

ORIGINAL

STATE OF INDIANA

Commissioner	Yes	No	Not Participating
Huston	✓		
Bennett	✓		
Freeman			✓
Veleta	✓		
Ziegner	✓		

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF INDIANA-AMERICAN WATER COMPANY, INC. FOR (1) APPROVAL OF ITS PLAN FOR PROPOSED SERVICE ENHANCEMENT IMPROVEMENTS (“SEI”) PURSUANT TO IND. CODE CH. 8-1-31.7, (2) AUTHORITY TO TIMELY RECOVER 80% OF THE SERVICE ENHANCEMENT IMPROVEMENT COSTS THROUGH ITS SEI RIDER, (3) AUTHORITY TO CREATE REGULATORY ASSETS TO RECORD (A) 20% OF THE SERVICE ENHANCEMENT IMPROVEMENT COSTS AND (B) POST-IN-SERVICE CARRYING COSTS, COMPOUNDED MONTHLY AND BASED ON THE OVERALL COST OF CAPITAL MOST RECENTLY APPROVED BY THE COMMISSION AND DEFERRED DEPRECIATION, UNTIL SUCH COSTS ARE REFLECTED IN RATES, AND (4) APPROVAL OF OTHER RELATED RATEMAKING RELIEF AND TARIFF PROPOSALS CONSISTENT WITH IND. CODE CH. 8-1-31.7

) CAUSE NO. 46188
)

) APPROVED: AUG 27 2025

ORDER OF THE COMMISSION

Presiding Officers:

David E. Veleta, Commissioner

Ann S. Pagonis, Administrative Law Judge

On January 31, 2025, Indiana American Water Company, Inc. (“Indiana American” or “Petitioner”) filed its Petition, together with its case-in-chief, seeking the following approvals and authority: (1) approval of its plan for proposed service enhancement improvements (“SEI”) pursuant to Ind. Code ch. 8-1-31.7 (“SEI Plan”); (2) authority to timely recover 80% of the service enhancement improvement costs through its SEI Rider; (3) authority to create regulatory assets to record: (A) 20% of the service enhancement improvement costs and (B) post-in-service carrying costs, compounded monthly and based on the overall cost of capital most recently approved by the Indiana Utility Regulatory Commission (“Commission”) and deferred depreciation, until such costs are reflected in rates; and (4) approval of other related ratemaking relief and tariff proposals described below.

On April 21, 2025, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed its case-in-chief. Indiana American filed rebuttal testimony on May 12, 2025. On June 3, 2025, the Commission issued a Docket Entry to which Petitioner responded on June 6, 2025.

The Commission commenced the evidentiary hearing in this Cause at 9:00 a.m. on June 9, 2025, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Indiana American and the OUCC appeared at and participated in the hearing.

Based upon the applicable law and the parties' evidence of record, the Commission finds:

1. Notice and Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. Indiana American is a "public utility" within the meaning of Ind. Code § 8-1-2-1 and an "eligible utility" under Ind. Code § 8-1-31.7-3 and is subject to the jurisdiction of the Commission in the manner and to the extent provided by law. Under Ind. Code ch. 8-1-31.7, the Commission has authority to approve service enhancement improvements and associated cost recovery. Therefore, the Commission has jurisdiction over Indiana American and the subject matter of this proceeding.

2. Petitioner's Characteristics. Indiana American is an operating public utility, incorporated under the laws of the State of Indiana, with its principal office and place of business at 153 N. Emerson Ave., Greenwood, Indiana. Indiana American provides water utility service to customers in numerous municipalities and counties throughout the State of Indiana for residential, commercial, industrial, public authority, sale for resale, and public and private fire protection purposes. Indiana American also provides sewer utility service in Delaware, Hamilton, Vigo, Wabash, and Clark counties.

3. Relief Requested. Indiana American requests approval of its SEI Plan, which includes proposed eligible additions and SEI expenditures. Indiana American requests the Commission find the proposed SEI are: (1) made to comply with one or more requirements within the meaning of Ind. Code § 8-1-31.7-6, or is new plant or equipment that is not replacement plant or equipment and is reasonable and appropriate to further health, safety, or environmental protection for Petitioner's customers, employees, or the public; or (2) replacement of plant or equipment to maintain existing health, safety, or environmental protection for Petitioner's customers, employees, or the public. Indiana American also seeks authorization to: (1) timely recover 80% of its approved service enhancement improvement costs incurred for eligible additions through Indiana American's SEI Rider pursuant to Ind. Code § 8-1-31.7-9(f)(1); (2) create a regulatory asset to record 20% of the approved service enhancement improvement costs incurred for eligible additions until such costs are reflected in Petitioner's rates for water service pursuant to Ind. Code § 8-1-31.7-9(f)(2); (3) accrue post-in-service carrying costs, both debt and equity, related to the eligible additions after their respective in-service dates using the overall cost of capital approved in Indiana American's last base rate case; and (4) defer depreciation expense relating to the eligible additions until such expenses are recovered through either a rate adjustment mechanism or in base rates.

4. Indiana American's Case-in-Chief.

A. SEI Plan. Mr. Hobbs, Director of Engineering for Indiana American, identified the plan for expenditures of which Indiana American is requesting approval in this SEI filing in accordance with Ind. Code ch. 8-1-31.7 (the "SEI Statute"). Specifically, he testified about Indiana American's plan for expenditures to complete the proposed improvements and additions discussed below. Mr. Hobbs identified the reasons for the expenditures to implement these additions and explained why he believes each of these additions is an eligible addition for purposes of the SEI Statute.

i. Seymour Treatment and Raw Water Main Improvements

(“**Seymour Improvements**”). Mr. Hobbs stated the plan includes improvements consisting of expenditures for treatment and raw water main additions. He said the plan includes construction of new filtration treatment to provide reliable treatment while eliminating risks associated with operating in a floodway. He explained the facility will include aeration, aeration detention/equalization, chemical addition, and pressure filtration with manganese coated sand and anthracite media to remove iron and manganese from the raw water using catalytic oxidation and particle filtration. Mr. Hobbs noted that post-filtration disinfection with chlorine will also provide a barrier to viruses for compliance with the United States Environmental Protection Agency (“EPA”) Groundwater Rule. The additions also include a new raw water main connecting the existing raw water line at the existing site to the new facility. Mr. Hobbs testified the proposed new facility will include liquid sodium hypochlorite treatment for disinfection instead of chlorine gas.

Mr. Hobbs noted that the first buildings at the plant were constructed in the early 1900s and the 2002 conversion from surface water to groundwater treatment presented challenges. Mr. Hobbs testified that the Seymour Improvements are new and replacement plant and equipment that maintains and furthers health and safety. He described how the existing water treatment facility requires numerous improvements to continue to meet water quality, safety, reliability, and workplace standards. He said the plant is located within a floodway so building new structures would present potential hazard to the environment and safety. He also said the current site is small, so rehabilitation would be difficult.

