

FILED
September 28, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**IN THE MATTER OF THE PETITION OF)
GRANGER WATER UTILITY LLC FOR (1))
APPROVAL OF AN INITIAL SCHEDULE OF)
RATES AND CHARGES FOR WATER UTILITY)
SERVICE; (2) FOR APPROVAL OF LONG TERM)
DEBT, INCLUDING AN ENCUMBRANCE OF ITS)
FRANCHISE, WORKS OR SYSTEM RELATED)
THERE TO; (3) FOR ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO PROVIDE WATER)
UTILITY SERVICE IN CERTAIN AREAS OF ST.)
JOSEPH COUNTY, INDIANA; (4) FOR CERTAIN)
DEFERRED ACCOUNTING TREATMENT; AND)
(5) FOR CONSENT OF THE COMMISSION TO)
OBTAIN A LICENSE, PERMIT OR FRANCHISE)
TO USE COUNTY PROPERTY PURSUANT TO)
IND. CODE § 36-2-2-23)**

CAUSE NO. 45568

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SEPTEMBER 28, 2021

Respectfully submitted

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

A handwritten signature in black ink, reading "Daniel M. Le Vay". The signature is fluid and cursive, with a long horizontal stroke at the end.

Daniel M. Le Vay, Attorney No. 22184-49
Deputy Consumer Counselor
OFFICE OF UTILITY CONSUMER COUNSELOR
115 W. Washington St. Suite 1500 South
Indianapolis, IN 46204
Email: dlevay@oucc.in.gov

CERTIFICATE OF SERVICE

This is to certify that a copy of the *Public's Exhibit No. 1, Testimony of Carla F. Sullivan* has been served upon the following counsel of record in the captioned proceeding by electronic service on September 28, 2021.

David T. McGimpsey
DENTONS BINGHAM GREENEBAUM LLP
212 W. 6th Street
Jasper, Indiana 47546
Email: david.mcgimpsey@dentons.com

Hannah G. Bennett
DENTONS BINGHAM GREENEBAUM LLP
2700 Market Tower
10 West Market Street
Indianapolis, Indiana 46204
Email: hannah.bennett@dentons.com



Daniel M. Le Vay
Deputy Consumer Counselor

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov
317/232-2494 – Phone
317/232-5923 – Facsimile

TESTIMONY OF OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 45568
GRANGER WATER UTILITY, LLC

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Carla F. Sullivan, and my business address is 115 West Washington
3 Street, Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC")
6 as a Utility Analyst in the Water/Wastewater Division. My qualifications and
7 experience are described in Appendix A.

8 **Q: What relief is Granger Water Utility, LLC seeking from the Indiana Utility**
9 **Regulatory Commission ("Commission" or "IURC")?**

10 A: In addition to its request for a certificate of public convenience and necessity
11 ("CPCN") covering an area described in Exhibit A in its petition, Granger Water
12 Utility, LLC ("Granger Water" or "Petitioner") seeks approval of rates and
13 charges, including an initial monthly flat rate of \$75 per equivalent dwelling unit
14 ("EDU"), a system development charge of \$1,750 per EDU (which Petitioner has
15 grossed up for income taxes), and a schedule of non-recurring charges, including
16 a bad check charge, a connection charge, and a disconnection charge. Granger
17 Water also requests Commission approval of long-term debt consisting of a
18 revolving line of credit (i.e., a promissory note) with a maximum principal

1 amount of \$1,481,397 and a mortgage that identifies \$7.2 million of collateral.¹
2 Granger Water also requests Commission approval of “certain long term debt for
3 the purchase of the water distribution system within the service area.”² Petitioner
4 also request Commission approval of Granger Water “deferring operating costs
5 associated with providing water utility service that are in excess of its operating
6 revenues during the start-up phase of its operations until operating revenues reach
7 a level where they exceed operating costs.”^{3, 4} Granger Water requests
8 Commission approval to obtain a license, permit or franchise from the Board of
9 Commissioners of St. Joseph County, Indiana, to use county property for water
10 utility service. Finally, Granger Water requests Commission approval to provide
11 free water service until rates are established and approved.

12 **Q: What is the purpose of your testimony?**

13 A: I explain OUCC’s understanding of Granger Water’s business structure,
14 relationships with affiliated entities, and history. I discuss assumptions that form
15 the basis of Petitioner’s *pro forma* financial statements. I present OUCC’s *pro*
16 *forma* financial statements for Granger Water based on Indiana Code, traditional
17 ratemaking policy, and more reasonable assumptions. I discuss whether Petitioner

¹ In its petition, Granger Water indicates it’s asking for revolving line of credit (i.e., a promissory note) with a maximum principal amount of \$1,481,397, but in its testimony Granger Water indicates it’s asking for approval of ten \$370,000 loans in addition to the \$1,481,397 loan. Direct Testimony of J. Patrick Matthews, page 18.

