature page follows)*

ACCEPTED and AGREED this 18th day of March, 2019.

Indiana-American Water Company, Inc.

By:   
Deborah Dewey, President  
153 North Emerson Avenue  
Greenwood, Indiana 46143

Office of Utility Consumer Counselor

By: \_\_\_\_\_  
Daniel LeVay, Attorney No. 28916-49  
Scott Franson, Attorney No. 27839-49  
Tiffany Murray, Attorney No. 28916-49  
T. Jason Haas, Attorney No. 29971-53  
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Indiana-American Water Co. Industrial Group

By: \_\_\_\_\_  
Aaron A. Schmoll, Attorney No. 20359-49  
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Town of Schererville

By: \_\_\_\_\_  
Kristina Kern Wheeler Attorney #20957-49A  
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City of Crown Point

By: \_\_\_\_\_  
Robert M. Glennon, Attorney No. 8321-49  
36979 N. County Road 500 E.  
Danville, Indiana 46122

Sullivan-Vigo Rural Water Corporation

By: \_\_\_\_\_  
Jeffery A. Earl, Attorney No. 27821-64  
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Citizens Action Coalition

By: \_\_\_\_\_  
Jennifer Washburn, Attorney No. 30462-49  
Margo Tucker, Attorney No. 34803-49  
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Town of Whiteland

By: \_\_\_\_\_  
Stephen K. Watson, Attorney No. 16899-53  
William W. Barrett, Attorney No. 15114-53  
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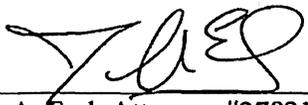
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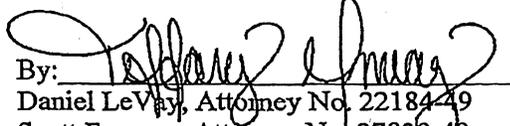
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Greenwood, Indiana 46142

**ACCEPTED and AGREED as to paragraphs 3 and 9 this 18th day of March, 2019.**

Indiana Industrial Group

United States Steel Corporation

By:   
Todd A. Richardson, Attorney No. 16620-49  
Aaron A. Schmoll, Attorney No. 20359-49  
Joseph P. Rompala, Attorney No. 25078-49  
Lewis & Kappes, P.C.  
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By: \_\_\_\_\_  
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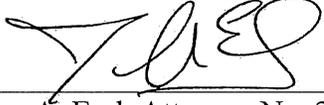
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Indiana Industrial Group

United States Steel Corporation

By: \_\_\_\_\_

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Indianapolis, Indiana 46204

Indiana-American Water Company  
Cause No. 45142  
Pro Forma Income Statement  
For The Total Company

Total Company

Settled Revenue Growth 3,836,226 13,663,774 17,500,000

Line Number	Description	Base Year Ended 12/31/2017	Adjustments	Settlement Changes tied to Declining Use	Settlement Other ISSUES	Present Rates Step 1	Proposed Rate Adjustments	Proposed Rates Step 1	Adjustments	Present Rates Step 2	Proposed Rate Adjustments	Proposed Rates Step 2
1	Operating Revenues:	\$222,515,256	(\$332,074)	\$1,519,779	(\$953,834)	\$222,749,127	\$3,836,226	\$226,585,353	\$0	\$226,585,353	\$13,663,774	\$240,249,127
2												
3	Operating Expenses:											
4	Operation and Maintenance:											
5	Purchased Water	378,491	120,295		(32,078)	466,708	0	466,708	0	466,708	0	466,708
6	Fuel & Power	7,174,327	84,212	64,280	(50,000)	7,272,819	0	7,272,819	0	7,272,819	0	7,272,819
7	Chemicals	1,553,688	404,827	17,519		1,976,034	0	1,976,034	0	1,976,034	0	1,976,034
8	Waste Disposal	1,222,370	328,879			1,551,249	0	1,551,249	0	1,551,249	0	1,551,249
9	Salaries and Wages	15,699,420	3,428,771		(514,123)	18,614,068	0	18,614,068	0	18,614,068	0	18,614,068
10	Pension	1,846,048	(738,055)		313,189	1,421,182	0	1,421,182	626,378	2,047,560	0	2,047,560
11	OPEB	255,343	184,769		(810,329)	(370,217)	0	(370,217)	(1,620,659)	(1,990,876)	0	(1,990,876)
12	Group Insurance	3,207,748	707,174		(97,708)	3,817,214	0	3,817,214	0	3,817,214	0	3,817,214
13	Other Benefits	1,101,551	309,908		(35,227)	1,376,232	0	1,376,232	0	1,376,232	0	1,376,232
14	Support Services	19,006,297	1,187,247		(353,887)	19,839,657	0	19,839,657	0	19,839,657	0	19,839,657
15	Contract Services	1,420,029	1,004,436		(507,500)	1,916,965	0	1,916,965	0	1,916,965	0	1,916,965
16	Building Maintenance & Services	1,054,748	53,545			1,108,293	0	1,108,293	0	1,108,293	0	1,108,293
17	Telecommunications	815,801	41,415			857,216	0	857,216	0	857,216	0	857,216
18	Postage, Printing, & Stationary	44,817	3,664			48,481	0	48,481	0	48,481	0	48,481
19	Office Supplies & Services	544,624	102,076			646,700	0	646,700	0	646,700	0	646,700
20	Advertising & Marketing	100,687	(46,298)			54,389	0	54,389	0	54,389	0	54,389
21	Employee Related Expense	407,334	20,694			428,028	0	428,028	0	428,028	0	428,028
22	Miscellaneous Expense	2,522,710	214,417		(214,250)	2,522,877	0	2,522,877	(1,360,141)	1,162,736	0	1,162,736
23	Rents	569,514	(194,429)			375,085	0	375,085	0	375,085	0	375,085
24	Transportation	921,565	(6,628)			914,937	0	914,937	0	914,937	0	914,937
25	Uncollectible Accounts	2,317,269	(58,290)	15,560	(9,698)	2,264,840	39,007	2,303,847	0	2,303,847	138,920	2,442,767
26	Customer Accounting	2,849,836	1,164,204			4,014,040	0	4,014,040	0	4,014,040	0	4,014,040
27	Regulatory Expense	387,854	309,201		(50,000)	647,055	0	647,055	0	647,055	0	647,055
28	Insurance Other Than Group	1,746,379	428,783			2,175,162	0	2,175,162	0	2,175,162	0	2,175,162
29	Maintenance Supplies & Services	5,928,101	453,539			6,381,640	0	6,381,640	0	6,381,640	0	6,381,640
30									0			
31	Total Operation & Maintenance Expense: (Sum	\$73,076,551	\$9,508,356	\$97,359	(\$2,361,612)	\$80,320,654	\$39,007	\$80,359,661	(\$2,354,422)	\$78,005,239	\$138,920	\$78,144,159
32									0			
33	Depreciation	48,054,562	67,805		0	48,122,367	0	48,122,367	4,406,608	52,528,975	0	52,528,975
34	Amortization	535,287	77,412		(338,000)	274,699	0	274,699	0	274,699	0	274,699
35	General Taxes	15,684,056	1,607,739		(28,201)	17,263,594	55,038	17,318,632	0	17,318,632	207,717	17,526,349
36												
37	Operating Expenses before Income Tax: (Sum	\$137,350,456	\$11,261,312	\$97,359	(\$2,727,813)	\$145,981,314	\$94,045	\$146,075,359	\$2,052,186	\$148,127,545	\$346,637	\$148,474,182
38												
39	Operating Income before Income Tax: (Line 1 -	\$85,164,800	(\$11,593,386)	\$1,422,420	\$1,773,979	\$76,767,813	\$3,742,181	\$80,509,994	(\$2,052,186)	\$78,457,808	\$13,317,137	\$91,774,945
40												
41	State Income Tax											
42	Current State Income Tax	2,908,627	(784,635)	78,825	97,191	2,300,008	207,377	2,507,385	(113,724)	2,393,661	737,982	3,131,643
43	Deferred State Income Tax	1,269,161	0			1,269,161	0	1,269,161	0	1,269,161	0	1,269,161
44	Federal Tax											
45	Current Federal Income Tax	10,248,509	(10,391,042)	282,155	295,210	434,832	744,517	1,179,350	(381,360)	797,989	2,640,780	3,438,770
46	Deferred Federal Income Tax	11,423,608	(1,719,961)			9,703,647	0	9,703,647	0	9,703,647	0	9,703,647
47	Investment Tax Credits	(37,008)	0			(37,008)	0	(37,008)	0	(37,008)	0	(37,008)
48												
49	Total Operating Expenses: (Line 37 + Sum Line	\$163,163,353	(\$1,634,326)	\$458,339	(\$2,335,411)	\$159,651,954	\$1,045,939	\$160,697,893	\$1,557,102	\$162,254,995	\$3,725,400	\$165,980,395
50												
51	Net Utility Operating Income: (Line 1 - Line 49)	\$59,351,903	\$1,802,252	\$1,061,440	\$1,381,577	\$63,097,173	\$2,790,287	\$65,887,460	(\$1,557,102)	\$64,330,358	\$9,938,374	\$74,268,732

\* Placeholder for Declining Use of \$1,519,779  
 \* Offset by DSIC revenue agreed to in revised Rebuttal  
 \* -\$32,078 from Purchased water due to Boonville settlement  
 \* Changed by \$105k related to declining use, go with IAW number  
 \* No Waste Disp decrease - traded for amort of CPS and BT  
 \* Reduction for unfilled positions, average \$64,706 per headcount times 10 heads not yet filled (374-364) shown in Salaries, Group Insurance, and Other Benefits  
 \* Remove Business Development expenses  
 \* Contract Vender for Line Locates, 50% of ask increase  
 \* Includes -\$17,112 in Rebuttal concession  
 \* Includes \$14,711 in Charitable Cont in Rebuttal Concession  
 \* Includes \$28k in Rebuttal Concess for IURC Fees also includes a \$50,000 reduction from settlement in Rate Case Exp

Indiana-American Water Company  
Cause No. 45142  
Pro Forma Income Statement  
For Water