Mr. Hobbs provided an overview of the selection of the design-build team for the Seymour Improvements. He explained the design-build team will be competitively bidding material and equipment packages to vendors, and construction work to subcontractor packages, while they may also perform some construction work with local union labor. He testified that Petitioner submitted a construction permit application to the Indiana Department of Environmental Management (“IDEM”) on January 24, 2025. Mr. Hobbs testified the projected total costs are estimated to be \$56,833,000 and the estimated in-service date is November 30, 2026. He said a list of value engineering decisions was proposed and analyzed and Petitioner performed a life cycle cost benefit analysis (“LCCBA”) under Ind. Code § 13-18-26-3. Mr. Hobbs testified that the option of a new facility outside of the 100-year floodway as proposed in lieu of rehabilitation of the existing facility was the least cost alternative over a 40-year time horizon.

ii. Southern Binford Booster Station Improvements. Mr. Hobbs

described the planned expenditures for additions to the Southern Binford Booster Station which includes a new prefabricated booster pump station with vertical turbine pumps on variable frequency drives. These pumps allow for a broad pumping range to supply customer demands and improved efficiency. He said there will be a separate isolated control room within the new station to house and protect electrical and controls from the pump room, centralized piping orientation for ease of maintenance and increased safety to personnel. He said there will also be an onsite emergency generator, site piping additions, and improved site security fencing and access gate.

Mr. Hobbs testified that most of this SEI is to replace an aging and structurally deficient booster pump station. The station is in poor condition, has experienced piping leaks over time leading to asset deterioration, has been in service since the 1990s, and is nearing the end of its useful life. He noted that Petitioner included this SEI to allow the parties and Commission additional time beyond that required by Ind. Code § 8-1-31.7-12 for replacement infrastructure.

He indicated Petitioner submitted the IDEM construction permit for the additions in December 2024 and the application is currently under review. The projected total costs of the additions plus removals are estimated to be \$5,767,000 and the additions are estimated to be placed in service by December 15, 2025. Mr. Hobbs described the alternative of rehabilitation of the existing booster station while a temporary bypass station is put in place and sponsored a presentation of the net present value comparison for the two alternatives (the proposed replacement and the rehabilitation alternative). He said that the comparison showed similar costs over an estimated 25-year duration but due to the criticality of the Southern Binford Booster Station being the sole supply of water for the Binford pressure zone, the current age of the booster, and the known issues with structural foundation integrity, Petitioner chose to replace the existing station.

iii. Southern Charlestown Treatment Improvements. Mr. Hobbs described planned expenditures for additions to address the EPA's April 2024 ruling ("2024 EPA Ruling") identifying specific Per- and Polyfluoroalkyl Substances ("PFAS") present in the groundwater source wells in the Southern Charlestown system ("Southern Charlestown Improvements"). He explained the finalized maximum contaminant levels ("MCLs") issued by the EPA and presented the average source water PFAS concentrations alongside the finalized MCL values for the Charlestown system. Mr. Hobbs testified that all four wells have a recorded perfluorooctanoic acid ("PFOA") or perfluorooctane sulfonate ("PFOS") concentration at or above the MCL of 4 nanograms per liter (also referred to as parts per trillion) and none exceeds the finalized hazard index. The combined finished water exceeds the MCL for PFOA. He noted that Petitioner's planned additions to treat PFAS at the Southern Charlestown system were presented to the Commission as part of Cause No. 45609. Then, he said, as a result of the 2024 EPA Ruling, Petitioner planned additions that include three trains (six vessels in total) of Granular Activated Carbon ("GAC") pressure vessels, electrical, controls, interior piping, roof plank removal and reinstallation, and associated additions. Mr. Hobbs explained that GAC is one of the most studied treatment methods for PFAS removal and has been shown to be effective for removing many PFAS.

Mr. Hobbs testified that Petitioner submitted a preliminary engineering report to the Indiana Finance Authority State Revolving Fund in April 2024 and the improvements were placed on the project priority list. Petitioner was awarded a Series 2024A Forgivable Promissory Note for \$6,000,000 to implement the planned additions, contingent upon closing. He testified that the anticipated closing on the forgivable loan was February 26, 2025. Mr. Hobbs clarified that the Southern Charlestown Improvements meet the requirement for the mandatory water quality standards for MCLs under the National Primary Drinking Water Regulations established by the EPA under the Safe Drinking Water Act as defined in Ind. Code § 8-1-31.7-6.

Mr. Hobbs testified the IDEM construction permit was submitted in December 2024 and is currently under review. He stated the projected total costs of the additions plus removals are estimated to be \$5,895,000 and that the additions are planned to be funded through the Indiana Finance Authority via a Forgivable Promissory Note and the additions are estimated to be placed in service by November 30, 2025.

Mr. Hobbs described alternatives to the proposed Southern Charlestown Improvements including GAC, Anion Exchange Resins, and Fluoro-Sorb®. He presented life cycle cost analyses for each alternative in support of Petitioner's proposed additions.

iv. Warsaw Claypool Treatment Improvements. Mr. Hobbs described the planned expenditures for additions to install an in-line coagulation/pressure filtration process to remove arsenic, iron, and manganese from the Claypool groundwater supply (the "Warsaw Claypool Improvements"). He explained the in-line coagulation/pressure filtration process would utilize only one type of treatment equipment to remove these contaminants from the groundwater. He said a new treatment building would be required to house the pressure filtration system, chemical rooms, phosphoric acid, and ancillary equipment in addition to a new residual holding tank. Mr. Hobbs said the proposed Warsaw Claypool Improvements will allow Petitioner to meet the Safe Drinking Water Act requirements for water quality standards, including for arsenic, iron, and manganese.

Mr. Hobbs testified the IDEM construction permit application will be submitted to IDEM following final design. The projected total costs of the additions plus removals are estimated at \$2,535,000. The additions are estimated to be placed in service by July 31, 2026.

v. Johnson County London Road Treatment Improvements. Mr. Hobbs described the proposed expenditures for London Road treatment additions, consisting of the removal of the existing on-site generation system and installation of a bulk storage system, including a day tank, transfer pumps, and modifications to the existing chemical feed skids, along with other ancillary improvements needed to support the new chemical feed system. He said most of the London Road additions are replacement plant to replace the existing deficient onsite sodium hypochlorite generation system with facilities that provide bulk sodium hypochlorite storage. Mr. Hobbs said the London Road treatment additions address the EPA requirement to disinfect drinking water to protect public health by eliminating or significantly reducing harmful microorganisms. He said without the replacement, the London Road facility would not be able to readily and efficiently produce chlorinated drinking water meeting EPA requirements.

