

**ORIGINAL**

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Ober	√		
Ziegner	√		

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**VERIFIED PETITION OF PETITION OF THE BOARD )  
OF DIRECTORS FOR UTILITIES OF THE )  
DEPARTMENT OF PUBLIC UTILITIES OF THE CITY )  
OF INDIANAPOLIS, AS TRUSTEE OF A PUBLIC )  
CHARITABLE TRUST FOR THE WATER SYSTEM, )  
D/B/A CITIZENS WATER, PURSUANT TO INDIANA )  
CODE SECTION 8-1-31.6-10, FOR APPROVAL OF )  
RATE SCHEDULES ESTABLISHING AMOUNTS )  
THAT WILL PROVIDE FOR RECOVERY OF )  
CUSTOMER-OWNED LEAD SERVICE LINE )  
IMPROVEMENT COSTS MADE IN ACCORDANCE )  
WITH A PREVIOUSLY APPROVED LEAD SERVICE )  
LINE REPLACEMENT PLAN. )**

**CAUSE NO. 45599 LSLR 1**

**APPROVED: MAY 11 2022**

**ORDER OF THE COMMISSION**

**Presiding Officers:  
Sarah E. Freeman, Commissioner  
Jennifer L. Schuster, Senior Administrative Law Judge**

On March 14, 2022, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System, d/b/a Citizens Water (“Citizens Water” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) requesting approval of rate schedules establishing amounts to provide for recovery of customer-owned lead service line improvement costs incurred pursuant to Citizens Water’s Lead Service Line Replacement Plan (the “LSLR Plan”). In support of its Petition, Citizens Water contemporaneously filed the direct testimony and attachments of Debi Bardhan-Akala, Director of Regulatory Affairs at Citizens Energy Group.

On April 12, 2022, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and attachment of Kristen Willoughby, Utility Analyst in the Water/Wastewater Division of the OUCC.

The Commission held an evidentiary hearing in this Cause at 11:30 a.m. on April 28, 2022 in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Citizens Water and the OUCC appeared and participated in the hearing, and the evidence of both parties was admitted into the record without objection.

Based on the applicable law and evidence of record, the Commission now finds:

**1. Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Pursuant to Ind. Code § 8-1-31.6-4, Citizens Water is a municipally owned utility (as defined in Ind. Code § 8-1-2-1(h)) that provides water

service to the public and is subject to the Commission's jurisdiction with respect to rates and charges. Citizens Water's rates, charges, terms, and conditions for water service are subject to Commission approval under Ind. Code § 8-1-11.1-3(c)(9). Accordingly, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

**2. Citizens Water's Characteristics.** Petitioner owns and operates certain water utility assets acquired from the City of Indianapolis, Indiana (the "City") and the Department of Waterworks (the "DOW") of the City pursuant to an Asset Purchase Agreement approved by the Commission's July 13, 2011 Order in Cause No. 43936. Using its water utility plant, properties, equipment, and facilities, Citizens Water provides water utility service to the public in the City and surrounding communities in central Indiana. Its principal office is located at 2020 North Meridian Street, Indianapolis, Indiana.

**3. Relief Requested.** The Commission approved Citizens Water's LSLR Plan in Cause No. 45599 on March 2, 2022. Petitioner filed this proceeding pursuant to Ind. Code § 8-1-31.6-10 to obtain Commission approval of rate schedules establishing amounts that will allow for recovery of lead service line replacement costs incurred under the LSLR Plan during Years 1 through 5. Citizens Water requests that the Commission approve two different sets of fixed charges with effective dates one year apart. The first set of fixed charges would be effective upon Commission approval and be in effect for Year 1 of the LSLR Plan. The second set of fixed charges would be effective during Years 2 through 5 of the LSLR Plan, subject to any reconciliation adjustments.