Water

Line Number	Description	Base Year Ended 12/31/2017	Settlement Changes tied to Declining Use Adjustments	Settlement Other ISSUES	Present Rates Step 1	Proposed Rate Adjustments	Proposed Rates Step 1	Proposed Rates Adjustments	Present Rates Step 2	Proposed Rate Adjustments	Proposed Rates Step 2	
1.	<b>Operating Revenues:</b>	<u>\$222,066,289</u>	<u>(\$1,253,197)</u>	<u>\$1,519,779</u>	<u>(\$953,834)</u>	<u>\$221,379,037</u>	<u>\$3,836,226</u>	<u>\$225,215,263</u>	<u>\$0</u>	<u>\$225,215,263</u>	<u>\$13,663,774</u>	<u>\$238,879,037</u>
2.												
3.	<b>Operating Expenses:</b>											
4.	<b>Operation and Maintenance:</b>											
5.	Purchased Water	378,491	120,295	0	(32,078)	466,708	0	466,708	0	466,708	0	466,708
6.	Fuel & Power	7,170,657	32,504	64,280	(50,000)	7,217,441	0	7,217,441	0	7,217,441	0	7,217,441
7.	Chemicals	1,550,885	383,784	17,519	0	1,952,188	0	1,952,188	0	1,952,188	0	1,952,188
8.	Waste Disposal	835,129	265,616	0	0	1,100,745	0	1,100,745	0	1,100,745	0	1,100,745
9.	Salaries and Wages	15,680,048	3,434,097	0	(514,123)	18,600,022	0	18,600,022	0	18,600,022	0	18,600,022
10.	Pension	1,843,752	(737,421)	0	312,719	1,419,050	0	1,419,050	625,439	2,044,489	0	2,044,489
11.	OPEB	255,079	184,373	0	(809,114)	(369,662)	0	(369,662)	(1,618,228)	(1,987,890)	0	(1,987,890)
12.	Group Insurance	3,203,875	707,333	0	(97,708)	3,813,500	0	3,813,500	0	3,813,500	0	3,813,500
13.	Other Benefits	1,100,076	310,167	0	(35,227)	1,375,016	0	1,375,016	0	1,375,016	0	1,375,016
14.	Support Services	18,977,787	1,185,467	0	(353,887)	19,809,367	0	19,809,367	0	19,809,367	0	19,809,367
15.	Contract Services	1,392,895	1,003,162	0	(507,500)	1,888,557	0	1,888,557	0	1,888,557	0	1,888,557
16.	Building Maintenance & Services	1,052,714	53,442	0	0	1,106,156	0	1,106,156	0	1,106,156	0	1,106,156
17.	Telecommunications	815,442	41,397	0	0	856,839	0	856,839	0	856,839	0	856,839
18.	Postage, Printing, & Stationary	44,783	3,663	0	0	48,446	0	48,446	0	48,446	0	48,446
19.	Office Supplies & Services	544,072	101,968	0	0	646,040	0	646,040	0	646,040	0	646,040
20.	Advertising & Marketing	100,549	(46,298)	0	0	54,251	0	54,251	0	54,251	0	54,251
21.	Employee Related Expense	407,069	20,667	0	0	427,736	0	427,736	0	427,736	0	427,736
22.	Miscellaneous Expense	2,520,084	186,090	0	5,586	2,711,760	0	2,711,760	(1,275,144)	1,436,616	0	1,436,616
23.	Rents	568,893	(194,000)	0	0	374,893	0	374,893	0	374,893	0	374,893
24.	Transportation	922,012	(7,075)	0	0	914,937	0	914,937	0	914,937	0	914,937
25.	Uncollectible Accounts	2,313,793	(68,745)	15,560	(9,698)	2,250,909	36,192	2,287,101	0	2,287,101	138,920	2,426,021
26.	Customer Accounting	2,845,563	1,162,581	0	0	4,008,144	0	4,008,144	0	4,008,144	0	4,008,144
27.	Regulatory Expense	387,272	308,737	0	(50,000)	646,009	0	646,009	0	646,009	0	646,009
28.	Insurance Other Than Group	1,743,822	428,076	0	0	2,171,898	0	2,171,898	0	2,171,898	0	2,171,898
29.	Maintenance Supplies & Services	5,924,236	403,195	0	0	6,327,431	0	6,327,431	0	6,327,431	0	6,327,431
30.												
31.	<b>Total Operation &amp; Maintenance Expense: (Sum</b>	<u>\$72,578,978</u>	<u>\$9,283,075</u>	<u>\$97,359</u>	<u>(\$2,141,031)</u>	<u>\$79,818,381</u>	<u>\$36,192</u>	<u>\$79,854,573</u>	<u>(\$2,267,933)</u>	<u>\$77,586,640</u>	<u>\$138,920</u>	<u>\$77,725,559</u>
32.												
33.	Depreciation	48,001,119	(157,551)	0	1,147	47,844,715	0	47,844,715	4,407,229	52,251,945	0	52,251,945
34.	Amortization	533,631	77,276	0	(338,000)	272,907	0	272,907	0	272,907	0	272,907
35.	General Taxes	15,677,516	1,487,899	0	(28,201)	17,137,214	51,066	17,188,280	0	17,188,280	207,717	17,395,997
36.												
37.	<b>Operating Expenses before Income Tax: (Sum</b>	<u>\$136,791,244</u>	<u>\$10,690,699</u>	<u>\$97,359</u>	<u>(\$2,506,085)</u>	<u>\$145,073,217</u>	<u>\$87,258</u>	<u>\$145,160,475</u>	<u>\$2,139,297</u>	<u>\$147,299,772</u>	<u>\$346,637</u>	<u>\$147,646,409</u>
38.												
39.	<b>Operating Income before Income Tax: (Line 1 -</b>	<u>\$85,275,045</u>	<u>(\$11,943,896)</u>	<u>\$1,422,420</u>	<u>\$1,552,251</u>	<u>\$76,305,820</u>	<u>\$3,748,968</u>	<u>\$80,054,788</u>	<u>(\$2,139,297)</u>	<u>\$77,915,491</u>	<u>\$13,317,137</u>	<u>\$91,232,628</u>
40.												
41.	State Income Tax											
42.	Current State Income Tax	2,904,264	(785,583)	78,825	84,904	2,282,410	192,207	2,474,616	(118,496)	2,356,120	737,982	3,094,102
43.	Deferred State Income Tax	1,267,258	0	0	0	1,267,258	0	1,267,258	0	1,267,258	0	1,267,258
44.	Federal Tax											
45.	Current Federal Income Tax	10,233,137	(10,377,031)	282,155	250,225	388,486	690,981	1,079,467	(398,203)	681,264	2,640,780	3,322,044
46.	Deferred Federal Income Tax	11,406,473	(1,716,709)	0	0	9,689,764	0	9,689,764	0	9,689,764	0	9,689,764
47.	Investment Tax Credits	(36,952)	0	0	0	(36,952)	0	(36,952)	0	(36,952)	0	(36,952)
48.												
49.	<b>Total Operating Expenses: (Line 37 + Sum Line</b>	<u>\$162,565,424</u>	<u>(\$2,188,624)</u>	<u>\$458,339</u>	<u>(\$2,170,956)</u>	<u>\$158,664,182</u>	<u>\$970,446</u>	<u>\$159,634,628</u>	<u>\$1,622,597</u>	<u>\$161,257,226</u>	<u>\$3,725,400</u>	<u>\$164,982,625</u>
50.												
51.	<b>Net Utility Operating Income: (Line 1 - Line 49</b>	<u>\$59,500,865</u>	<u>\$935,427</u>	<u>\$1,061,440</u>	<u>\$1,217,122</u>	<u>\$62,714,855</u>	<u>\$2,865,780</u>	<u>\$65,580,635</u>	<u>(\$1,622,597)</u>	<u>\$63,958,037</u>	<u>\$9,938,374</u>	<u>\$73,896,412</u>

Indiana-American Water Company  
Cause No. 45142  
Pro Forma Income Statement  
For Wastewater

Wastewater

Line Number	Description	Base Year Ended 12/31/2017	Settlement Changes tied to Declining Use Adjustments	Settlement Other ISSUES	Present Rates Step 1	Proposed Rate Adjustments	Proposed Rates Step 1	Proposed Rates Adjustments	Present Rates Step 2	Proposed Rate Adjustments	Proposed Rates Step 2	
1.	Operating Revenues:	\$448,967	\$921,123	\$0	\$0	\$1,370,090	\$0	\$1,370,090	\$0	\$1,370,090	\$0	\$1,370,090
2.												
3.	Operating Expenses:											
4.	Operation and Maintenance:											
5.	Purchased Water	0	0	0	0	0	0	0	0	0	0	0
6.	Fuel & Power	3,670	51,708	0	0	55,378	0	55,378	0	55,378	0	55,378
7.	Chemicals	2,803	21,043	0	0	23,846	0	23,846	0	23,846	0	23,846
8.	Waste Disposal	387,241	63,263	0	0	450,504	0	450,504	0	450,504	0	450,504
9.	Salaries and Wages	19,372	(5,326)	0	0	14,046	0	14,046	0	14,046	0	14,046
10.	Pension	2,296	(634)	0	470	2,132	0	2,132	939	3,071	0	3,071
11.	OPEB	264	396	0	(1,215)	(555)	0	(555)	(2,431)	(2,986)	0	(2,986)
12.	Group Insurance	3,873	(159)	0	0	3,714	0	3,714	0	3,714	0	3,714
13.	Other Benefits	1,475	(259)	0	0	1,216	0	1,216	0	1,216	0	1,216
14.	Support Services	28,510	1,780	0	0	30,290	0	30,290	0	30,290	0	30,290
15.	Contract Services	27,134	1,274	0	0	28,408	0	28,408	0	28,408	0	28,408
16.	Building Maintenance & Services	2,034	103	0	0	2,137	0	2,137	0	2,137	0	2,137
17.	Telecommunications	359	18	0	0	377	0	377	0	377	0	377
18.	Postage, Printing, & Stationary	34	1	0	0	35	0	35	0	35	0	35
19.	Office Supplies & Services	552	108	0	0	660	0	660	0	660	0	660
20.	Advertising & Marketing	138	0	0	0	138	0	138	0	138	0	138
21.	Employee Related Expense	265	27	0	0	292	0	292	0	292	0	292
22.	Miscellaneous Expense	2,626	28,327	0	(219,836)	(188,883)	0	(188,883)	(84,997)	(273,880)	0	(273,880)
23.	Rents	621	(429)	0	0	192	0	192	0	192	0	192
24.	Transportation	(447)	447	0	0	0	0	0	0	0	0	0
25.	Uncollectible Accounts	3,476	10,455	0	0	13,931	2,815	16,746	0	16,746	0	16,746
26.	Customer Accounting	4,273	1,623	0	0	5,896	0	5,896	0	5,896	0	5,896
27.	Regulatory Expense	582	464	0	0	1,046	0	1,046	0	1,046	0	1,046
28.	Insurance Other Than Group	2,557	707	0	0	3,264	0	3,264	0	3,264	0	3,264
29.	Maintenance Supplies & Services	3,865	50,344	0	0	54,209	0	54,209	0	54,209	0	54,209
30.												
31.	Total Operation & Maintenance Expense: (Sum	\$497,573	\$225,281	\$0	(\$220,581)	\$502,273	\$2,815	\$505,088	(\$86,489)	\$418,599	\$0	\$418,599
32.												
33.	Depreciation	53,443	225,356	0	(1,147)	277,652	0	277,652	(621)	277,030	0	277,030
34.	Amortization	1,656	136	0	0	1,792	0	1,792	0	1,792	0	1,792
35.	General Taxes	6,540	119,840	0	0	126,380	3,972	130,352	0	130,352	0	130,352
36.												
37.	Operating Expenses before Income Tax: (Sum	\$559,212	\$570,613	\$0	(\$221,728)	\$908,097	\$6,787	\$914,884	(\$87,110)	\$827,773	\$0	\$827,773
38.												
39.	Operating Income before Income Tax: (Line 1	(\$110,245)	\$350,510	\$0	\$221,728	\$461,993	(\$6,787)	\$455,206	\$87,110	\$542,317	\$0	\$542,317
40.												
41.	State Income Tax											
42.	Current State Income Tax	4,363	948	0	12,287	17,598	15,170	32,768	4,773	37,541	0	37,541
43.	Deferred State Income Tax	1,903	0	0	0	1,903	0	1,903	0	1,903	0	1,903
44.	Federal Tax											
45.	Current Federal Income Tax	15,372	(14,011)	0	44,986	46,347	53,536	99,883	16,843	116,725	0	116,725
46.	Deferred Federal Income Tax	17,135	(3,252)	0	0	13,883	0	13,883	0	13,883	0	13,883
47.	Investment Tax Credits	(56)	0	0	0	(56)	0	(56)	0	(56)	0	(56)
48.												
49.	Total Operating Expenses: (Line 37 + Sum Line	\$597,929	\$554,298	\$0	(\$164,455)	\$987,772	\$75,493	\$1,063,265	(\$65,495)	\$997,769	\$0	\$997,769
50.												
51.	Net Utility Operating Income: (Line 1 - Line 49	(\$148,962)	\$366,825	\$0	\$164,455	\$382,318	(\$75,493)	\$306,825	\$65,495	\$372,321	\$0	\$372,321