Mr. Hobbs stated the construction permit has been approved by IDEM. He testified that the lowest bid was selected. The final additions plus removals total \$800,000 and were placed in service on September 20, 2024.

vi. Kokomo Philips Street Package Treatment Improvements. Mr. Hobbs described the proposed expenditures for replacement of the existing package treatment unit currently in service near the intersection of Philips Street and County Road 300 North in Howard County serving the Kokomo District. He explained that while system growth and the addition of an industrial customer within the Kokomo District necessitates expansion of the firm capacity of

the Philips Street Water Treatment Plant (“WTP”) from 2.0 to 4.0 million gallons per day (“MGD”), the overall expansion additions associated with the new users are not included in the eligible additions for which Petitioner is seeking approvals in this case. He said the life expectancy of the unit can range from 25 to 35 years and he sponsored a report that contained photos showing cracks in the lower southeast shell, filter floor, and angle around the filter chamber perimeter which require immediate rehabilitation. He said the treatment additions are new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. Mr. Hobbs sponsored a memorandum of alternatives with life cycle cost comparisons which showed minimal differences over a 30-year term.

He testified that the additions were solicited using the design bid build procurement process and the lowest bid was selected. Projected total costs of additions plus removals are estimated to be \$1,342,000 and the additions are anticipated to be placed in service by December 30, 2025.

vii. Northwest Lowell Groundwater Well Improvements. Mr. Hobbs testified that the Northwest Lowell groundwater additions are new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. As referenced in Recommended Standards for Water Works, 2022 edition (“Ten States Standards”), the total developed groundwater source capacity shall equal or exceed the design maximum day demand with the largest producing well out of service or expressed as reliable capacity. Mr. Hobbs described alternative options and said replacement with bedrock wells should provide consistent capacity and result in anticipated lower capital and maintenance costs over the life of the wells since fewer bedrock wells will be required than replacement of sand and gravel wells.

Mr. Hobbs stated Petitioner will submit the construction permit application to IDEM following final design and these additions will be solicited using design bid build procurement. He gave the projected total costs of the additions plus removals as an estimated \$1,322,000 and said the additions are anticipated to be placed in service by December 31, 2025.

viii. Two General Rate Case Additions. Mr. Hobbs supported expenditures for two sets of additions that were originally approved by the Commission’s February 14, 2024 Order in Petitioner’s most recent general rate case under Cause No. 45870 (the “45870 Order”): (1) Terre Haute Replacement Electric Gear and Generator Improvements and (2) Wabash Summitville Property Acquisition and Well Replacement Improvements.

(1) Terre Haute Replacement Electric Gear and Generator Improvements. Mr. Hobbs explained Petitioner could not meet the proposed in-service date for these additions from the general rate case due to scope of work modifications along with long lead equipment procurement.

He said the Terre Haute Replacement Electric Gear and Generator Improvements are new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. He explained the current motor control center equipment is obsolete and replacement parts are challenging to source and replace. He said the additions will enhance system resiliency and described the scope of work. Mr. Hobbs testified the only viable

option is replacement due to the great risk associated with the option of doing nothing and relying on the potential for parts and serviceability for antiquated or obsolete equipment. These additions will be solicited using design bid build procurement and projected total costs of the additions plus removals based on the current forecast are estimated to total \$5,740,000. The additions are anticipated to be placed in service by August 31, 2026.

(2) Wabash Summitville Property Acquisition and Well

Replacement Improvements. Mr. Hobbs explained Petitioner could not meet the proposed in-service date for these additions from the general rate case due to scope of work modifications and challenges with source water availability and land acquisitions. He said the Wabash Summitville Property Acquisition and Well Replacement Improvements (“Summitville Improvements”) are for new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. The existing Summitville Well No. 2 is located inside a building owned by Superior Tote Solutions, Inc., who provides a well water use easement to Petitioner. Although no detections of contamination have been identified to date, Mr. Hobbs stated the threat of contamination of this supply is significant since the static water level for the well is approximately three feet. He described a deficiency identified in 2019 when IDEM conducted a sanitary survey inspection and testified that well replacement away from the industrial facility will decrease the risk of contamination and support firm source of supply capacity. These additions will be solicited using design bid build procurement and the projected total costs of the additions plus removals based on the current forecast are estimated to total \$1,514,000. The additions are anticipated to be placed in service by December 31, 2025.

ix. Northwest 39th and Willow Street Booster Improvements. Mr.

Hobbs said the 39th and Willow Street pump station does not provide reliable capacity due to condition and equipment out of service and Petitioner proposes rehabilitation to provide a larger minimum reliable capacity. He testified that the improvements are new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. Much of the electrical gear original to the pump station is obsolete and unsafe, and it is difficult to procure replacement parts. He described the planned additions and stated rehabilitation is the lowest cost option. He said the additions will be solicited using design bid build procurement and the projected cost is estimated to be \$984,000. He said the additions are anticipated to be placed in service by June 30, 2026.

x. Terre Haute Allendale Booster Improvements. Mr. Hobbs

testified this SEI will replace the existing booster at the Terre Haute Allendale Station with a package booster station that will supply the current maximum day demand of the Allendale Gradient (“Allendale Improvements”). He said it could be expanded in the future to meet the projected demands of the Vigo County Industrial Park. He explained that expenditures for future expansion and pipeline reinforcement needs associated with future demands, however, are not included in this case. These additions are new and replacement plant and equipment that maintain and further the health and safety of Petitioner’s customers, employees, and the public. The improvements replace a pump station originally constructed prior to 1930 at a new site. Mr. Hobbs said Petitioner evaluated rehabilitation and expansion of the existing station as an alternative to replacement, but the only reasonable option is the replacement with a new offsite station because of the site restraints at the existing station. Mr. Hobbs stated the additions will be solicited using

design bid build procurement and the projected costs of the additions and removals are estimated to total \$4,321,000. The additions are anticipated to be placed in service by July 1, 2026.

B. Accounting and Ratemaking. Mr. Drennan, Director of Rates and Regulatory for Indiana American, explained the regulatory and accounting aspects related to Indiana American's SEI request. He sponsored the proposed form of SEI Rider to provide for timely recovery of 80% of the service enhancement improvement costs, as that term is defined in Ind. Code § 8-1-31.7-8 as well as the deferral for recovery in Indiana American's ensuing general rate case of the remaining 20%. He described the requested interim deferral authority and the regulatory process surrounding this filing and the subsequent compliance filings.

He referenced the existing SEI Rider and the Commission's approval of Petitioner's first SEI plan in Cause No. 45609. Mr. Drennan described the SEI costs incurred in connection with an eligible addition, including depreciation expense, property tax expense, and pretax return. He said he also uses the phrase "revenue requirement" to mean the same thing as SEI costs. Petitioner's Exhibit 2, Attachment PJD-1 Schedule 1 shows the costs Petitioner expects to incur in connection with eligible additions, including depreciation expense, property tax expense, and pretax return.

