

**STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD**

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DOCKET NO. RPU-2020-0001

**IOWA-AMERICAN WATER
COMPANY**

APPLICATION FOR REVISION OF RATES

COMES NOW Iowa-American Water Company (“*Iowa-American*” or “*Company*”), pursuant to Iowa Code § 476.6 and 199 Iowa Admin. Code Chapter 26, and requests that the Iowa Utilities Board (“*Board*”) approve revisions in Iowa-American’s rates and charges. In support of this request, Iowa-American states:

1. Iowa-American is an Iowa corporation having its principal place of business at 5201 Grand Avenue, Davenport, Iowa 52807. Iowa-American is a public utility as defined in Iowa Code § 476.1 and is subject to the Board’s ratemaking jurisdiction.

2. Iowa-American provides water service to nearly 67,000 customers, or nearly 200,000 people, in and around the Iowa cities of Clinton, Davenport, Dixon, Bettendorf, LeClaire, Riverdale, Panorama Park, and Blue Grass. As shown on Attachment A hereto, all of the Company’s customers, in all of the Company’s rate classes, will be affected by the revised rates proposed by the Company.

3. The total annual cost to serve Iowa-American’s customers is approximately \$45.5 million. The proposed tariff revisions filed with this Application are designed to produce no more than that level of revenue. The revisions proposed in this Application are designed to increase the Company’s allowed annual revenues by about \$3.95 million, or approximately 9.5 percent.

4. Iowa-American's Application is based on a future test year, as permitted by Iowa Code § 476.33(4)(b). The Company's future test year is comprised of the twelve months ending June 30, 2022.

5. Iowa-American *is not* seeking temporary rates in this case. Rather, the Company proposes that any increased rates resulting from this case go into effect on July 1, 2021.

6. Pursuant to the requirements of Iowa Code § 476.6(2) and Board rule 199 IAC 26.5(1)(b), prior to filing this Application, but not more than 62 days prior to the filing, Iowa-American mailed to all of its retail customers a Notice of Rate Increase. Iowa-American received Board approval of its form of notice by order issued on August 13, 2020 in this docket. Supplemental mailing of the notice will be made to customers who request service subsequent to the initial mailing until resolution of this case by the Board, pursuant to 199 IAC 6.5(1)(f)(5). The Customer Notice and Proof of Mailing are filed with this Application.

7. This Application is necessary to permit Iowa-American to recover its reasonable operating expenses and to provide the Company a reasonable opportunity to earn a fair return on its investment in utility plant used and useful in providing service to its customers. In the five-year period since Iowa-American's last rate increase and continuing to the end of the test period, Iowa-American will have invested approximately \$86.8 million in its water treatment and delivery systems in Iowa Quad Cities, Clinton and Blue Grass in an effort to continually improve its water systems. Of this amount, only \$ 11.2 million has been included in its rates to date. Recovery of these costs, the Company's operating costs and a fair return on the Company's investment in property used and useful to its customers will allow Iowa-American to continue to attract the capital necessary to not just provide basic services to its customers but to continue to upgrade its water systems to provide even better service.

8. The most significant factors contributing to the need for increased revenue are:
 - a. Increased capital investment, including depreciation, of \$ 86.8 million and the effects of regulatory lag; and,
 - b. Increasing operating and maintenance (“O&M”), largely driven by increased demand on Company resources associated with line locates and other high value work.

9. Included among Iowa-American’s proposed tariff sheet revisions are items necessary to address the negative impacts of regulatory lag and declining usage, which historically have deprived Iowa-American of achieving Board-authorized earnings levels. Iowa-American believes that these proposals are reasonable and that they should be approved by the Board so that Iowa-American has a reasonable opportunity to earn its authorized rate of return and for it to continue to accelerate its infrastructure replacement efforts. These proposals include:

- a. Modifications to the Qualified Infrastructure Plant surcharge (“*QIP Rider*”) to expand its usefulness; and
- b. The Revenue Stabilization Mechanism (“*RSM*”) designed to ensure the Company recovers the revenue requirement authorized by the Board in this case, no more and no less.

10. Iowa-American is proposing to revise its rates in the manner set out in the proposed tariff revisions filed herewith and as supported by the Company’s case-in-chief, including the Direct Testimony of the following witnesses:

- Ann E. Bulkley, Senior Vice President, Concentric Energy Advisers, Inc. Ms. Bulkley provides testimony regarding Iowa-American’s cost of equity and the Company’s capital structure.
- Charisse L. Cephus, Director of Regulatory Services for American Water Service Company, Inc. Ms. Cephus provides testimony concerning operations and maintenance expenses, including labor and labor-related costs, production costs, uncollectibles, support services, insurance other than group, property taxes, and other operating expenses.
- David Kull, Engineering Manager. Mr. Kull provides facts and information relevant to Iowa-American’s capital investment program.