**4. Citizens Water's Case-in-Chief.** Ms. Bardhan-Akala supported Citizens Water's fixed charges for recovery of costs associated with the LSLR Plan as provided for under Ind. Code § 8-1-31.6-10. She testified that the fixed charges in this case and future adjustment proceedings will be based on the expected cost of the LSLR Plan improvements to be made during the upcoming 12-month period, as allowed under Ind. Code § 8-1-31.6-8. Ms. Bardhan-Akala testified that the total expected cost for LSLR Plan improvements for Year 1 is \$2,528,000, and the expected annual cost for Years 2 through 5 is \$5,061,000. She stated that these amounts are consistent with the expected capital expenditures shown in the LSLR Plan approved in Cause No. 45599. Ms. Bardhan-Akala testified that no changes have been made to the LSLR Plan since it was approved by the Commission, and Citizens Water continues to believe the projected costs of the improvements to be made in Years 1 through 5 is accurate. She stated that none of the improvements that will be made pursuant to the Plan were included on Citizen Water's balance sheet as plant in service in Citizen Water's most recent general rate case, and none of the improvements increase revenues by connecting other customers.

Ms. Bardhan-Akala described the methodology used for the calculation of the requested adjustments to Citizens Water's basic rates and charges. She testified that the monthly fixed customer charges, as required by Ind. Code § 8-1-31.6-10, were developed using the meter size method, as described in American Water Works Association ("AWWA"), M1 Principles of Water, Rates, Fees and Charges Manual. Under this approach, fixed customer charges increase as the size (capacity) of the meter increases. She stated that, for this filing, a fixed customer charge for a "base" meter size (5/8-inch meter) was calculated. Once a fixed customer charge for the base meter size was determined, monthly fixed customer charges for meters of other sizes were calculated by

multiplying the monthly fixed charge for the “base” meter by the appropriate AWWA meter equivalent ratio. Ms. Bardhan-Akala provided the calculations of monthly fixed charges for Years 1 through 5 of the LSLR Plan in Attachment DBA-1.

Ms. Bardhan-Akala also sponsored the tariff sheet reflecting monthly fixed charges for Years 1 through 5 of the Plan as Attachment DBA-2. She testified that, immediately following the approval of the Petition in this proceeding, Citizens Water will make a compliance filing to place the fixed monthly charges for Year 1 into effect. She stated that 365 days following the date the initial fixed charges become effective, the rates for Years 2 through 5 will become effective, subject to updates for the reconciliations. She stated that most of Petitioner’s residential customers are served with 5/8-inch meters, and their charges will be \$0.48 per month in Year 1 and \$0.96 per month in Years 2 through 5.

Ms. Bardhan-Akala stated that, at the end of each 12-month period following the date on which the Commission initially approves an adjustment amount, Citizens Water will make a compliance filing to reconcile the difference between the billed LSLR Plan adjustment amount over a 12-month period and the actual cost incurred for the LSLR Plan for the same 12-month period. She testified that Citizens Water will then recover or refund the difference through additional adjustments to the monthly fixed charges in accordance with Ind. Code § 8-1-31.6-14. She also stated that the revised monthly fixed charges will be set forth on a revised tariff sheet included with the compliance filing, and that during the next Citizens Water general rate case, the adjustment rider will be set to zero upon the approval of new basic rates and charges.

**5. OUCC’s Evidence.** Ms. Willoughby testified that Citizens Water’s proposed rates are reasonable and that its methodology for basing monthly costs on meter size, as outlined in the direct testimony of Ms. Bardhan-Akala, is logical and reasonable. Ms. Willoughby testified that Citizens Water’s proposed rates and charges to provide for recovery costs for the LSLR Plan is calculated correctly and consistent with the final order authorizing the LSLR Plan.

**6. Commission Discussion and Findings.** Having approved Petitioner’s LSLR Plan in Cause No. 45599, the Commission now considers Petitioner’s proposed calculations for an adjustment to its basic rates and charges to provide recovery of lead service line replacement costs under Ind. Code § 8-1-31.6-10. Once a utility’s LSLR plan is approved, Ind. Code § 8-1-31.6-10 provides that, unless a municipally owned utility has filed a rate case already in the same calendar year, the utility may file a petition setting forth rate schedules establishing an amount that will allow adjustment of the utility’s basic rates and charges to provide for recovery of the customer lead service line improvement costs. The adjustment amount “shall be calculated as a monthly fixed charge based upon meter size.” Ind. Code § 8-1-31.6-10.

Customer lead service line improvements are defined as expenditures:

- (1) related to:
  - (A) a lead service line . . . owned by a customer of a water utility;
- (2) made by a water utility; and
- (3) related to a water utility’s plan to replace lead service lines within or connected to the water utility’s system, including lines owned by the customer and

lines owned by the water utility.