**Indiana-American Water Company**  
Cause No. 45142  
**ADJUSTMENTS TO THE Pro Forma Income Statement**  
For The Total Company

District:           Total Company          

3,836,226

13,663,774

Line Number	Description	Base Year Ended 12/31/2017	Originally Filed Adj's	<<<REBUTTAL ADJUSTMENTS>>>			<<<Settlement ADJUSTMENTS>>>												
				TCJA EADIT at 41.5 Years	O&M Concessions and Corrections	Total Filed Adjustments	Declining Use	Remove DSIC Rev Adj	Labor Remove 10 HC From Fcst	Settlement Other ISSUES	Total Settlement Adjustments	Step 1 Adj's	Present Rates Step 1	Proposed Rate Adjustments	Proposed Rates Step 1	Adjustments	Present Rates Step 2	Proposed Rate Adjustments	
1.	<b>Operating Revenues:</b>	\$222,515,256	(\$332,074)			\$0	\$1,519,779	(\$953,834)				\$565,945	\$233,871	\$222,749,127	\$3,836,226	\$226,585,353	\$0	\$226,585,353	\$13,663,774
2.																			
3.	<b>Operating Expenses:</b>																		
4.	<b>Operation and Maintenance:</b>																		
5.	Purchased Water	378,491	120,295			0					(32,078)	(32,078)	88,217	466,708	0	466,708	0	466,708	0
6.	Fuel & Power	7,174,327	84,212			0	64,280				(50,000)	14,280	98,492	7,272,819	0	7,272,819	0	7,272,819	0
7.	Chemicals	1,553,688	404,827			0	17,519					17,519	422,346	1,976,034	0	1,976,034	0	1,976,034	0
8.	Waste Disposal	1,222,370	328,879			0						0	328,879	1,551,249	0	1,551,249	0	1,551,249	0
9.	Salaries and Wages	15,699,420	3,428,771			0				(514,123)		(514,123)	2,914,648	18,614,068	0	18,614,068	0	18,614,068	0
10.	Pension	1,846,048	(738,055)			0						313,189	313,189	1,421,182	0	1,421,182	626,378	2,047,560	0
11.	OPEB	255,343	184,769			0					(810,329)	(810,329)	(625,560)	(370,217)	0	(370,217)	(1,620,659)	(1,990,876)	0
12.	Group Insurance	3,207,748	707,174			0				(97,708)		(97,708)	609,466	3,817,214	0	3,817,214	0	3,817,214	0
13.	Other Benefits	1,101,551	309,908			0				(35,227)		(35,227)	274,681	1,376,232	0	1,376,232	0	1,376,232	0
14.	Support Services	19,006,297	1,187,247			0					(353,887)	(353,887)	833,360	19,839,657	0	19,839,657	0	19,839,657	0
15.	Contract Services	1,420,029	1,004,436			0					(507,500)	(507,500)	496,936	1,916,965	0	1,916,965	0	1,916,965	0
16.	Building Maintenance & Services	1,054,748	53,545			0						0	53,545	1,108,293	0	1,108,293	0	1,108,293	0
17.	Telecommunications	815,801	41,415			0						0	41,415	857,216	0	857,216	0	857,216	0
18.	Postage, Printing, & Stationary	44,817	3,664			0						0	3,664	48,481	0	48,481	0	48,481	0
19.	Office Supplies & Services	544,624	102,076			0						0	102,076	646,700	0	646,700	0	646,700	0
20.	Advertising & Marketing	100,687	(29,186)			(17,112)						0	(46,298)	54,389	0	54,389	0	54,389	0
21.	Employee Related Expense	407,334	20,694			0						0	20,694	428,028	0	428,028	0	428,028	0
22.	Miscellaneous Expense	2,522,710	229,128			(14,711)					(214,250)	(214,250)	167	2,522,877	0	2,522,877	(1,360,141)	1,162,736	0
23.	Rents	569,514	(194,429)			0						0	(194,429)	375,085	0	375,085	0	375,085	0
24.	Transportation	921,565	(6,628)			0						0	(6,628)	914,937	0	914,937	0	914,937	0
25.	Uncollectible Accounts	2,317,269	(58,183)			(107)	15,560	(9,698)				5,861	(52,429)	2,264,840	0	2,264,840	0	2,264,840	138,920
26.	Customer Accounting	2,849,836	1,164,204			0						0	1,164,204	4,014,040	39,007	4,053,047	0	4,053,047	0
27.	Regulatory Expense	387,854	337,967			(28,766)						(50,000)	259,201	647,055	0	647,055	0	647,055	0
28.	Insurance Other Than Group	1,746,379	428,783			0						0	428,783	2,175,162	0	2,175,162	0	2,175,162	0
29.	Maintenance Supplies & Services	5,928,101	453,539			0						0	453,539	6,381,640	0	6,381,640	0	6,381,640	0
30.																			
31.	<b>Total Operation &amp; Maintenance Expense: (Sum</b>	<b>\$73,076,551</b>	<b>\$9,569,052</b>	<b>\$0</b>	<b>(\$60,696)</b>	<b>(\$60,696)</b>	<b>\$97,359</b>	<b>(\$9,698)</b>	<b>(\$647,058)</b>	<b>(\$1,704,855)</b>	<b>(\$2,264,253)</b>	<b>\$7,244,103</b>	<b>\$80,320,654</b>	<b>\$39,007</b>	<b>\$80,359,661</b>	<b>(\$2,354,422)</b>	<b>\$78,005,239</b>	<b>\$138,920</b>	
32.																			
33.	Depreciation	48,054,562	67,805			0	0				0	0	67,805	48,122,367	0	48,122,367	4,406,608	52,528,975	0
34.	Amortization	535,287	77,412			0					(338,000)	(338,000)	(260,588)	274,699	0	274,699	0	274,699	0
35.	General Taxes	15,684,056	1,635,706			(27,967)						(28,201)	1,579,538	17,263,594	55,038	17,318,632	0	17,318,632	207,717
36.																			
37.	<b>Operating Expenses before Income Tax: (Sum</b>	<b>\$137,350,456</b>	<b>\$11,349,975</b>	<b>\$0</b>	<b>(\$88,663)</b>	<b>(\$88,663)</b>	<b>\$97,359</b>	<b>(\$9,698)</b>	<b>(\$647,058)</b>	<b>(\$2,071,056)</b>	<b>(\$2,630,454)</b>	<b>\$8,630,858</b>	<b>\$145,981,314</b>	<b>\$94,045</b>	<b>\$146,075,359</b>	<b>\$2,052,186</b>	<b>\$148,127,545</b>	<b>\$346,637</b>	
38.																			
39.	<b>Operating Income before Income Tax: (Line 1 -</b>	<b>\$85,164,800</b>	<b>(\$11,682,049)</b>	<b>\$0</b>	<b>\$88,663</b>	<b>\$88,663</b>	<b>\$1,422,420</b>	<b>(\$944,136)</b>	<b>\$647,058</b>	<b>\$2,071,056</b>	<b>\$3,196,399</b>	<b>(\$8,396,987)</b>	<b>\$76,767,813</b>	<b>\$3,742,181</b>	<b>\$80,509,994</b>	<b>(\$2,052,186)</b>	<b>\$78,457,808</b>	<b>\$13,317,137</b>	
40.																			
41.	<b>State Income Tax</b>																		
42.	Current State Income Tax	2,908,627	(721,527)	(68,022)	4,914	(63,108)	78,825	(52,320)	35,857	113,654	176,016	(608,619)	2,300,008	207,377	2,507,385	(113,724)	2,393,661	737,982	
43.	Deferred State Income Tax	1,269,161	0			0					0	0	1,269,161	0	1,269,161	0	1,269,161	0	
44.	<b>Federal Tax</b>																		
45.	Current Federal Income Tax	10,248,509	(10,476,652)		85,610	85,610	282,155	(187,281)	128,352	354,139	577,365	(9,813,677)	434,832	744,517	1,179,349	(381,360)	797,989	2,640,780	
46.	Deferred Federal Income Tax	11,423,608	0	(1,719,961)		(1,719,961)					0	(1,719,961)	9,703,647	0	9,703,647	0	9,703,647	0	
47.	Investment Tax Credits	(37,008)	0			0					0	0	(37,008)	0	(37,008)	0	(37,008)	0	
48.																			
49.	<b>Total Operating Expenses: (Line 37 + Sum Line</b>	<b>\$163,163,353</b>	<b>\$151,796</b>	<b>(\$1,787,983)</b>	<b>\$1,861</b>	<b>(\$1,786,122)</b>	<b>\$458,339</b>	<b>(\$249,300)</b>	<b>(\$482,849)</b>	<b>(\$1,603,263)</b>	<b>(\$1,877,073)</b>	<b>(\$3,511,399)</b>	<b>\$159,651,954</b>	<b>\$1,045,939</b>	<b>\$160,697,893</b>	<b>\$1,557,102</b>	<b>\$162,254,995</b>	<b>\$3,725,400</b>	
50.																			
51.	<b>Net Utility Operating Income: (Line 1 - Line 49)</b>	<b>\$59,351,903</b>	<b>(\$483,870)</b>	<b>\$1,787,983</b>	<b>(\$1,861)</b>	<b>\$1,786,122</b>	<b>\$1,061,440</b>	<b>(\$704,534)</b>	<b>\$482,849</b>	<b>\$1,603,263</b>	<b>\$2,443,018</b>	<b>\$3,745,270</b>	<b>\$63,097,173</b>	<b>\$2,790,287</b>	<b>\$65,887,460</b>	<b>(\$1,557,102)</b>	<b>\$64,330,358</b>	<b>\$9,938,379</b>	

Indiana-American Water Company  
 Cause No. 45142  
 Calculation of Proposed Revenue Increase  
 Based on Pro Forma Operating Results  
 and Rate Base