- Randy Moore, President of Iowa-American. Mr. Moore will testify to the general reasons for the relief requested.
- Brad Nielsen, Vice President – Operations. Mr. Nielsen provides an overview of the operations, facilities, and resources used by Iowa-American to provide clean, safe, and reliable water service in Iowa.
- Charles Rea, Director, Rates & Regulatory. Mr. Rea sponsors the Company's class cost of service study, rate design proposals, and forecast test year calculation. He also discusses the Company's proposal for a Revenue Stabilization Mechanism.
- Gregory Roach, Manager of Revenue Analytics. Mr. Roach testifies regarding the declining usage per customer that Iowa-American has been experiencing for over a decade.
- Cade Simmons, Manager of Rates & Regulatory. Mr. Simmons testifies about the Company's future test year and proposed revenue requirement. He also sponsors the minimum filing requirements, capital structure, rate base, rate case expense, other non-recurring revenue and expense items, and tariff revisions, along with the proposed ratemaking treatment for the Company's lead service line replacement program and its low-income assistance program.
- John R. Wilde, Vice President – Tax Strategy and Compliance. Mr. Wilde supports and explains the impact of state and federal tax legislation enacted since the Company's last Iowa rate case.

11. The testimony and exhibits filed with this Application, in compliance with the Board's rules, inform the Board as to the manner in which Iowa-American has arrived at its proposed rate revisions.

12. In accordance with the requirements of Iowa Code § 476.6 and 199 IAC 26.5, the Company files herewith its case-in-chief in support of this Application. This filing is being made electronically in accordance with Board rules at 199 IAC chapter 14 and is essentially comprised of the following four parts:

- a. A transmittal letter, this Application, related exhibits, the proposed rates and tariffs and the Company's sworn testimony and exhibits filed in support of this Application, all required by 199 IAC 26.5(5);

- b. The additional evidence required of investor-owned utility by 199 IAC 26.5(5)(e) (“Minimum Filing Requirements”);
- c. The workpapers underlying the testimony and exhibits filed in support of the revision of rates proposed by Iowa-American, as required by 199 IAC 26.5(5)(f), including electronic exhibits and workpapers; and
- d. An Electronic Filing Index listing each filed document filed.

WHEREFORE, Iowa-American respectfully requests that the Iowa Utilities Board approve the Company’s Application for Revision of Rates as filed herein and as supported by the Company’s case-in-chief and other documentation filed herewith.

Dated August 28, 2020.

Respectfully submitted,

/s/ **Sheila K. Tipton**
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ATTACHMENT A

NUMBER AND CLASSIFICATION OF CUSTOMERS

Class	Customers	Usage (000 Gallons)	Revenue at Present Rates (\$)	Revenue at Proposed Rates (\$)	Proposed Increase (\$)	Percentage Change
Residential	59,948	2,573,224	25,750,370	29,103,984	3,353,614	13.02%
Commercial	5,453	1,403,577	9,469,627	9,938,647	469,020	4.95%
Industrial	83	879,648	3,260,588	3,358,921	98,333	3.02%
Public Authority	299	144,105	946,309	971,535	25,226	2.67%
Miscellaneous	13	7,399	48,654	51,529	2,875	5.91%
Fire Service	1,203		1,090,320	1,090,320	-	0.00%
Subtotal	66,999	5,007,953	40,565,868	44,514,936	3,949,068	9.73%
Other Revenues						
Late Payment Charge			246,138	246,138	-	0.00%
Rent			259,893	259,893	-	0.00%
Rent Intercompany			6,497	6,497	-	0.00%
NSF Check Charge			19,017	19,017	-	0.00%
Application/Initiation Fee			246,928	246,928	-	0.00%
Usage Data			60,157	60,157	-	0.00%
Reconnection Fee			110,832	110,832	-	0.00%
Frozen Meter			11,429	11,429	-	0.00%
After Hours Charge			4,479	4,479	-	0.00%
Misc. Service			18,882	18,882	-	0.00%
Subtotal			984,242	984,252	-	0.00%
Total Company			41,550,120	45,499,187	3,949,068	9.50%