



Indiana American Water 2023 Rate Filing

Muncie (Farmington Neighborhood) & Somerset

RATE ADJUSTMENT FILING

On March 31, 2023, Indiana American Water filed a general rate increase request (Cause #45870) with the Indiana Utility Regulatory Commission (IURC) reflecting more than \$875 million in water and wastewater system improvements to be made through 2025 to continue providing safe and reliable service as well as a significant increase in the cost of procuring chemicals, goods and services.

Indiana American Water is seeking to increase revenues over a phased, three-step process through May 2025 that would result in \$86.7 million of additional revenue when fully implemented. If the company's proposed rates are approved as requested, the base rate water bill for a typical residential customer using 4,000 gallons per month on Area 1 Rates would increase by approximately \$14.47, or approximately 48 cents per day, when fully implemented in 2025. As proposed, residential water rates for the typical customer would increase by approximately 12% in January 2024, by 8% in April 2024 and by 9.5% in April 2025.

For wastewater service in Muncie (Farmington neighborhood) & Somerset, the company has requested to increase its rates by approximately \$27.02, or approximately 89 cents per day, when fully implemented in 2025. As proposed, residential wastewater rates would increase by approximately 29% in January 2024, by 4.3% in April 2024, and by 2.27% in April 2025.

AFFORDABILITY COMPONENTS OF OUR FILING

Results of a customer affordability study conducted as part of the filing demonstrate that the affordability of the company's water and wastewater services as a comparison of monthly bills to household income has steadily improved over the past decade and will remain affordable under the company's proposed rates

Recognizing that affordability may still be an issue for some customers, the company is proposing a new rate design that provides 1,500 gallons of water usage at no additional cost above the fixed monthly customer charge for all water customers. The proposed change would provide relatively low-cost water service for customers on fixed incomes that use a lower volume of water than the typical customer.

The filing also includes a proposed Universal Affordability Tariff to provide multiple tiers of discounts to address the affordability needs of different levels of household income. Under the new rate structure, eligible households would receive monthly bill discounts of between 30 and 80 percent for water service.

FOR MORE INFORMATION

Rate impacts will vary by community, type of customer, usage and meter size. Learn more on the company's rate proposal at <https://www.amwater.com/inaw/customer-service-billing/your-water-rates> or at the IURC's online portal at <https://iurc.portal.in.gov/>.

REGULATORY PROCESS

As a regulated utility, Indiana American Water is obligated to provide quality service at a reasonable cost to our customers, as determined by the Indiana Utility Regulatory Commission.

The ratemaking process is open and thorough, with submissions of extensive financial and operational data documenting our investments and expenses.

The IURC and other parties, including the Office of Utility Consumer Counselor (OUCC), the state agency representing ratepayer interests, scrutinize the information received from the company and its customers.

The IURC's rate review process offers multiple opportunities for customer involvement. Customers can participate through written comments, attendance at public input hearings, and consumer advocacy organizations that participate in the proceedings.

There will be no immediate impact on rates while the regulatory process is underway, which typically takes approximately 10 months.



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FIRE PROTECTION CAPABILITIES

Also included in the company's request is a proposed decrease for most customers of the Public Fire Protection Surcharge (FPS) paid by all customers located within municipal boundaries where authorized by ordinance or within 1,000 feet of a public fire hydrant. The proposed change would decrease the charge for most residential customers with a 5/8" meter from \$4.85 to \$4.75 per month when fully implemented in mid-2025. When fully implemented in mid-2025, the FPS will increase in a few communities, including in West Lafayette from \$3.40 to \$4.75, in Seymour from \$4.25 to \$4.75, and in Summitville from \$3.77 to \$4.75.

Fees collected through the Public Fire Protection Surcharge cover the costs for construction, maintenance, operation, administration and financing of fire protection water infrastructure in your community. To ensure we can provide adequate fire service capability, we regularly invest in our distribution system through capital investments and continued maintenance activities.

INVESTING IN INDIANA

The rates we have requested are based on the actual cost of providing water service. We do not make a profit on our expenses, whether it's the chemicals we buy to treat your water, the water quality tests we run, or the staffing of our maintenance crews, we only charge you what it costs us to provide the service. Likewise, local, state and federal taxes, plus the interest on debt-funded infrastructure, are all recovered only at cost.

Our rates include an allowance for providing a return to our shareholders for the infrastructure they fund. Just as you would expect a return for an investment you made in a business, providing a return to our shareholders when they fund the construction of pipes, plants, pumps and other infrastructure, is critical to our ability to continue to attract capital and make the investments necessary to keep your water safe, clean, and reliable.

In the company's filing, a significant portion of the revenue requested is related to more than \$875 million of capital expenditures made or projected throughout the state since our last rate case.

Water projects include upgrading or building new water treatment facilities, replacing or rehabilitating aging water mains, replacing or retiring lead service lines, as well as improvements to pumping, storage, and operations facilities.

Prudent investments in the system help to ensure quality water service by improving water quality and system reliability, reducing the frequency of service interruptions, preventing property damage from water main breaks and enhancing fire protection capabilities.

EVERY PENNY COUNTS

Since Indiana American Water's last general rate request in September 2018, the company has continued to implement efficiencies and best practices throughout the business to hold down its operating and maintenance (O&M) expenses. Employees are doing more with less through productivity gains like process improvements and using and leveraging new technology.

We work hard to find the right balance between the need to invest in infrastructure and the impact on customer bills. We strive to prevent the average water bill from going up faster than the average bill for other common goods and services. We also work hard to control expenses. We know that, for every \$1 we save in expenses, we can invest \$8 in infrastructure with virtually no bill impact to our customers. These savings are particularly important as the company faces a growing need to replace infrastructure that is nearing the end of its useful life.

We have also been able to maintain top-quartile customer satisfaction and efficiency levels, maintain a water quality and environmental compliance record that is significantly better than our industry peers, and improve safety for our employees by improving our OSHA recordable incident rate, a measure of workplace health and safety, by 76 percent since our last rate filing.