Line Number	Description	Step 1			Step 2		
		Total Company	Total Water	Total Wastewater	Total Company	Total Water	Total Wastewater
1							
2	<b>Present Rate Utility Operating Income:</b>						
3							
4	<b>Operating Revenue at Present Rates:</b>	<u>\$222,749,127</u>	<u>\$221,379,037</u>	<u>\$1,370,090</u>	<u>\$226,585,353</u>	<u>\$225,215,263</u>	<u>\$1,370,090</u>
5							
6	<b>Less: Deductions:</b>						
7	Operating and Maintenance:	\$80,320,654	\$79,818,381	\$502,273	\$78,005,239	\$77,586,640	\$418,599
8	Depreciation & Cost of Removal:	48,122,367	47,844,715	277,652	52,528,975	52,251,945	277,030
9	Amortization:	274,699	272,907	1,792	274,699	272,907	1,792
10	General Taxes:	17,263,594	17,137,214	126,380	17,318,632	17,188,280	130,352
11	State Income Taxes:	3,569,169	3,549,668	19,501	3,662,822	3,623,378	39,444
12	Federal Income Taxes:	10,101,471	10,041,298	60,174	10,464,628	10,334,076	130,552
13	<b>Total Deductions:</b>	<u>\$159,651,954</u>	<u>\$158,664,182</u>	<u>\$987,772</u>	<u>\$162,254,995</u>	<u>\$161,257,226</u>	<u>\$997,769</u>
14							
15	<b>Pro Forma Present Rate Utility Operating Income:</b>	<u>\$63,097,173</u>	<u>\$62,714,855</u>	<u>\$382,318</u>	<u>\$64,330,358</u>	<u>\$63,958,037</u>	<u>\$372,321</u>
16							
17							
18							
19							
20							
21	<b>Revenue Requirement and Rate Increase Request:</b>						
22							
23	Net Original Cost Rate Base	\$1,060,651,780	\$1,054,497,247	\$6,154,533	\$1,182,170,152	\$1,176,243,751	\$5,926,401
24	Rate of Return	6.17%	6.17%	6.17%	6.25%	6.25%	6.25%
25							
26	<b>Net Operating Income Required (Line 23 x Line 24)</b>	<u>\$65,473,876</u>	<u>\$65,093,957</u>	<u>\$379,918</u>	<u>\$73,879,238</u>	<u>\$73,508,870</u>	<u>\$370,368</u>
27							
28	Add: Fair Value Increment (1993 purchase of Indiana Cities)	413,584	411,184	2,400	389,495	387,542	1,953
29							
30	<b>Total Fair Value Increment</b>	<u>\$413,584</u>	<u>\$411,184</u>	<u>\$2,400</u>	<u>\$389,495</u>	<u>\$387,542</u>	<u>\$1,953</u>
31							
32	<b>Net Operating Income Required, including Fair Value Increment (Line 26 + Line 30)</b>	<u>\$65,887,460</u>	<u>\$65,505,142</u>	<u>\$382,318</u>	<u>\$74,268,733</u>	<u>\$73,896,412</u>	<u>\$372,321</u>
33							
34	Less: Pro Forma Net Operating Income Based on Current Rates (Line 15)	\$63,097,173	\$62,714,855	\$382,318	\$64,330,358	\$63,958,037	\$372,321
35							
36	<b>Increase In Net Operating Income Required (Line 32 - Line 34)</b>	<u>\$2,790,287</u>	<u>\$2,790,287</u>	<u>\$0</u>	<u>\$9,938,375</u>	<u>\$9,938,375</u>	<u>\$0</u>
37							
38	Gross Revenue Conversion Factor	137.4850%	137.4850%	137.4850%	137.4850%	137.4850%	137.4850%
39							
40	<b>Rate Increase Request (Line 36 x Line 38)</b>	<u>\$3,836,226</u>	<u>\$3,836,226</u>	<u>\$0</u>	<u>\$13,663,774</u>	<u>\$13,663,774</u>	<u>\$0</u>
41							
42	<b>Revenue Requirement (Line 40 + Line 4)</b>	<u>\$226,585,353</u>	<u>\$225,215,263</u>	<u>\$1,370,090</u>	<u>\$240,249,127</u>	<u>\$238,879,037</u>	<u>\$1,370,090</u>
43							
44	<b>Percentage Increase over Operating Revenue at Present Rates (Line 40 / Line 4)</b>	<u>1.72%</u>	<u>1.73%</u>	<u>0.00%</u>	<u>6.03%</u>	<u>6.07%</u>	<u>0.00%</u>

Indiana-American Water Company  
 Cause No. 45142  
 Calculation of Gross Revenue Conversion Factor

Line Number	Gross Revenue Conversion Factor Calculation	Step 1		Step 2	
		Total Rate	Gross Revenue Conversion Factor Calculation	Total Rate	Gross Revenue Conversion Factor Calculation
1	Gross revenue Change		100.0000%		100.0000%
2	Less: Bad Debt Rate/ Uncollectible Expense	1.0167%	1.0167%	1.0167%	1.0167%
3	Net Income After Uncollectibles		98.9833%		98.9833%
4	Less: IURC Fee IURC Fee Rate for 2018/2019 Rate: 0.1202041%	0.1202%	0.1190%	0.1202%	0.1190%
5	Net Income After Uncollectibles & IURC Fees		98.8643%		98.8643%
7	Less: State Income Tax	5.5416%	5.4787%	5.5416%	5.4787%
8	Less: Utility Receipts Tax	1.4000%	1.3157%	1.4000%	1.3157% (a)
9	Net Income After Uncollectibles, IURC Fees, and State Taxes		92.0699%		92.0699%
11	Less: Federal Income Tax	21.00%	19.3347%	21.00%	19.3347%
13	Net Income After Uncollectibles, IURC Fees, State Taxes, & Federal Taxes		72.7352%		72.7352%
15	Gross Revenue Conversion Factor (Line 1 / Line 14)		137.4850%		137.4850%

(a) The Utility Receipts Tax calculation has been adjusted to exclude Sales for Resale revenues. Sales for Resale represent 4.9394% of Total Operating Present Rate Revenues. Therefore, Utilities Receipts Tax has been calculated based on 95.0606% (100% - 4.9394%) of Line 5.

Indiana-American Water Company  
 Cause No. 45142  
 Calculation of Proposed Fair Value Increment

Line Number	Description	Previously Approved Fair Value Increment
1	<b>Acquisition Adjustment:</b>	
2	1993 Purchase of Indiana Cities	\$17,412,009
3	Total Acquisition Adjustment:	<u>\$17,412,009</u>
4		
5	<b>Less:</b>	
6	1993 Purchase of Indiana Cities Accumulated Amortization	10,712,108
7	Total Accumulated Amortization:	<u>10,712,108</u>
8		
9	Acquisition Adjustment Net of Accumulated Amortization as of April 30, 2019:	<u>\$6,699,901</u>
10		
11		
12	1993 Purchase of Indiana Cities Accumulated Amortization	11,179,545
13	Total Accumulated Amortization:	<u>11,179,545</u>
14		
15	Acquisition Adjustment Net of Accumulated Amortization as of April 30, 2020:	<u>\$6,232,464</u>
16		
17	<b>Times:</b>	
18	Rate of Return as of April 30, 2019:	6.17%
19	Rate of Return as of April 30, 2020:	<u>6.25%</u>
20		
21	<b>Fair Value Increment as of April 30, 2019:</b>	<u>\$413,584</u>
22		
23	<b>Fair Value Increment as of April 30, 2020:</b>	<u>\$389,495</u>
24		
25		

Indiana-American Water Company  
Cause No. 45142  
Test Year Operating Revenues at Present Rates & Proposed Rates  
Summary Schedule of all Rate Class Revenues for Water Districts

Line Number	Class/Description (A)	Base Year Revenues 12/31/2017 (B)	Adjustments for Present Rates (C)	Step 1 at Present Rates (D)	Adjustments for Proposed Rates (E)	Step 1 at Proposed Rates (F)	Percent of Revenue To Total (G)	Total Dollar increase (H)	Total Revenue Increase (%) (I)	Step 2 at Proposed Rates (J)	Percent of Revenue To Total (K)	Total Dollar Increase (L)	Total Revenue Increase (%) (M)
1													
2	Residential	\$112,206,022	\$3,058,532	\$115,264,554	\$619,298	\$115,883,852	51.45%	\$619,298	0.54%	\$123,120,679	51.54%	\$7,236,827	6.24%
3													
4	Commercial	44,190,004	290,623	44,480,627	1,677,525	46,158,152	20.50%	1,677,525	3.77%	48,875,250	20.46%	2,717,098	5.89%
5													
6	Industrial	15,719,359	(1,297,855)	14,421,504	533,951	14,955,455	6.64%	533,951	3.70%	15,973,713	6.69%	1,018,258	6.81%
7													
8	Other Public Authority	8,282,993	(349,724)	7,933,269	310,299	8,243,568	3.66%	310,299	3.91%	8,702,977	3.64%	459,409	5.57%
9													
10	Sale for Resale	12,375,429	(1,695,510)	10,679,919	191,953	10,871,872	4.83%	191,953	1.80%	\$11,542,584	4.83%	\$670,712	6.17%
11													
12	Miscellaneous	107,378	(35,332)	72,046	1,162	73,208	0.03%	1,162	1.61%	73,120	0.03%	(88)	-0.12%
13													
14	Private Fire Service	4,577,914	(133,126)	4,444,788	95,723	4,540,511	2.02%	95,723	2.15%	4,820,618	2.02%	280,107	6.17%
15													
16	Public Fire Service	20,752,127	(687,639)	20,064,488	401,033	20,465,521	9.09%	401,033	2.00%	21,728,054	9.10%	1,262,533	6.17%
17													
18	<b>Total Water Revenues:</b>	<b>\$218,211,226</b>	<b>(\$850,031)</b>	<b>\$217,361,195</b>	<b>\$3,830,944</b>	<b>\$221,192,139</b>	<b>98.21%</b>	<b>\$3,830,944</b>	<b>1.76%</b>	<b>\$234,836,995</b>	<b>98.31%</b>	<b>\$13,644,856</b>	<b>6.17%</b>
19													
20													
21	Late Payment Charge	\$1,301,369	(\$6,710)	\$1,294,659	\$0	\$1,294,659	0.57%	\$0	0.00%	\$1,294,659	0.54%	\$0	0.00%
22													
23	Rent	246,468	24,192	270,660	0	270,660	0.12%	0	0.00%	270,660	0.11%	0	0.00%
24													
25	Collection for Others	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
26													
27	NSF Check Charge	101,156	1,387	102,543	0	102,543	0.05%	0	0.00%	102,543	0.04%	0	0.00%
28													
29	Usage Data	648,630	2,849	651,479	0	651,479	0.29%	0	0.00%	651,479	0.27%	0	0.00%
30													
31	Reconnection Fee	829,820	100,810	930,630	0	930,630	0.41%	0	0.00%	930,630	0.39%	0	0.00%
32													
33	After Hrs Charge	19,560	2,198	21,758	0	21,758	0.01%	0	0.00%	21,758	0.01%	0	0.00%
34													
35	Misc Service	454,861	346	455,207	0	455,207	0.20%	0	0.00%	455,207	0.19%	0	0.00%
36													
37	Unbilled Revenue	253,198	37,708	290,906	5,282	296,188	0.13%	5,282	1.82%	315,106	0.13%	18,918	6.39%
38													
39	<b>Total Other Revenues:</b>	<b>\$3,855,062</b>	<b>\$162,780</b>	<b>\$4,017,842</b>	<b>\$5,282</b>	<b>\$4,023,124</b>	<b>1.79%</b>	<b>\$5,282</b>	<b>1.82%</b>	<b>\$4,042,042</b>	<b>1.69%</b>	<b>\$18,918</b>	<b>6.39%</b>
40													
41													
42	<b>Total Operating Revenues:</b>	<b>\$222,066,288</b>	<b>(\$687,251)</b>	<b>\$221,379,037</b>	<b>\$3,836,226</b>	<b>\$225,215,263</b>	<b>100.00%</b>	<b>\$3,836,226</b>	<b>1.73%</b>	<b>\$238,879,037</b>	<b>100.00%</b>	<b>\$13,663,774</b>	<b>6.07%</b>

Indiana-American Water Company  
Cause No. 45142  
Test Year Operating Revenues at Present Rates & Proposed Rates  
Summary Schedule of all Rate Class Revenues for Wastewater Districts