Mr. Drennan explained that recovery of the costs for SEI will be done through a rider on customer rates and based on a fixed meter charge based upon equivalent meter size. Mr. Drennan explained the SEI Statute provides for recovery immediately of 80% of the revenue requirement amount via the SEI Rider. He said 20% of the revenue requirement, including depreciation, allowance for funds used during construction, and post-in-service carrying costs, compounded monthly and based on the overall cost of capital most recently approved by the Commission, should be deferred and recovered as part of Petitioner's next general rate case.

He stated further, the revenue requirement is to be calculated with respect to eligible additions, which, for non-replacement improvements, include any new utility plant or equipment: (1) that does not increase revenues by connecting to new customers, even though the plant or equipment may provide Petitioner with greater available capacity; and (2) that is used and useful, is procured, installed, or constructed by the public utility with expenditures that are SEI, and was not included in rate base in Petitioner's most recent general rate case. Mr. Drennan explained that, should the actual costs in the aggregate of the eligible additions exceed by more than 25% the projected costs for which approval is sought in this docket, Petitioner will seek specific approval from Commission before including those costs in the next rate case, in accordance with Section 9(f)(3) of the SEI Statute. He said Indiana American proposes to include the gross plant specific to the individual SEI eligible additions after they have been placed in service and the costs for these new capital investments will include various direct and indirect costs, and financing costs incurred during construction.

He explained the depreciation expense, property tax expense, and pre-tax return on new capital investment calculations and said Indiana American will include for recovery within the revenue requirement the depreciation expense associated with the new capital investments for the eligible additions. He added that, for these additions, these investments will utilize a depreciation rate as approved in the latest Depreciation Study and implemented per the 45870 Order.

Mr. Drennan said property tax expense included for recovery will reflect an annualized level of expense related to the eligible addition based upon the first assessment date following its placement in service. He stated the annualized property tax expenses will be calculated by multiplying the plant investment balances, net of depreciation, by the then current or most recent tax rate for the projected period.

Mr. Drennan stated that pursuant to Ind. Code § 8-1-31.7-7, Petitioner included incremental operating and maintenance expenses for additional energy costs to power the new GAC pressure vessels for the Southern Charlestown Treatment Improvements.

He explained the pre-tax return on the new capital investment will be calculated by multiplying the pre-tax rate of return, based on the weighted average cost of capital, by total new capital investment related to the eligible additions. He explained the proposed weighted average cost of capital would be calculated in accordance with the SEI Statute, and Indiana American will use its actual regulatory capital structure and actual cost rates for long-term debt and its authorized return on equity of 9.65%, as determined in the 45870 Order. He said the revenue requirement will be grossed up using then current state and federal income tax rates, and uncollectible expenses and public utility fee rates.

Mr. Drennan said the active meter counts from the River's Edge, Silver Creek Water Corporation, and Town of Lowell systems acquired by Petitioner are included in this proceeding. He explained that the customers in the River's Edge and Silver Creek acquisitions were consolidated into the Area One rate group. He noted that the SEI Plan includes improvements to address Lowell's source of supply, and Petitioner expects to routinely make system investments for SEI as defined by Ind. Code § 8-1-31.7-7(2). He stated Petitioner's wastewater customers are not included for purposes of this proceeding.

Mr. Drennan testified Indiana American proposes to defer depreciation expense on the eligible additions, from each addition's in-service date until depreciation expense is included for recovery in the SEI Rider. He said Petitioner proposes to accrue post-in-service carrying costs on all eligible additions beginning with the month after the investment is placed in service until the date the scope of that investment is included in rates for recovery. Mr. Drennan said as provided for in the SEI Statute, once the plans for expenditures in this Cause are approved and as the eligible additions are considered used and useful, Petitioner will file for the revenue to be included in the SEI Rider.

Mr. Drennan described Schedules 1 through 5 of Attachment PJD-1 to Petitioner's Exhibit 2, consisting of sample worksheets and calculations to reflect the revenues and rates produced for the additions Petitioner anticipates from the plans submitted for approval in this Cause. He said Schedule 1 shows the revenue requirement for each of the anticipated additions discussed in this Cause. He said Schedule 2 shows how the revenues calculated in Schedule 1 and described above are reflected in rates. He explained per the SEI Statute, the SEI revenues will be collected on a fixed meter charge based on the size of meter. He said Indiana American is using the American Water Works Association standard equivalent meter flow-based ratio as the basis for the calculation. He said Schedule 3 shows the depreciation calculation done by addition for each asset account and explained the depreciation expense calculation reflects the annualized depreciation

expenses and is used on Schedule 1 to calculate the revenue requirement. He explained that Schedule 4 of Attachment PJD-1 shows the derivation of the weighted cost of capital of 6.33% and the pre-tax rate of return of 7.89%. Finally, he explained Schedule 5B shows the County, Municipality, Map Location and Parcel numbers of locales near where these SEI additions will be located and the total payments made for those parcels and divides the figure by the Total Assessment to arrive at the average effective property tax rate by taxing district. He said Schedule 5A summarizes Schedule 5B in a similar format to the property tax schedules Petitioner submitted for its most recent infrastructure improvement filing.

Mr. Drennan also described Schedule 1 of Attachment PJD-3 to Petitioner's Exhibit 2, which is the same schedule submitted in the first SEI approval petition and illustrates the priority of recovery of the 80% SEI Rider in terms of accounting with the first dollar representing the full return (line 1) and the remaining amounts covering a portion of the incremental expenses (lines 2 and 3). He explained this methodology as laid out in Schedule 1 is required to ensure Petitioner receives the return granted by the statutes on its investment.

Finally, he described how the net operating income level was grossed up for state and federal income taxes and said the gross revenue conversion factor will be 134.2305%.

Mr. Drennan presented the anticipated tariff for Indiana American's SEI Rider. He explained the updated tariff will be included with a petition filed pursuant to Ind. Code § 8-1-31.7-12.

5. OUCC's Evidence. OUCC witness Parks, Senior Utility Analyst in the Water/Wastewater Division, provided testimony indicating the OUCC's opposition to the approval of the SEI Plan, including opposition to the Seymour Improvements, the Terre Haute Replacement Electric Gear and Generator Improvements, and the Wabash Summitville Property Acquisition and Well Replacement Improvements. Mr. Parks recommended: (1) the Commission approve a lesser cost for the Terre Haute Replacement Electric Gear and Generator Improvements than the requested \$5,740,000; (2) the Commission deny the request for \$56,833,000 for the Seymour Improvements; (3) the Commission deny inclusion of the requested \$1,514,000 for the Wabash Summitville Property Acquisition and Well Replacement Improvements; (4) Petitioner continue to operate Summitville Well No. 2 and replace it at such time as the well's condition or yield starts to deteriorate; and (5) Petitioner again provide more detailed information about its proposed projects in its IURC Annual Reports.