Ind. Code § 8-1-31.6-2. For a municipally owned utility, customer lead service line improvement costs may include the following:

- (1) Depreciation expenses.
- (2) Extensions and replacements for customer lead service line improvements, to the extent that the extensions and replacements are not provided for through depreciation, in the manner provided for in I.C. 8-1.5-3-8.
- (3) Debt service on funds borrowed to pay for customer lead service line improvements.
- (4) As applicable, property taxes to be paid by the utility based upon the first assessment date following the placement in service of the customer lead service line improvements.

Ind. Code § 8-1-31.6-9.

In accordance with Ind. Code §§ 8-1-31.6-9 and 8-1.5-3-8, Citizens Water has calculated the monthly fixed charges in this proceeding based on the expected cost of the LSLR improvements to be made during the upcoming 12-month period. As required by Ind. Code § 8-1-31.6-10, Petitioner calculated its LSLR adjustment as a monthly fixed charge based upon meter size, using a meter equivalent ratio to express the capacity of larger meters in relation to the capacity of Citizens Water's "base" meter size (5/8-inch meter). The derivation of the monthly fixed customer charges for Year 1 and Years 2 through 5 are provided in Petitioner's Exhibit 1, Attachment DBA-1. The monthly rate impact on customers based on meter size is set forth in Petitioner's Exhibit 1, Attachment DBA-2, as Rider A, which is reproduced below:

	<u>LSLR (Year 1)</u>	<u>LSLR (Years 2 through 5)</u>
<u>Meter Size (inches)</u>	<u>Effective:</u>	<u>Effective:</u>
5/8	\$0.48	\$0.96
3/4	\$0.74	\$1.47
1	\$1.22	\$2.43
1 ½	\$2.43	\$4.84
2	\$3.87	\$7.74
3	\$7.73	\$15.45
4	\$12.07	\$24.13
6	\$24.11	\$48.25
8	\$38.57	\$77.19
10	\$101.20	\$202.58

The OUCC agreed that Petitioner's proposed rates were correctly calculated and consistent with the final order authorizing the LSLR Plan.

Based on the evidence of record, we find that the rate adjustment amounts proposed to provide for recovery of customer-owned lead service line replacement costs incurred pursuant to Citizens Water's LSLR Plan are properly calculated. Accordingly, we find the rate schedule establishing amounts that will provide for recovery of lead service line improvement costs filed as Petitioner's Exhibit 1, Attachment DBA-2, and shown above should be approved.

We further find that Petitioner's proposal to reconcile the LSLR rate adjustment through compliance filings at the end of each 12-month period following the date the prior fixed charges become effective should be approved. The compliance filing will reconcile the difference between the billed LSLR Plan adjustment amount over a 12-month period and the actual costs incurred for the LSLR Plan for the same 12-month period. Citizens Water will then recover or refund the difference through additional adjustments to the monthly fixed charges in accordance with Ind. Code § 8-1-31.6-14.

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

1. The rate schedules (Rider A) establishing amounts that will provide for recovery of lead service line improvement costs filed as Petitioner's Exhibit 1, Attachment DBA-2, are hereby approved.
2. Prior to implementing the authorized rates, Citizens Water shall file the applicable rate schedules under this Cause for approval by the Commission's Water and Wastewater Division.
3. At the end of each 12-month period following the date on which the Year 1 rate goes into effect, Citizens Water shall make a compliance filing reconciling the difference between the billed LSLR Plan adjustment amount over a 12-month period and the actual costs incurred for the LSLR Plan for the same 12-month period in accordance with finding paragraph 6.
4. The LSLR Plan adjustment rider shall be set to zero upon the approval of new basic rates and charges in Citizens Water's next base rate case.
5. In accordance with Ind. Code § 8-1-2-70, Citizens Water shall pay the following itemized charges within 20 days from the date of this Order into the Commission public utility fund account described in Ind. Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges	\$ 1,291.77
OUCG Charges	\$ 525.51
Legal Advertising Charges	\$ 32.19
<b>TOTAL</b>	<b>\$ 1,849.47</b>

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

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

**APPROVED: MAY 11 2022**

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

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**Dana Kosco  
Secretary of the Commission**