Line Number	Class/Description (A)	Base Year Revenues 12/31/2017 (B)	Adjustments for Present Rates (C)	Step 1 at Present Rates (D)	Adjustments for Proposed Rates (E)	Step 1 at Proposed Rates (F)	Percent of Revenue To Total (G)	Total Dollar Increase (H)	Total Revenue Increase (%) (I)	Step 2 at Proposed Rates (J)	Percent of Revenue To Total (K)	Total Dollar Increase (L)	Total Revenue Increase (%) (M)
1													
2	Residential	\$426,430	\$673,009	\$1,099,439	\$0	\$1,099,439	80.25%	\$0	0.00%	\$1,099,439	80.25%	\$0	0.00%
3													
4	Commercial	19,668	148,175	167,843	0	167,843	12.25%	0	0.00%	167,843	12.25%	0	0.00%
5													
6	Industrial	0	66,867	66,867	0	66,867	4.88%	0	0.00%	66,867	4.88%	0	0.00%
7													
8	Other Public Authority	0	27,253	27,253	0	27,253	1.99%	0	0.00%	27,253	1.99%	0	0.00%
9													
10	Sale for Resale	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
11													
12	Miscellaneous	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
13													
14	Private Fire Service	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
15													
16	Public Fire Service	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
17													
18	<b>Total Water Revenues:</b>	<b>\$446,098</b>	<b>\$915,304</b>	<b>\$1,361,402</b>	<b>\$0</b>	<b>\$1,361,402</b>	<b>99.37%</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$1,361,402</b>	<b>99.37%</b>	<b>\$0</b>	<b>0.00%</b>
19													
20													
21	Late Payment Charge	\$2,847	\$5,841	\$8,688	\$0	\$8,688	0.63%	\$0	0.00%	\$8,688	0.63%	\$0	0.00%
22													
23	Rent	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
24													
25	Collection for Others	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
26													
27	NSF Check Charge	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
28													
29	Usage Data	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
30													
31	Reconnection Fee	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
32													
33	After Hrs Charge	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
34													
35	Misc Service	0	0	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
36													
37	Unbilled Revenue	22	(22)	0	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%
38													
39	<b>Total Other Revenues:</b>	<b>\$2,869</b>	<b>\$5,819</b>	<b>\$8,688</b>	<b>\$0</b>	<b>\$8,688</b>	<b>0.63%</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$8,688</b>	<b>0.63%</b>	<b>\$0</b>	<b>0.00%</b>
40													
41													
42	<b>Total Operating Revenues:</b>	<b>\$448,967</b>	<b>\$921,123</b>	<b>\$1,370,090</b>	<b>\$0</b>	<b>\$1,370,090</b>	<b>100.00%</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$1,370,090</b>	<b>100.00%</b>	<b>\$0</b>	<b>0.00%</b>

		Settlement Figures				Step 2				
		Step 1				Step 2				
		%	Cost	Wt Cost	CapStr.	%	Cost	Wt Cost	CapStr.	
Long Term Debt	\$ 413,259,859	37.41%	5.26%	1.97%	46.6%	\$ 463,799,134	38.03%	5.19%	1.97%	46.6%
ADIT	\$ 217,647,012	19.70%	0.00%	0.00%		\$ 223,526,407	18.33%	0.00%	0.00%	
Other Zero	\$ (299,202)	-0.03%	0.00%	0.00%		\$ 80,657	0.01%	0.00%	0.00%	
JDIT	\$ 381,500	0.03%	8.39%	0.00%		\$ 344,492	0.03%	8.35%	0.00%	
Common Equity	\$ 473,706,090	42.88%	9.80%	4.20%	53.41%	\$ 531,771,238	43.60%	9.80%	4.27%	53.41%
	\$ 1,104,695,259	100.00%		6.17%		\$ 1,219,521,928	100.00%		6.25%	

Ratebase, ROE, and Cap Structure together are the primary levers here.

		As filed with Petitioner				Step 2				
		Step 1				Step 2				
		%	Cost	Wt Cost	CapStr.	%	Cost	Wt Cost	CapStr.	
Long Term Debt	\$386,377,967	34.98%	5.26%	1.84%	43.6%	\$434,467,491	35.60%	5.19%	1.85%	43.6%
ADIT	217,949,060	19.73%	0.00%	0.00%		225,159,739	18.45%	0.00%	0.00%	
Other Zero	(799,695)	-0.06%	0.00%	0.00%		(707,042)	-0.06%	0.00%	0.00%	
JDIT	381,500	0.03%	8.39%	0.00%		344,492	0.03%	8.35%	0.00%	
Common Equity	500,587,982	45.32%	10.80%	4.89%	56.4%	561,112,881	45.98%	10.80%	4.97%	56.4%
	\$1,104,496,814	100.00%		6.74%		\$1,220,377,560	100.00%		6.82%	

Indiana-American Water Company  
Cause No. 45142  
Calculation of Proposed Rate Base  
Based on Pro Forma Operating Results  
and Rate Base

Line Number	Description	Difference b/w IAWandOUCC	Agreed to at Settlement Day 2 Step 1			Agreed to at Settlement Day 2 Step 2		
			Total Company	Total Water	Total Wastewater	Difference b/w IAWandOUCC	Total Company	Total Water
	Ratebase as filed		\$1,065,478,370			\$1,222,170,152		
	BT SOP 98-01	(4,826,590)				(4,826,590)		
	Recurring "Unidentified" Muncie	(92,865,537)				(174,981,310)		
	Richmond Land					(5,000,000)		
	Richmond Plant	(705,441)				(31,000,000)		
	Main "upsizing" Step 1	(7,020,102)				(705,441)		
	Overhead Step 1	(2,045,376)				(10,475,854)		
	Crib intake	(4,105,314)				(7,518,148)		
	Post-in service AFLDC/Deferred Depreciation					(4,105,314)		
	Computers Step 1	(9,784,502)				(670,311)		
	Settlement Reduction		(4,826,590)				(40,000,000)	
	New Adjusted Ratebase		\$1,060,651,780			(254,219,265)	\$1,182,170,152	

Line Number	Account Description	4/30/2019 Pro Forma Utility Plant	Pro Forma Depreciation Expense	4/30/2019 Pro Forma Utility Plant	New Depreciation Rate	Pro Forma Depreciation Expense	4/30/2020 Pro Forma Utility Plant	New Depreciation Rate	Pro Forma Depreciation Expense
AS FILED	Total Property - New Adjusted Ratebase	\$1,717,710,493	\$48,963,784	\$1,717,710,493	2.55%	\$43,746,160	\$1,895,615,092	2.55%	\$48,333,617
	Total Property- Wastewater	\$6,603,964	\$159,437	\$6,603,964	4.10%	\$270,592	\$6,792,794	4.08%	\$277,301
	Total Property- Corporate	\$49,000,113	\$4,480,172	\$49,000,113	11.16%	\$5,469,293	\$57,153,908	11.00%	\$6,284,672
	Total			\$1,773,314,570	2.79%	\$49,486,045	\$1,959,561,794	2.80%	\$54,895,590

SETTLEMENT	Reduced Capital Step One			(\$4,826,590) Move to amort \$122k		\$0	(\$4,826,590)		\$0
	Reduced Capital Step Two						(\$36,187,165)		(\$1,013,755)
	Reduced Capital Cumulative						(\$41,013,755)		(\$1,013,755)

High-Level Net Impact IO Rate Base (\$4,826,589.81) (\$40,000,000)

	As filed	%Total	As Filed	%Total
Water	1,059,296,983	99.420%	1,059,296,983	99.420%
WasteWater	6,181,387	0.580%	(\$28,001,533)	0.501%
Total	1,065,478,370		1,065,478,370	

Depreciation	Water	Waste	Total
	(\$4,798,588)	(\$1,147)	(\$4,799,735)
	(\$28,002)	(\$1,147)	(\$29,149)
	(\$4,826,590)	\$0	(\$4,826,590)

Line Number	Account Description	Step One Ratebase		New Step One Ratebase		Step Two Ratebase		New Step Two Ratebase	
		As Filed	Adjustments From Settlement	As Filed	Adjustments From Settlement	As Filed	Adjustments From Settlement	As Filed	Adjustments From Settlement
	Water	1,059,296,983	(\$4,799,736)	1,054,497,247		1,216,042,881	(\$39,799,130)	1,176,243,751	
	WasteWater	6,181,387	(\$26,854)	6,154,533		\$6,127,271	(\$200,870)	\$5,926,401	
	Total	1,065,478,370	(4,826,590)	1,060,651,780		1,222,170,152	(40,000,000)	1,182,170,152	

Prepared for Settlement

Settlement INAWC 2018 Rate Case - Pro Forma Income Statement Ver 11

Schedule Ratebase Variations

Page 1 of 1

Indiana-American Water Company  
Cause No. 45142  
Calculation of Proposed Rate Base  
Based on Pro Forma Operating Results  
and Rate Base

Line Number	Account Description	4/30/2019 Pro Forma Utility Plant	Pro Forma Depreciation Expense	4/30/2019 Pro Forma Utility Plant	New Depreciation Rate	Pro Forma Depreciation Expense	4/30/2020 Pro Forma Utility Plant	New Depreciation Rate	Pro Forma Depreciation Expense
<b>AS FILED</b>									
	Total Property - Water	\$1,717,710,493	\$48,963,784	\$1,717,710,493	2.55%	\$43,746,160	\$1,895,615,092	2.55%	\$48,333,617
	Total Property - Wastewater	\$6,603,964	\$159,417	\$6,603,964	4.10%	\$270,592	\$6,792,794	4.08%	\$277,301
	Total Property- Corporate	\$49,000,113	\$4,480,172	\$49,000,113	11.16%	\$5,402,933	\$71,539,088	10.0%	\$6,246,222
	<b>Total</b>			<b>\$1,773,314,570</b>	<b>2.79%</b>	<b>\$49,486,045</b>	<b>\$1,959,561,794</b>	<b>2.80%</b>	<b>\$58,955,590</b>
<b>SETTLEMENT</b>									
	Reduced Capital Step One			(\$4,826,590)	Move to amort \$122k	\$0	(\$4,826,590)		\$0
	Reduced Capital Step Two						(\$36,187,165)		(\$1,013,755)
	Reduced Capital Cumulative						(\$41,013,755)		(\$1,013,755)
	Depreciation								
			Capital change	Depreciation change		Capital change	Depreciation change		
	Water		(\$4,798,688)	\$1,147		(\$36,005,743)	(1,006,348.95)		
	Waste		(\$28,002)	(\$1,147)		(181,422)	(7,408.16)		
	Total		(\$4,826,590)	\$0		(36,187,165)	(1,013,755.11)		

Indiana-American Water Company  
 Cause No. 45142  
 Interest Synchronization Deduction Calculation  
 For the Twelve Months Ended April 30, 2020

Settled Step 1

Interest Rate Calculation for Interest Deduction:

Description	Long Term Debt	Customer Deposits	Total
<b>Weighted Cost:</b>			
Percentage of Total Capital	37.41%	0.00%	
Average Cost	5.26%	0.00%	
	<u>1.97%</u>	<u>0.00%</u>	<u>1.97%</u>

Settled Step 2

Interest Rate Calculation for Interest Deduction:

Description	Long Term Debt	Customer Deposits	Total
<b>Weighted Cost:</b>			
Percentage of Total Capital	38.03%	0.00%	
Average Cost	5.19%	0.00%	
	<u>1.97%</u>	<u>0.00%</u>	<u>1.97%</u>

AS FILED

Line No.	District	Pro Forma Original Cost Rate Base	Interest Rate	Interest Deduction
1	Water	\$1,059,296,983	1.84%	\$19,490,514
2	Wastewater	6,181,387		113,734
3				0
4				
5		<u>\$1,065,478,370</u>		<u>\$19,604,248</u>

Line No.	District	Pro Forma Original Cost Rate Base	Interest Rate	Interest Deduction
1	Water	\$1,216,042,881	1.85%	\$22,468,095
2	Wastewater	6,127,271		113,210
3				0
4				
5		<u>\$1,222,170,152</u>		<u>\$22,581,305</u>

AFTER SETTLEMENT

Line No.	District	Pro Forma Original Cost Rate Base	Interest Rate	Interest Deduction
1	Water	\$1,054,497,247	1.97%	\$20,773,596
2	Wastewater	6,154,533		121,244
3				0
4				
5		<u>\$1,060,651,780</u>		<u>\$20,894,840</u>

Line No.	District	Pro Forma Original Cost Rate Base	Interest Rate	Interest Deduction
1	Water	\$1,176,243,751	1.97%	\$23,172,002
2	Wastewater	5,926,401		116,750
3				0
4				
5		<u>\$1,182,170,152</u>		<u>\$23,288,752</u>

Water		\$269,447
WasteWater		\$1,577
Difference in Int Synch		\$1,290,592
	21.00%	\$271,024

Water		\$147,820
WasteWater		\$743
		\$707,447
	21.00%	\$148,564

For Step One:

Step One is 8 months of the way we were doing things (as filed) and 4 months of the new numbers.