With respect to the Terre Haute Replacement Electric Gear and Generator Improvements, Mr. Parks testified the project scope and cost had increased from the scope and cost forecasted in the 45870 Order. He said the project includes replacing obsolete switch gear but now adds new backup power, removal of two existing diesel driven backup generators and consolidating power drops. He stated Mr. Hobbs had not disclosed that the revised scope eliminated replacing High Service Pump No. 14 and had not discussed if it was already replaced under a separate project or the reasons it was deleted from this SEI. He said the project cost in this proceeding increased to \$5,740,000 from the \$3,050,890 proposed by Petitioner in Cause No. 45870. He also testified that the \$5,740,000 cost does not agree with the amount shown in the Detailed Estimate of Cost

provided as Confidential Attachment MHH-34 to Petitioner's Exhibit 1-C. He recommended the Commission approve the cost shown in that attachment rather than the requested \$5,740,000.

In discussing the Seymour Improvements, Mr. Parks said Petitioner did not provide any information in its case-in-chief about water demand forecasts or Seymour's population trends, but that he had reviewed population estimates by the Indiana Business Research Center for Seymour and Jackson County which he says show that Seymour's population and water demand are not forecasted to grow over the next 25 years. He testified that Petitioner is not required to relocate its Seymour WTP and that Petitioner did not provide any testimony indicating the EPA, IDEM, Federal Emergency Management Agency or some other governmental agency requires Petitioner to build a new WTP outside the regulatory floodway and demolish the existing WTP. He also testified that Petitioner's Muncie WTP and River's Edge water facilities are in a regulatory floodway. In discussing Petitioner's evaluation of rehabilitating Seymour's existing WTP, he said that implicit in the report recommendations is that the Seymour WTP could continue to successfully operate and produce water. He also testified that Petitioner did not report instances of the plant being out of service or unable to treat and deliver water during a flood and that the monthly reports of operations from June 2008 in which there was a major flooding event show that the event did not prevent water production at the Seymour WTP.

Mr. Parks testified that Petitioner's witness Hobbs did not discuss the Seymour Improvements in his testimony in Cause No. 45870 but instead included that Seymour WTP improvements slated for 2025 with an estimated cost of \$9,934,824 without details as to how the estimate was developed. He said the scope of the project appeared to change in 2023 based on higher costs shown in a later Strategic Capital Expenditures Plan ("SCEP"). He acknowledged that Petitioner did not discuss the Seymour WTP in Cause No. 45870 since it was not a capital project in that rate case.

Mr. Parks discussed the LCCBA Petitioner prepared for the Seymour Improvements. He said it appeared that the analysis had occurred after Petitioner had already decided to build the new WTP, demolish the existing plant, buy the land for the new site, hire a design-build team, and prepare the 60% design drawings. He expressed concern that the analysis occurred after the decision to build the new plant rather than before the decision as a planning tool to guide the selection of an alternative. He stated the analysis is also required to obtain the IDEM construction permit. Mr. Parks said he did not know whether the analysis was for firm capacity with the largest unit out of service or the rated capacity with all units in service. He said if it is the firm capacity, there would be five filters and not four as currently proposed, so the design basis for the analysis may be overstated. He said that the report in Petitioner's Exhibit 1, Attachment MHH-6 did not include detail on the required work, the associated costs or the schedule for Alternative No. 2 (rehabilitation of the existing WTP), so he was not able to review assumptions and costs. He said it appears to assume all existing WTP components including all buildings foundations, and tanks will have to be replaced. He also questioned the \$23 million in year one costs that were included to address immediate concerns identified by the report and how they relate to the \$9,934,824 cost previously provided in the earlier SCEP by Indiana American. Mr. Parks recommended that utilities, including Petitioner, prepare analyses of viable alternatives before deciding which alternative to pursue.

Mr. Parks questioned the \$56,833,000 cost estimate included in this proceeding since it is higher than the amount shown in the cost estimate presented in a Detailed Estimate of Costs in Petitioner's Exhibit 1-C, Confidential Attachment MHH-8 and the amount shown in the 2024-2028 SCEP. He also stated cost was not a criterion in the selection process for the design-build team.

Mr. Parks compared Seymour's cost per million gallons of rated capacity compared to other treatment plant projects, including new treatment plants at Eastern Bartholomew Water Corp., Batesville, Mishawaka, and Anderson. Based on his comparison, he recommended the Commission deny Petitioner's request for \$56,833,000 for the Seymour Improvements due to the high cost compared to costs seen at other water utilities. He also cited the recent 2024-2028 SCEP cost estimate made by Petitioner of \$32,293,108 for the same project that was more than \$20 million lower.

Mr. Parks also recommended that the Commission deny inclusion of the requested \$1,514,000 for the Wabash Summitville Property Acquisition and Well Replacement Improvements because he said it is not required by any environmental rule or action by regulatory officials and because the cost estimates vary considerably. He said it appears Petitioner has addressed concerns raised by IDEM in 2019. Mr. Parks concluded that because Petitioner has not replaced this well after nearly 30 years, this indicates the potential contamination issue is being effectively managed and it is not a safety or environmental concern. He recommended that Petitioner continue to operate Summitville Well No. 2 and replace it when the condition or yield starts to deteriorate but before it reaches unacceptable levels.

Mr. Parks also provided testimony that until 2017 or 2018, Petitioner identified planned improvements, estimated costs and schedule for projects in its IURC Annual Reports. He recommended Petitioner again provide proposed project information in the IURC Annual Reports in sufficient detail to describe the nature of the project, its estimated costs, and the schedule for completion.

OUCC witness Seals, Assistant Director of the Water/Wastewater Division, provided testimony contesting the eligibility of the Terre Haute Allendale Booster Improvements for inclusion in the SEI Plan based on his claim that the improvements will enable the addition of a new customer (Entek) that will increase Indiana American's revenues.

6. Petitioner's Rebuttal Evidence. Mr. Hobbs began by providing an overview of Indiana American's capital planning process in response to Mr. Parks's concerns. He said Indiana American employs standard practices for designing and delivering its capital projects and explained that it is expected that cost estimates for an individual capital project would vary. He further stated it is rare that a cost estimate would remain the same from the preliminary phase of a project to final construction of a project. He described the various sources of the cost estimates discussed in this Cause, including comprehensive planning study documents, the SCEP, in-service additions, forecasted additions, and detailed cost estimates provided by the contractor, among others. He explained that large-scale capital planning is often done over many years.

Mr. Hobbs described the different phases of the capital investment planning process from the preliminary/planning phase to the Capital Program Management Committee approval to the implementation/construction phase of the project. He explained that the detailed estimate of costs forms are prepared in the first phase, and that form is then reviewed at the engineering staff and management levels prior to being submitted for Capital Program Management Committee approval. He explained that the level of detail in the estimates of costs will vary depending on factors including the size and type of the project, and Indiana American engineering personnel must determine the level of scope and cost detail for each proposed project. As projects progress through the construction phase, more detailed cost and scope estimates are developed through bids or contractor pricing information. Indiana American also prepares and tracks monthly reforecasting that reflects the increased accuracy of the project costs as they progress beyond the preliminary phase.

Mr. Hobbs explained that Petitioner determined whether to include an investment within the capital investment plan by studying the anticipated demand projections of the system, the identification of improvements needed to meet those demands, and the adoption of strategies designed to bring about the correct prioritization and distribution of capital spending. Specific capital planning requirements are addressed in both the short term (one year) and the longer term (five years). He stated projects are prioritized using objective criteria that validate the need for improvement and to assess the risk of not making the investment. He said a key aspect of this planning technique is that it is flexible and can be adjusted as needed to address new priorities, such as unplanned equipment failures, large or sudden growth of a service area and new regulatory requirements.

Mr. Hobbs addressed Mr. Parks's specific criticisms of the Seymour Improvements. He described the age, capacity, condition, and process challenges with the current Seymour facility, including its location in a regulated floodway where it has been subject to years of moderate to major flooding. Mr. Hobbs testified that if the facility failed, Petitioner would not be able to provide safe, reliable drinking water.

Mr. Hobbs said that per industry standard, Indiana Administrative Code, and Ten States Standards, an assessment of a water system's capacity to meet system demand should be made by comparing the maximum day demand and firm capacity. The proposed WTP included in the Seymour Improvements will have a firm capacity of 4.5 MGD. The projected maximum day demand (base projected demand) of 3.85 MGD is approximately 86% of the proposed firm capacity. Mr. Hobbs stated public water systems in Indiana are subject to a potential connection ban if the highest daily average exceeds 90% of the capacity. He noted the 2020 Seymour comprehensive planning study recommended the proposed treatment facility have a firm capacity of 5.0 MGD with the ability to expand capacity in the future. Mr. Hobbs testified that the reduction to a proposed firm capacity of 4.5 MGD was done to address affordability concerns while still providing reliable capacity. He then explained the prudent considerations behind designing a treatment facility to be expanded in the future.

Next, Mr. Hobbs responded to Mr. Parks's statement that increasing the design loading rate of the filters could lead to smaller filters or a reduced number of filters to save costs, and his statement that the filters are usually dependably in service. He said the proposed Seymour

Improvements will have a target maximum filtration rate of 4.0 gallons per minute per square foot, which is in line with industry standards. Mr. Hobbs testified that the IDEM construction permit was issued on April 3, 2025, citing no issues with Petitioner's approach to facility sizing.

Mr. Hobbs then walked through Mr. Parks's statements about various cost estimates related to the Seymour Improvements. He acknowledged that the 2023-2027 SCEP document Mr. Parks relies on to present the \$9,934,824 estimate was based on an attachment from Cause No. 45870 that omitted dollar figures estimated for 2023 and 2024. The correct estimate should have been \$31,926,726 and that accounts for the treatment facility only. The \$32,293,108 from the 2024-2028 SCEP involved the same limited scope. The \$52,715,923 Capital Program Management Committee approval amount from Confidential Attachment MHH-8 to Petitioner's Exhibit 1C includes the full scope of the project but was completed in May 2024. The \$56,833,000 included in the SEI Plan in this case is the updated forecast amount for the month prior to submission in this Cause. Mr. Hobbs said this amount is based on the most up to date scope estimates from the design-build team and includes costs for the raw water main being completed by a separate contractor in parallel to the treatment facility and wells.

Mr. Hobbs also responded to Mr. Parks's comparison of costs for other water utilities. Mr. Hobbs testified that Mr. Parks used limited information and pre-pandemic costs and updated them based on an inflation factor. Mr. Hobbs disagreed with the inflation factor and stated Mr. Parks did not tailor the estimate to the specific components and specific scope of work, materials, and equipment used in the Seymour Improvements.

Mr. Hobbs said that the Anderson WTP improvements cannot be easily compared to the Seymour Improvements. He also disagreed with Mr. Parks's suggested inflation factor and said that Mr. Parks used dollar estimates from March 2024 that will not be accurate when the project is bid in 2026.

Mr. Hobbs expressed two primary concerns with Mr. Parks's comparison of the Mishawaka treatment plant to the Seymour Improvements. First, he said the scope of work between the projects is very different, which can add up to a substantial difference in cost. The other concern Mr. Hobbs raised is an error in Mr. Parks's methodology of taking the project cost and applying an inflation factor. Though he testified he disagreed with Mr. Parks's methodologies, Mr. Hobbs performed a correction to the estimate yielding a cost of over \$60 million in 2025 dollars for the Mishawaka project. Mr. Hobbs said this demonstrates that Mr. Parks's attempts to estimate the costs of the Seymour Improvements are based on misleading data.

Mr. Hobbs defended Petitioner's selection of the awarded contractor. He explained that the design-build contract requires a completely open book approach to project costs as the design progresses. Once 60% of the designs are established, the contractor is required to seek competitive bids for each division and package of work.

Mr. Hobbs explained that most of existing Seymour plant infrastructure was constructed prior to the initial flood mapping of the area in the early 1980s and it is unknown to what extent the structures and piping were designed to withstand flooding. He said floods present risks to the immediate and long-term structural integrity of the site infrastructure and treatment facilities. Mr.

Hobbs also elaborated on the condition and age of the existing Seymour facilities and explained why failure due to aging infrastructure is one of the highest reliability risks to the Seymour system. He also elaborated on why rehabilitating the existing facility is not possible.

Mr. Hobbs then explained that Petitioner conducted an LCCBA of each alternative using a qualified team of engineers and contractor. He said that rehabilitation is not a realistic option due to the age and size of the site. He summarized the findings of the LCCBA. Mr. Hobbs then addressed each of the individual criticisms raised by Mr. Parks with respect to specific aspects of the LCCBA. He explained that the varying costs referenced by Mr. Parks are attributable to the fact that the LCCBA report compares the replacement of facilities only, not the raw water transmission main associated with the proposed improvements. Mr. Hobbs stated the LCCBA began years before the final date noted on the report. Mr. Hobbs testified Indiana American used the guidance Mr. Parks previously recommended in Cause No. 45870, the Indiana Finance Authority Preliminary Engineering Report Guidance.