New numbers consist of revisions based on new Willis Towers Watson actuary report PLUS capturing all pension/OPEB expenses, not just service costs

Expense ratio	66.26%			
<b>As Filed (Service Cost)</b>		Pension	expensed	OPEBs
		<b>\$1,672,189</b>	<b>\$1,107,992</b>	<b>\$664,219</b>
				<b>\$440,112</b>
<b>2019 Total Cost</b>		<b>\$2,524,501</b>	<b>\$2,047,560</b>	<b>(\$1,990,877)</b>
<b>Variance - Increase (Decrease) from filing</b>		<b>\$852,312</b>	<b>\$939,567</b>	<b>(\$2,430,988)</b>
		Total by end of Step two variance from filing		

	2018			2018		
<u>ASC 715 - Accrual</u>	AW Pension Cost			AW Postretirement Welfare Cost		
	American Water	INAWC	Expense	Total Retiree	INAWC	Expense
Pension and Postretirement Welfare Cost	Qualified Pension Plan	Allocation	Portion	Welfare Plans	Allocation	Portion
Service cost (OR)	\$32,788,018	\$1,672,189	\$1,107,992	\$9,289,778	\$664,219	\$440,112
Interest cost (INT)	73,544,346	3,750,762	3,750,762	22,614,083	1,616,907	\$1,616,907
Expected return on assets (INT)	(95,393,222)	(4,865,054)	(4,865,054)	(26,598,649)	(1,901,803)	(\$1,901,803)
Amortization	-	-	-	-	-	\$0
Transition obligation (asset)	-	-	-	-	-	\$0
Prior service cost (credit) (OR)	597,587	30,477	30,477	(15,618,180)	(1,116,700)	(\$1,116,700)
Net loss (gain) (OR)	29,776,882	1,518,621	1,518,621	6,373,979	455,739	\$455,739
<b>Pension Cost</b>	<b>\$41,313,611</b>	<b>\$2,106,994</b>	<b>\$1,542,798</b>	<b>(\$3,938,989)</b>	<b>(\$281,638)</b>	<b>(\$505,745)</b>
<b>INAWC 2018 Allocation Percentage - Pension</b>	<b>5.10%</b>			<b>7.15%</b>		
				<b>66.20%</b>		

	2019			2019		
<u>ASC 715 - Accrual</u>	AW Pension Cost			AW Postretirement Welfare Cost		
	American Water	INAWC	Expense	Total Retiree	INAWC	Expense
Pension and Postretirement Welfare Cost	Qualified Pension Plan	Allocation	Portion	Welfare Plans	Allocation	Portion
Service cost (OR)	\$26,874,134	\$1,413,579	\$936,638	\$3,649,158	\$257,631	\$170,706
Interest cost (INT)	79,061,458	4,158,633	4,158,633	\$14,710,879	1,038,588	1,038,588
Expected return on assets (INT)	(89,265,261)	(4,695,353)	(4,695,353)	(\$17,421,745)	(1,229,975)	(1,229,975)
Amortization	-	-	-	-	-	-
Transition obligation (asset)	-	-	-	\$0	-	-
Prior service cost (credit) (OR)	(2,910,448)	(153,090)	(153,090)	(\$32,690,156)	(2,307,925)	(2,307,925)
Net loss (gain) (OR)	34,234,439	1,800,731	1,800,731	\$4,783,702	337,729	337,729
<b>Pension Cost</b>	<b>\$47,994,322</b>	<b>\$2,524,501</b>	<b>\$2,047,560</b>	<b>(\$26,968,162)</b>	<b>(\$1,903,952)</b>	<b>(\$1,990,877)</b>
<b>INAWC 2018 Allocation Percentage - Pension</b>	<b>5.26%</b>			<b>7.06%</b>		
				<b>Postretirement</b>		

INDIANA AMERICAN WATER COMPANY  
TOTAL WATER

COMPARISON OF PROFORMA COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES  
FOR THE TWELVE MONTHS ENDED APRIL 30, 2020

Customer Classification (1)	Proforma Revenues, Under Present Rates		Proforma Revenues, Under Step 1 Rates		Proposed Increase - Step 1		Proforma Revenues, Under Step 2 Rates		Proposed Increase - Step 2	
	Amount (2)	Percent of Total (3)	Amount (4)	Percent of Total (5)	Amount (6)	Percent Increase (7)	Amount (8)	Percent of Total (9)	Amount (10)	Percent Increase (11)
Residential	\$ 115,264,554	53.0%	\$ 115,883,852	52.3%	\$ 619,298	0.5%	\$ 123,120,679	52.43%	\$ 7,856,125	6.8%
Commercial (a)	44,552,673	20.7%	46,231,360	20.9%	1,678,687	3.6%	48,948,370	20.84%	4,395,697	9.9%
Industrial	14,421,504	6.6%	14,955,455	6.8%	533,951	3.7%	15,973,713	6.80%	1,552,209	10.8%
Public Authority	7,933,269	3.6%	8,243,568	3.7%	310,299	3.9%	8,702,977	3.71%	769,708	9.7%
Sales for Resale	10,679,919	4.9%	10,871,872	4.9%	191,953	1.8%	11,542,584	4.92%	662,665	8.1%
Private Fire Service	4,444,788	2.0%	4,540,511	2.1%	95,723	2.2%	4,820,618	2.05%	375,830	8.5%
Public Fire	<u>20,064,488</u>	9.2%	<u>20,465,521</u>	9.3%	<u>401,033</u>	2.0%	<u>21,728,054</u>	<u>9.25%</u>	<u>1,663,566</u>	8.3%
Total Sales	217,361,195	<u>100.0%</u>	221,192,139	<u>100.0%</u>	3,830,944	1.8%	234,836,995	<u>100.00%</u>	17,475,800	8.0%
Other Revenues	\$ 3,726,936		\$ 3,726,936		\$ -	0.0%	\$ 3,726,936		-	0.0%
	\$ 290,902		\$ 296,029		\$ 5,127		\$ 314,722		23,820	
Total	<u>\$ 221,379,033</u> 0		<u>\$ 225,215,104</u> 0		<u>\$ 3,836,071</u> (155)	1.7%	<u>\$ 238,878,653</u> 0		<u>\$ 17,499,620</u> (380)	7.9%

INDIANA AMERICAN WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES (Step 1)

Customer Charges:

Meter size	All Except Resale	Resale	All Except Resale	Resale	Retail Increase	SFR Increase
	Present Rate Per Month	Present Rate Per Month	Proposed Rate Per Month	Proposed Rate Per Month		
5/8 inch	\$18.25	\$21.50	\$15.47	\$21.88	-15.23%	1.77%
3/4 inch	\$25.86	\$30.86	\$21.92	\$31.40	-15.24%	1.75%
1 inch	\$33.34	\$41.98	\$28.72	\$42.72	-13.86%	1.76%
1 1/2 inch	\$53.79	\$71.84	\$53.79	\$73.11	0.00%	1.77%
2inch	\$98.27	\$127.49	\$98.27	\$129.74	0.00%	1.76%
3 inch	\$154.90	\$206.99	\$154.90	\$210.64	0.00%	1.76%
4inch	\$240.80	\$329.76	\$240.80	\$335.57	0.00%	1.76%
6inch	\$436.17	\$620.92	\$436.17	\$631.86	0.00%	1.76%
8inch	\$672.41	\$971.76	\$672.41	\$988.89	0.00%	1.76%
10 inch	\$1,061.76	\$1,552.94	\$1,061.76	\$1,580.31	0.00%	1.76%
12 inch	\$1,699.19	\$2,521.02	\$1,699.19	\$2,565.45	0.00%	1.76%

Consumption Charges:

Rate Block Gallons Per Month	All Except Resale	Resale	All Except Resale	Resale	Retail Increase	SFR Increase
	Present Rate Per 1000 gallons	Present Rate Per 1000 gallons	Proposed Rate Per 1000 gallons	Proposed Rate Per 1000 gallons		
Area 1:						
1st block	\$4.1819		\$4.9144		17.52%	
2nd block	\$3.3731		\$3.4869		3.37%	
3rd block	\$1.9230		\$1.9886		3.41%	
Area 2 - Winchester:						
1st block	\$3.6259		\$3.9083		7.79%	
2nd block	\$2.6600		\$3.0406		14.31%	
3rd block	\$1.7484		\$1.9028		8.83%	
Area 2 - Mooresville:						
1st block	\$3.6259		\$3.8483		6.13%	
2nd block	\$2.6600		\$3.0406		14.31%	
3rd block	\$1.7484		\$1.9028		8.83%	
Resale						
1st block		\$2.7075		\$2.7552		1.76%
2nd block		\$2.4838		\$2.5276		1.76%

INDIANA AMERICAN WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES (Step 1)

Private Fire Service

Service Size	Present Rate	Proposed Rate	Retail Increase
2"	\$3.04	\$3.11	2.15%
2-1/2"	\$5.45	\$5.57	2.15%
3"	\$8.80	\$8.99	2.15%
4"	\$18.76	\$19.16	2.15%
6"	\$54.47	\$55.64	2.15%
8"	\$116.10	\$118.60	2.15%
10"	\$208.78	\$213.28	2.15%
12"	\$337.24	\$344.50	2.15%
Hydrants	\$54.47	\$55.64	2.15%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Service - Annual Area 1&amp;2:</u>			
Hydrant Rental	\$63.12	\$64.38	2.00%

Public Fire Surcharge - Annual Area 1 & 2

5/8"	\$4.54	\$4.63	2.00%
3/4"	\$6.81	\$6.95	2.00%
1"	\$11.33	\$11.56	2.00%
1 1/2"	\$22.69	\$23.14	2.00%
2"	\$36.29	\$37.02	2.00%
3"	\$68.04	\$69.40	2.00%
4"	\$113.40	\$115.67	2.00%
6"	\$226.81	\$231.34	2.00%
8"	\$362.89	\$370.14	2.00%
10"	\$589.69	\$601.48	2.00%
12"	\$975.27	\$994.76	2.00%