Mr. Hobbs then turned to the OUCC's criticisms of the Terre Haute Replacement Electric Gear and Generator Improvements. He provided background on the project as it was included in the 45870 Order and then described changes to the scope since that time. He said Petitioner learned that finding a pump replacement for HSP 14 that would accommodate the diesel driven backup generator would be difficult and costly. So, Petitioner investigated removing the diesel driven pump altogether and routing backup power through the gear. He said as planning and design continued, it became evident that additional scopes of work would be necessary to ensure any replacement systems would meet the required standards and provide a resilient and safe system. Due to delays in finalizing the project scope and anticipated material delays, Mr. Hobbs said local Terre Haute operations rehabilitated HSP 14 separately, ahead of the remaining components of the project. He recommended the Commission approve the revised implementation cost of \$5,141,974.

Mr. Hobbs responded to Mr. Parks's opposition to the Wabash Summitville Property Acquisition and Well Replacement Improvements, reiterating that the threat of contamination of this supply is significant. He explained that improvements need not relate to compliance with a requirement as defined in the SEI Statute to be eligible for SEI.

As for Mr. Seals's opposition to the Allendale Improvements, Mr. Hobbs explained the improvements will not result in increased revenues. He described the status of the potential industrial development. He reiterated that costs of expansion to serve Entek are not included in this Cause and are not proposed to be recovered through the SEI Rider. He clarified that the replacement of the Allendale pump station is not considered a system upgrade for a specific development. The existing station is nearly 100 years old and beyond the end of its useful life, he said. He reiterated the reasons Petitioner is proposing this SEI and provided photos to further illustrate the condition of the building and lack of space onsite for a replacement facility.

7. Commission Discussion and Findings. The SEI Statute, authorizes the Commission to approve service enhancement improvement charges to allow water and wastewater utilities to adjust their rates and charges to recover depreciation, property taxes, and a pretax return incurred in connection with eligible additions. Eligible additions are defined as new utility plant or equipment that (a) do not increase revenues by connecting to new customers, even though the

plant or equipment may provide the eligible utility with greater available capacity; and (b) for a public utility: (i) are used and useful; (ii) are procured, installed, or constructed by the public utility with expenditures that are SEI; and (iii) were not included in the public utility's rate base in its most recent general rate case. Ind. Code § 8-1-31.7-2. As used in the SEI Statute, "SEI" are expenditures that are either of the following:

- (1) Made, or to be made, by an eligible utility and related to:
 - (A) direct or indirect compliance with one (1) or more requirements; or
 - (B) installation of new plant or equipment:
 - (i) that is not replacement of a plant or equipment; and
 - (ii) that the Commission determines is reasonable and appropriate to further health, safety, or environmental protection for the eligible utility's customers, employees, or the public.
- (2) Replacement of a plant or equipment to maintain existing health, safety, or environmental protection for the eligible utility's customers, employees, or the public.

Ind. Code § 8-1-31.7-7. Except with respect to replacements within the meaning of Ind. Code § 8-1-31.7-7(2), before an eligible utility may seek to recover its service enhancement improvement costs through a periodic rate adjustment, it must first obtain preapproval of the proposed SEI from the Commission. Ind. Code § 8-1-31.7-9(a).

For SEI related to direct or indirect compliance with requirements, Ind. Code § 8-1-31.7-10 requires the Commission to examine:

- (1) The following factors, which must be set forth in the eligible utility's case in chief filed in accordance with section 9 of this chapter:
 - (A) A description of the requirements, including any consent decrees related to the requirements, that the eligible utility seeks to comply with through the proposed service enhancement improvement.
 - (B) A description of the projected service enhancement improvement costs associated with the proposed service enhancement improvement.
 - (C) A description of how the proposed service enhancement improvement allows the eligible utility to comply with the requirements described by the eligible utility under clause (A).
 - (D) Alternative plans for compliance.
- (2) Any other factors the commission considers relevant.

For SEI that is not related to direct or indirect compliance with requirements, Ind. Code § 8-1-31.7-9(b) provides for Commission preapproval of SEI that is determined to be reasonable and appropriate to further health, safety, or environmental protection for the utility's customers, employees, or the public.

A. SEI Plan. Indiana American requests approval of an SEI Plan that consists of expenditures made or to be made for 11 proposed eligible additions across Petitioner's water operations. Indiana American's SEI Plan describes the proposed SEI including costs, timing of installation, and how the proposed SEI will allow Indiana American to comply with requirements or further the health, safety, or environmental protection for Indiana American's customers, employees, and the public. Alternative plans for compliance with respect to the SEI were also described in Petitioner's case-in-chief. Accordingly, Petitioner's case-in-chief provided the requisite information for our consideration of the factors under Ind. Code § 8-1-31.7-10.

In addition, for the proposed SEI that included replacement of plant or equipment, which do not require preapproval pursuant to Ind. Code § 8-1-31.7-9(e), Indiana American provided information as to how the SEI will maintain existing health, safety, or environmental protection for its customer, employees, and the public.

Based on the evidence provided and except as discussed below, we find that Indiana American sufficiently supported its proposed SEI expenditures as either necessary to meet applicable requirements or reasonable to further or maintain health, safety, or environmental protection for the Petitioner's customers, employees, and the public. Therefore, the Commission finds the public convenience and necessity require the SEI as discussed herein. Because the OUCC took issue with four of Indiana American's proposed SEI, we specifically address the issues raised concerning those improvements.

i. Southern Charlestown Treatment Improvements. Indiana American sought to include the additional energy costs to power the new GAC pressure vessel as an allowed SEI expenditure under Ind. Code § 8-1-31.7-7 because it is related to compliance with one or more replacements. Although the OUCC did not take issue with this request, we find that this cost does not qualify as an SEI cost under Ind. Code § 8-1-31.7-8 that is authorized for recovery through a periodic rate adjustment under Ind. Code § 8-1-31.7-9(a). The additional energy costs to power the GAC pressure vessel are not expenditures for new or replacement plant or equipment. Instead, they are an ongoing operating cost not associated with the capital investment or construction of the PFAS system itself and not identified as an allowable SEI cost. Therefore, Indiana American's request to include this as a recoverable SEI cost is denied.

ii. Seymour Improvements. The OUCC recommended the Commission deny Petitioner's request for \$56,833,000 for the Seymour Improvements due to the high cost compared to those of other water utilities and the recent 2024-2028 SCEP cost estimate. Mr. Parks disagreed with the proposed design of the eligible additions and the estimated cost.

We find that the evidence presented supports the public convenience and necessity of the Seymour Improvements as they are reasonable and appropriate to further and maintain health, safety, and environmental protection. The record reflects that the facility is at the end of its useful

life and requires numerous improvements to continue to meet treatment, water quality, safety, reliability, environmental compliance, and workplace standards. The location of the plant within a regulatory floodway restricts the ability to build new structures at the current site and the OUCC did not dispute Petitioner's assessment of the facility's deteriorating condition or the site challenges.