Public Fire Surcharge - Annual West Lafayette

5/8"	\$3.18	\$3.24	2.00%
3/4"	\$4.76	\$4.86	2.00%
1"	\$7.94	\$8.10	2.00%
1 1/2"	\$15.87	\$16.19	2.00%
2"	\$25.40	\$25.91	2.00%
3"	\$47.62	\$48.57	2.00%
4"	\$79.37	\$80.96	2.00%
6"	\$158.73	\$161.90	2.00%
8"	\$253.98	\$259.06	2.00%
10"	\$412.73	\$420.98	2.00%
12"	\$682.58	\$696.22	2.00%

Public Fire Surcharge - Annual Seymour

5/8"	\$3.98	\$4.06	2.00%
3/4"	\$5.97	\$6.09	2.00%
1"	\$9.95	\$10.15	2.00%
1 1/2"	\$19.89	\$20.29	2.00%
2"	\$31.82	\$32.46	2.00%
3"	\$59.66	\$60.85	2.00%
4"	\$99.43	\$101.42	2.00%
6"	\$198.86	\$202.83	2.00%
8"	\$318.17	\$324.53	2.00%
10"	\$517.02	\$527.35	2.00%
12"	\$855.08	\$872.17	2.00%

Public Fire Surcharge - Annual Sheridan

5/8"	\$4.54	\$4.63	2.00%
1"	\$11.33	\$11.56	2.00%
1 1/2"	\$22.69	\$23.14	2.00%
4"	\$113.40	\$115.67	2.00%

INDIANAAMERICAN WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES (Step 2)

Customer Charges:

Meter size	All Except Resale	Resale	All Except Resale	Resale	Retail Increase	SFR Increase
	Present Rate Per Month	Present Rate Per Month	Proposed Rate Per Month	Proposed Rate Per Month		
5/8 inch	\$18.25	\$21.50	\$15.47	\$23.23	-15.23%	8.05%
3/4 inch	\$25.86	\$30.86	\$21.92	\$33.34	-15.24%	8.04%
1 inch	\$33.34	\$41.98	\$28.72	\$45.36	-13.86%	8.05%
1 1/2 inch	\$53.79	\$71.84	\$53.79	\$77.62	0.00%	8.05%
2inch	\$98.27	\$127.49	\$98.27	\$137.74	0.00%	8.04%
3 inch	\$154.90	\$206.99	\$154.90	\$223.63	0.00%	8.04%
4inch	\$240.80	\$329.76	\$240.80	\$356.27	0.00%	8.04%
6inch	\$436.17	\$620.92	\$436.17	\$670.84	0.00%	8.04%
8inch	\$672.41	\$971.76	\$672.41	\$1,049.89	0.00%	8.04%
10 inch	\$1,061.76	\$1,552.94	\$1,061.76	\$1,677.80	0.00%	8.04%
12 inch	\$1,699.19	\$2,521.02	\$1,699.19	\$2,723.72	0.00%	8.04%

Consumption Charges:

Rate Block Gallons Per Month	All Except Resale	Resale	All Except Resale	Resale	Retail Increase	SFR Increase
	Present Rate Per 1000 gallons	Present Rate Per 1000 gallons	Proposed Rate Per 1000 gallons	Proposed Rate Per 1000 gallons		
Area 1:						
1st block	\$4.1819		\$5.4798		31.04%	
2nd block	\$3.3731		\$3.7058		9.86%	
3rd block	\$1.9230		\$2.1720		12.95%	
Area 2 - Winchester:						
1st block	\$3.6259		\$4.3855		20.95%	
2nd block	\$2.6600		\$3.2173		20.95%	
3rd block	\$1.7484		\$2.1147		20.95%	
Area 2 - Mooresville:						
1st block	\$3.6259		\$4.3855		20.95%	
2nd block	\$2.6600		\$3.2173		20.95%	
3rd block	\$1.7484		\$2.1147		20.95%	
Resale						
1st block		\$2.7075		\$2.9252		8.04%
2nd block		\$2.4838		\$2.6835		8.04%

INDIANA AMERICAN WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES (Step 2)

Private Fire Service

Service Size	Present Rate	Proposed Rate	Retail Increase
2"	\$3.04	\$3.30	8.46%
2-1/2"	\$5.45	\$5.91	8.46%
3"	\$8.80	\$9.54	8.46%
4"	\$18.76	\$20.35	8.46%
6"	\$54.47	\$59.08	8.46%
8"	\$116.10	\$125.92	8.46%
10"	\$208.78	\$228.43	8.46%
12"	\$337.24	\$365.76	8.46%
Hydrants	\$54.47	\$59.08	8.46%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Service - Annual Area 1&amp;2:</u>			
Hydrant Rental	\$83.12	\$68.35	8.29%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Surcharge - Annual Area 1 &amp; 2</u>			
5/8"	\$4.54	\$4.92	8.29%
3/4"	\$6.81	\$7.37	8.29%
1"	\$11.33	\$12.27	8.29%
1 1/2"	\$22.69	\$24.57	8.29%
2"	\$36.29	\$39.30	8.29%
3"	\$68.04	\$73.68	8.29%
4"	\$113.40	\$122.80	8.29%
6"	\$226.81	\$245.62	8.29%
8"	\$362.89	\$392.98	8.29%
10"	\$589.69	\$638.58	8.29%
12"	\$975.27	\$1,056.13	8.29%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Surcharge - Annual West Lafayette</u>			
5/8"	\$3.18	\$3.44	8.29%
3/4"	\$4.76	\$5.15	8.29%
1"	\$7.94	\$8.60	8.29%
1 1/2"	\$15.87	\$17.19	8.29%
2"	\$25.40	\$27.51	8.29%
3"	\$47.62	\$51.57	8.29%
4"	\$79.37	\$85.95	8.29%
6"	\$158.73	\$171.89	8.29%
8"	\$253.98	\$275.04	8.29%
10"	\$412.73	\$446.95	8.29%
12"	\$682.58	\$739.17	8.29%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Surcharge - Annual Seymour</u>			
5/8"	\$3.98	\$4.31	8.29%
3/4"	\$5.97	\$6.46	8.29%
1"	\$9.95	\$10.77	8.29%
1 1/2"	\$19.89	\$21.54	8.29%
2"	\$31.82	\$34.46	8.29%
3"	\$59.66	\$64.61	8.29%
4"	\$99.43	\$107.67	8.29%
6"	\$198.86	\$215.35	8.29%
8"	\$318.17	\$344.55	8.29%
10"	\$517.02	\$559.89	8.29%
12"	\$855.08	\$925.98	8.29%

	Present Rate	Proposed Rate	Retail Increase
<u>Public Fire Surcharge - Annual Sheridan</u>			
5/8"	\$4.54	\$4.92	8.29%
1"	\$11.33	\$12.27	8.29%
1 1/2"	\$22.69	\$24.57	8.29%
4"	\$113.40	\$122.80	8.29%

1. General Service and Resale

Area 1 Customer Charges:	G.S. Rates	Projected Residential	Projected Commercial	Projected Industrial	Projected Public Auth.	Projected Miscellaneous	Resale Rates	Projected Resale
5/8 inch	\$15.47	3,176,411	184,066	971	4,611	10	\$21.88	0
3/4 inch	\$21.92	2,967	1,828	0	60	0	\$31.40	0
1 inch	\$28.72	43,000	77,680	1,727	4,676	0	\$42.72	12
1 1/2 inch	\$53.79	971	12,347	289	1,073	0	\$73.11	0
2 inch	\$98.27	2,654	47,915	3,541	9,432	99	\$129.74	0
3 inch	\$154.90	48	3,381	318	625	263	\$210.64	0
4 inch	\$240.80	36	1,336	1,163	729	0	\$335.57	60
6 inch	\$436.17	0	624	385	261	21	\$631.86	192
8 inch	\$672.41	0	131	84	72	0	\$988.89	24
10 inch	\$1,061.76	0	0	0	24	0	\$1,580.31	36
12 inch	\$1,699.19	0	0	0	0	0	\$2,565.45	0
<b>Area 1 Consumption Charges:</b>								
1st block	\$4,914.44	12,273,847	2,150,860	77,313	159,771	1,630	\$2,755.2	2,324,629
2nd block	\$3,486.9	798,287	6,653,974	2,618,149	1,556,126	1,899	\$2,527.6	1,679,247
3rd block	\$1,988.6	131	36,228	2,103,002	111,700	0		
<b>Area 2 Customer Charges Winchester:</b>								
5/8 inch	\$15.47	23,026	2,068	48	121	0	----	----
3/4 inch	\$21.92	0	0	0	0	0	----	----
1 inch	\$28.72	149	542	36	49	0	----	----
1 1/2 inch	\$53.79	0	85	24	12	0	----	----
2 inch	\$98.27	84	432	84	87	0	----	----
3 inch	\$154.90	0	18	0	47	0	----	----
4 inch	\$240.80	0	0	0	0	0	----	----
6 inch	\$436.17	0	0	12	0	0	----	----
8 inch	\$672.41	0	0	0	0	0	----	----
10 inch	\$1,061.76	0	0	0	0	0	----	----
12 inch	\$1,699.19	0	0	0	0	0	----	----
<b>Area 2 Consumption Charges Winchester:</b>								
1st block	\$3,908.3	78,407	17,943	1,521	1,912	0	----	----
2nd block	\$3,040.6	3,823	30,253	46,547	7,263	0	----	----
3rd block	\$1,902.8	0	0	0	0	0	----	----

Indiana-American Water Company  
Forecast Year Operating Revenues at Proposed Rates (Step 1)

REV2 WP1  
F.Y. - Proposed Rates Step 1

Area 2 Cust Chrgs Mooresville:	G.S. Rates	Projected Residential	Projected Commercial	Projected Industrial	Projected Public Auth.	Projected Miscellaneous	Resale Rates	Projected Resale
5/8 inch	\$15.47	41,107	3,176	0	126	0	----	----
3/4 inch	\$21.92	44	133	0	1	0	----	----
1 inch	\$28.72	24	616	12	63	0	----	----
1 1/2 inch	\$53.79	0	381	0	35	0	----	----
2 inch	\$98.27	0	234	0	68	0	----	----
3 inch	\$154.90	0	12	0	24	0	----	----
4 inch	\$240.80	0	12	12	0	0	----	----
6 inch	\$436.17	0	0	0	12	0	----	----
8 inch	\$672.41	0	0	0	0	0	----	----
10 inch	\$1,061.76	0	0	0	0	0	----	----
12 inch	\$1,699.19	0	0	0	0	0	----	----
<b>Area 2 Consumption Charges Mooresville:</b>								
1st block	\$3.8483	155,362	27,595	329	2,212	0	----	----
2nd block	\$3.0406	4,939	43,269	37,436	25,851	0	----	----
3rd block	\$1.9028	0	0	0	0	0	----	----
Yankeetown Surcharge	\$10.00	7,594	49	0	23	0		
		<b>Projected Residential</b>	<b>Projected Commercial</b>	<b>Projected Industrial</b>	<b>Projected Public Auth.</b>	<b>Projected Miscellaneous</b>	<b>Projected Resale</b>	<b>Total</b>
Miscellaneous Adjustments		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Watson Rural Water Company		\$0	\$0	\$0	\$0	\$0	\$296,029	\$296,029
<b>Revenue</b>		<b>\$115,883,852</b>	<b>\$46,156,690</b>	<b>\$14,955,455</b>	<b>\$8,243,568</b>	<b>\$74,670</b>	<b>\$11,167,901</b>	<b>\$196,482,136</b>
Usage		13,154,495	8,889,258	4,846,532	1,836,773	3,530	4,003,876	32,734,463
Services Charges		3,249,345	332,452	8,681	21,879	393	324	

II. Fire Protection

Private Fire Service - Annual Area 1 & 2:

	Proposed Rates	Billing Determinants
2"	\$3.11	1,950
2-1/2"	\$5.57	948
3"	\$8.99	731
4"	\$19.16	9,681
6"	\$55.64	25,126
8"	\$118.60	13,025
10"	\$213.28	1,513
12"	\$344.50	780
Hydrants	\$55.64	14,429
Adjustments		\$0

Private Fire Protection Revenue \$4,540,511

Public Fire Service - Annual Area 1&2:

Hydrant Rental \$64.38 4,308

Public Fire Surcharge - Annual Area 1 & 2

5/8 "	\$4.63	3,065,378
3/4 "	\$6.95	4,950
1 "	\$11.56	117,433
1 1/2 "	\$23.14	13,105
2 "	\$37.02	56,735
3 "	\$69.40	3,815
4 "	\$115.67	2,797
6 "	\$231.34	1,258
8 "	\$370.14	264
10 "	\$601.48	24
12 "	\$994.76	0

Indiana-American Water Company  
Forecast Year Operating Revenues at Proposed Rates (Step 1)

REV2 WP1  
F.Y. - Proposed Rates Step 1

**Public Fire Surcharge - Annual West Lafayette**

5/8 "	\$3.24	137,610
3/4 "	\$4.86	0
1 "	\$8.10	5,367
1 1/2 "	\$16.19	1,967
2 "	\$25.91	3,772
3 "	\$48.57	350
4 "	\$80.96	144
6 "	\$161.90	0
8 "	\$259.06	24
10 "	\$420.98	0
12 "	\$696.22	0

**Public Fire Surcharge - Annual Seymour**

5/8 "	\$4.06	82,672
3/4 "	\$6.09	0
1 "	\$10.15	2,094
1 1/2 "	\$20.29	578
2 "	\$32.46	1,995
3 "	\$60.85	203
4 "	\$101.42	60
6 "	\$202.83	48
8 "	\$324.53	0
10 "	\$527.35	0
12 "	\$872.17	0

**Public Fire Surcharge - Annual Sheridan**

5/8 "	\$4.63	14,148
1 "	\$11.56	936
1 1/2 "	\$23.14	276
4 "	\$115.67	72

Adjustments \$0

Public Fire Protection Revenue \$20,465,521

Indiana-American Water Company  
Forecast Year Operating Revenues at Proposed Rates (Step 1)

REV2 WP1  
F.Y. - Proposed Rates Step 1

III. Miscellaneous Revenues

Late Payment Fees	\$1,294,659
Rents	\$270,660
NSF Charges	\$102,543
Usage Data	\$651,479
Reconnection Fees	\$930,630
After Hours Charges	\$21,758
Miscellaneous Services	\$455,207
Unbilled Revenue	\$0
Revenue	<u>\$3,726,936</u>

IV. Total Revenue

	<u>Proposed</u>	<u>Present</u>	
General Service & Resale	\$196,482,136	\$193,142,821	20.9502%
Public Fire Protection	\$20,465,521	\$20,064,488	1.9987%
Private Fire Protection	\$4,540,511	\$4,444,788	2.1536%
Miscellaneous Revenue	<u>\$3,726,936</u>	<u>\$3,726,936</u>	<u>0.0000%</u>
<b>Total</b>	<b><u>\$225,215,104</u></b>	<b>\$221,379,033</b>	<b>1.7329%</b>

I. General Service and Resale

	G.S. Rates	Projected Residential	Projected Commercial	Projected Industrial	Projected Public Auth.	Projected Miscellaneous	Resale Rates	Projected Resale
<b>Area 1 Customer Charges:</b>								
5/8 inch	\$15.47	3,176,411	184,066	971	4,611	10	\$23.23	0
3/4 inch	\$21.92	2,967	1,828	0	60	0	\$33.34	0
1 inch	\$28.72	43,000	77,680	1,727	4,676	0	\$45.36	12
1 1/2 inch	\$53.79	971	12,347	289	1,073	0	\$77.62	0
2 inch	\$98.27	2,654	47,915	3,541	9,432	99	\$137.74	0
3 inch	\$154.90	48	3,381	318	625	263	\$223.63	0
4 inch	\$240.80	36	1,336	1,163	729	0	\$356.27	60
6 inch	\$436.17	0	624	385	261	21	\$670.84	192
8 inch	\$672.41	0	131	84	72	0	\$1,049.89	24
10 inch	\$1,061.76	0	0	0	24	0	\$1,677.80	36
12 inch	\$1,699.19	0	0	0	0	0	\$2,723.72	0
<b>Area 1 Consumption Charges:</b>								
1st block	\$5,4798	12,273,847	2,150,860	77,313	159,771	1,630	\$2,9252	2,324,629
2nd block	\$3,7058	798,287	6,653,974	2,618,149	1,556,126	1,899	\$2,6835	1,679,247
3rd block	\$2,1720	131	36,228	2,103,002	111,700	0		
<b>Area 2 Customer Charges Winchester:</b>								
5/8 inch	\$15.47	23,026	2,068	48	121	0	----	----
3/4 inch	\$21.92	0	0	0	0	0	----	----
1 inch	\$28.72	149	542	36	49	0	----	----
1 1/2 inch	\$53.79	0	85	24	12	0	----	----
2 inch	\$98.27	84	432	84	87	0	----	----
3 inch	\$154.90	0	18	0	47	0	----	----
4 inch	\$240.80	0	0	0	0	0	----	----
6 inch	\$436.17	0	0	12	0	0	----	----
8 inch	\$672.41	0	0	0	0	0	----	----
10 inch	\$1,061.76	0	0	0	0	0	----	----
12 inch	\$1,699.19	0	0	0	0	0	----	----
<b>Area 2 Consumption Charges Winchester:</b>								
1st block	\$4,3855	78,407	17,943	1,521	1,912	0	----	----
2nd block	\$3,2173	3,823	30,253	46,547	7,263	0	----	----
3rd block	\$2,1147	0	0	0	0	0	----	----

Area 2 Cust Chrgs Mooresville:	G.S. Rates	Projected Residential	Projected Commercial	Projected Industrial	Projected Public Auth.	Projected Miscellaneous	Resale Rates	Projected Resale
5/8 inch	\$15.47	41,107	3,176	0	126	0	----	----
3/4 inch	\$21.92	44	133	0	1	0	----	----
1 inch	\$28.72	24	616	12	63	0	----	----
1 1/2 inch	\$53.79	0	381	0	35	0	----	----
2 inch	\$98.27	0	234	0	68	0	----	----
3 inch	\$154.90	0	12	0	24	0	----	----
4 inch	\$240.80	0	12	12	0	0	----	----
6 inch	\$436.17	0	0	0	12	0	----	----
8 inch	\$672.41	0	0	0	0	0	----	----
10 inch	\$1,061.76	0	0	0	0	0	----	----
12 inch	\$1,699.19	0	0	0	0	0	----	----
<b>Area 2 Consumption Charges Mooresville:</b>								
1st block	\$4.3855	155,362	27,595	329	2,212	0	----	----
2nd block	\$3.2173	4,939	43,269	37,436	25,851	0	----	----
3rd block	\$2.1147	0	0	0	0	0	----	----
Yankeetown Surcharge	\$10.00	7,594	49	0	23	0	----	----
		Projected Residential	Projected Commercial	Projected Industrial	Projected Public Auth.	Projected Miscellaneous	Projected Resale	Total
Miscellaneous Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Watson Rural Water Company	\$0	\$0	\$0	\$0	\$0	\$0	\$314,722	\$314,722
Revenue		\$123,120,679	\$48,872,363	\$15,973,713	\$8,702,977	\$76,007	\$11,857,306	\$208,603,045
Usage		13,154,495	8,889,258	4,846,532	1,836,773	3,530	4,003,876	32,734,463
Services Charges		3,249,345	332,452	8,681	21,879	393	324	

II. Fire Protection

Private Fire Service - Annual Area 1 & 2:

	Proposed Rates	Billing Determinants
2"	\$3.30	1,950
2-1/2"	\$5.91	948
3"	\$9.54	731
4"	\$20.35	9,681
6"	\$59.08	25,126
8"	\$125.92	13,025
10"	\$226.43	1,513
12"	\$365.76	780
Hydrants	\$59.08	14,429
Adjustments		\$0

Private Fire Protection Revenue **\$4,820,618**

Public Fire Service - Annual Area 1&2:

Hydrant Rental **\$68.35** 4,308

Public Fire Surcharge - Annual Area 1 & 2

5/8 "	\$4.92	3,065,378
3/4 "	\$7.37	4,950
1 "	\$12.27	117,433
1 1/2 "	\$24.57	13,105
2 "	\$39.30	56,735
3 "	\$73.68	3,815
4 "	\$122.80	2,797
6 "	\$245.62	1,258
8 "	\$392.98	264
10 "	\$638.58	24
12 "	\$1,056.13	0

**Public Fire Surcharge - Annual West Lafayette**

5/8 "	\$3.44	137,610
3/4 "	\$5.15	0
1 "	\$8.60	5,367
1 1/2 "	\$17.19	1,967
2 "	\$27.51	3,772
3 "	\$51.57	350
4 "	\$85.95	144
6 "	\$171.89	0
8 "	\$275.04	24
10 "	\$446.95	0
12 "	\$739.17	0

**Public Fire Surcharge - Annual Seymour**

5/8 "	\$4.31	82,672
3/4 "	\$6.46	0
1 "	\$10.77	2,094
1 1/2 "	\$21.54	578
2 "	\$34.46	1,995
3 "	\$64.61	203
4 "	\$107.67	60
6 "	\$215.35	48
8 "	\$344.55	0
10 "	\$559.89	0
12 "	\$925.98	0

**Public Fire Surcharge - Annual Sheridan**

5/8 "	\$4.92	14,148
1 "	\$12.27	936
1 1/2 "	\$24.57	276
4 "	\$122.80	72

Adjustments \$0

Public Fire Protection Revenue \$21,728,054

Indiana-American Water Company  
 Forecast Year Operating Revenues at Proposed Rates (Step 1)

REV2 WP1  
 F.Y. - Proposed Rates Step 2

III. Miscellaneous Revenues

Late Payment Fees	\$1,294,659
Rents	\$270,660
NSF Charges	\$102,543
Usage Data	\$651,479
Reconnection Fees	\$930,630
After Hours Charges	\$21,758
Miscellaneous Services	\$455,207
Unbilled Revenue	\$0
Revenue	<u>\$3,726,936</u>

IV. Total Revenue

	<u>Proposed</u>	<u>Present</u>	
General Service & Resale	\$208,603,045	\$193,142,821	20.9502%
Public Fire Protection	\$21,728,054	\$20,064,488	8.2911%
Private Fire Protection	\$4,820,618	\$4,444,788	8.4555%
Miscellaneous Revenue	<u>\$3,726,936</u>	<u>\$3,726,936</u>	<u>0.0000%</u>
<b>Total</b>	<b><u>\$238,878,653</u></b>	<b>\$221,379,033</b>	<b>7.9050%</b>