We are also not persuaded by the OUCC's cost comparisons to other WTP projects, given the varying scopes and timing of the projects. Petitioner's proposed improvements are based on a design-build proposal process and subsequent competitive subpackage bidding, which support the estimated costs. In addition, although Indiana-American's current estimated cost is based on the most up to date scope estimates, it is the actual cost of the Seymour Improvements, not the estimates, that will be reflected in rate base.

We also find that Petitioner has complied with the requirements of Ind. Code § 13-18-26-3 and followed the guidance we provided in the 45870 Order to undertake an LCCBA that estimates the overall costs of project alternatives. The design-build team conducted an existing facility assessment, which assumed rehabilitation with phased replacement of the existing facility onsite or near the current site. They compared those estimates to the cost of constructing a new facility located outside the 100-year floodway. An LCCBA of each alternative was conducted using a qualified team of engineers and contractor. The LCCBA supported that due to age and lack of available space on the existing site, rehabilitation is not a viable option and that construction of a facility outside the floodway was the least cost alternative over a 40-year time horizon and provided associated safety and environmental benefits. The record also reflects that Indiana American took into consideration affordability, while balancing with reliability, in reducing the proposed firm capacity of the Seymour WTP.

iii. Terre Haute Replacement Electric Gear and Generator Improvements. The 45870 Order authorized these improvements to be included in Petitioner's rate base. The OUCC does not contend these improvements will not address challenges associated with safety, reliability, risk, or condition assessment of the existing facility. Instead, the OUCC disagrees with Petitioner's cost estimate. In this case, Petitioner presented an updated implementation stage estimate based on competitive contractor bid results of the lowest responsive bidder. When Indiana American seeks to recover the SEI costs, recovery will be based upon a true-up to actual costs. Based on the evidence presented, we find the costs are supported, will ultimately be subject to true-up, and are approved.

iv. Wabash Summitville Property Acquisition and Well Replacement Improvements. The OUCC argued this SEI should be denied because IDEM has not directed Petitioner to replace the Summitville Well No. 2. In addition to expenditures made to comply with applicable requirements, SEI expenditures may also be made if they meet the eligibility criteria set forth in Ind. Code § 8-1-31.7-7(1)(B) or (2). The evidence demonstrates that replacing the Summitville Well No. 2 in an area away from the nearby industrial facility will decrease the existing risk of contamination and support a reliable source of supply. Accordingly, we find the evidence supports that the improvements qualify as replacement plant under Ind. Code § 8-1-31.7-7(2) to maintain existing health, safety, or environmental protection for Petitioner's customers, employees, or the public.

v. **Terre Haute Allendale Booster Station Improvements.** The

OUCC challenged the eligibility of these improvements under the SEI Statute because the existing facilities meet the estimated demands and the project appears to be driven by serving potential growth. Petitioner clarified in rebuttal that these improvements are to simply replace an existing end of life booster station and not to serve any specific future development. Therefore, we find the evidence supports approval of these improvements as replacement of plant or equipment to maintain existing health, safety, or environmental protection for Petitioner's customers, employees, or the public and should be included in Petitioner's SEI Plan.

B. Accounting and Ratemaking. Indiana American requests Commission approval of the use of its SEI Rider to recover 80% of service enhancement improvement costs and to defer 20% of the approved service enhancement improvement costs. Mr. Drennan described interim deferral authority to record post-in-service carrying costs (both debt and equity), depreciation and property tax expenses associated with the projects until such costs are reflected in the SEI Rider rates or Indiana American's base rates. Indiana American also seeks authority to create regulatory assets for the deferral authority and interim deferral authority.

In response to the Commission's Docket Entry, Petitioner explained that the effective property tax rates used in its Schedule 5A of Petitioner's Exhibit 2, Attachment PJD-1 already reflect the 60% gross additions credit allowed on Schedule A-1 of the Indiana Department of Local Government Finance's Annual Report (U.D. Form 45). Petitioner clarified that updated property tax amounts will be presented in the SEI Rider filings. Petitioner also clarified that estimates for post-in-service carrying costs – which are a function of rate of return and passage of time following placement in service of the improvement and implementation of rates – will be included in subsequent rider and general rate case filings when the timing and amounts are known. Finally, when questioned regarding eligible exemptions associated with pollution control equipment, Petitioner indicated it will identify the projects eligible for the exemption before its SEI Rider filing.

We find that, except for the proposed additional energy costs associated with the Southern Charlestown Treatment Improvements, Indiana American's proposed accounting and ratemaking treatment aligns with the cost recovery provided in the SEI Statute. We further find the proposed treatment, as modified herein, is reasonable and should be approved. An updated SEI Rider tariff should be included with a petition filed pursuant to Ind. Code § 8-1-31.7-12.

8. Confidential Information. On January 31, 2025, Indiana American filed a motion for protection of confidential information in this Cause, which was supported by affidavit showing that certain information to be submitted to the Commission was trade secret information as defined in Ind. Code § 24-2-3-2 and should be treated as confidential in accordance with Ind. Code §§ 5-14-3-4 and 8-1-2-29. In a Docket Entry dated February 10, 2025, the Presiding Officers found the information should be held confidential on a preliminary basis. We find the information is trade secret information as defined in Ind. Code § 24-2-3-2, is exempt from public access and disclosure pursuant to Ind. Code §§ 5-14-3-4 and 8-1-2-29 and shall be held as confidential and protected from public access and disclosure by the Commission.

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

1. Petitioner's plan for the proposed service enhancement improvements is approved as set forth in this order.
2. Petitioner is authorized to timely recover 80% of its approved service enhancement improvement costs incurred for eligible additions through Petitioner's proposed SEI Rider pursuant to Ind. Code § 8-1-31.7-9(f)(1).
3. Petitioner is authorized to create a regulatory asset to record 20% of the approved service enhancement improvement costs incurred for eligible additions until such costs are reflected in Petitioner's rates for water service pursuant to Ind. Code § 8-1-31.7-9(f)(1).
4. Petitioner is authorized to accrue post-in-service carrying costs, both debt and equity, related to the eligible additions after their respective in-service dates using the overall cost of capital approved in Petitioner's last base rate case.
5. Petitioner is authorized to defer depreciation expense relating to the eligible additions until such expenses are recovered through either a rate adjustment mechanism or in base rates.
6. The information filed by Petitioner in this Cause pursuant to its motion for protection and nondisclosure of confidential and proprietary information is deemed confidential pursuant to 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.
7. This Order shall be effective on and after the date of its approval.

HUSTON, BENNETT, VELETA, AND ZIEGNER CONCUR; FREEMAN ABSENT:

APPROVED: AUG 27 2025

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

**Dana Kosco
Secretary of the Commission**