² Granger Water Utility LLC Petition, p. 3

³ Granger Water Utility LLC Petition, p. 3

⁴ Granger Water states that it “is not seeking guaranteed recovery of these costs, but rather, seeks to defer these costs for presentation in a future rate case for the Commission’s consideration of allowing a return of and a return on these costs.” Granger Water Utility LLC Petition, p. 3

1 has demonstrated it possesses the financial and managerial capability to run a
2 water utility. Finally, I observe how certain financial transactions should be
3 recorded by Granger Water should it be granted authority to form a water utility.

4 **Q: Please summarize the OUCC's testimony in this Cause.**

5 A: In addition to my testimony, the OUCC presents testimony from two other expert
6 witnesses, Mr. Shawn Dellinger and Mr. Jim Parks. Mr. Dellinger discusses
7 Petitioner's issuance of debt and the encumbrance of utility assets. Mr. Dellinger
8 analyzes life cycle costs of alternative methods of supplying water service and
9 their effect on rates. OUCC witness Mr. Parks discusses technical and engineering
10 issues and projects future capital costs Granger Water would incur. He also
11 estimates the cost of connecting to Mishawaka using more accurate information.

12 **Q: Please describe the review you conducted to prepare your testimony.**

13 A: I reviewed the testimony and attachments presented by Petitioner in its Case-in-
14 Chief, focusing on the testimony of Ms. Jennifer Wilson. I reviewed relevant
15 Indiana Statutes and provisions of the Indiana Administrative Code. I prepared
16 data request questions and reviewed Petitioner's responses. I participated in a
17 meeting with Petitioner held after Petitioner filed its case.

18 **Q: Do you sponsor any attachments or schedules?**

19 A: Yes. I list my attachments in Appendix B. I also sponsor the following schedules:

- 20 Schedule 1 OUCC's *Pro forma* Revenue Requirement
- 21 Petitioner's *Pro forma* Revenue Requirement
- 22 OUCC's *Pro forma* Gross Revenue Requirement Calculations
- 23 Schedule 2 OUCC's *Pro forma* Comparative Balance Sheet
- 24 Schedule 3 OUCC's *Pro forma* Comparative Income Statements

- 1 Schedule 4 OUCC's *Pro Forma* Statement of Cash Flows
- 2 Schedule 5 OUCC's *Pro forma* Calculation of Rate Base
- 3 Schedule 6 OUCC's *Pro Forma* Capital Structure
- 4 Schedule 7 OUCC's Assumptions and Explanations

II. AFFILIATES AND OTHER RELATIONSHIPS

5 **Q: Please describe Granger Water's business structure.**

6 A: Granger Water is an investor-owned water utility owned by two corporate
7 entities: Seven Diamonds LLC ("Seven Diamonds") and Circumlocution LLC
8 ("Circumlocution"). Seven Diamonds owns 65% of Granger Water and
9 Circumlocution owns 35% (Collectively "Partners"). Mr. Patrick Matthews and
10 Mrs. Aimee Matthews each own 50% of Seven Diamonds. Mr. Ken Keber owns
11 100% of Circumlocution. I refer to Mr. Matthews, Mrs. Matthews, and Mr. Keber
12 as "Owners" throughout my testimony. As discussed below, Seven Diamonds and
13 Circumlocution also own The Village Development LLC ("Village
14 Development"), which is the developer of The Hills of St. Joe Farm subdivision,
15 the subdivision that Granger Water proposes to serve.

16 **Q: Please describe Granger Water's proposed service area?**

17 A: Granger Water will initially serve a new single-family housing development in
18 the northwest corner of St. Joseph County Indiana called The Hills at St. Joe
19 Farms ("Subdivision"). The Subdivision consist of 76 acres with the potential to

1 expand to 151 acres. Granger Water includes all 151 acres in its proposed service
2 area.⁵

3 **Q: What entities are involved in the construction of the Subdivision and water**
4 **utility plant, and what is each entity's relationship to Granger Water?**

5 A: In addition to Granger Water, five entities or individuals appear to have been
6 involved in the creation of the Subdivision or water utility, some of which are
7 affiliated with Granger Water.

- 8 • Mr. Paul Blum is the original owner of the 76 acres that was purchased by
9 Village Development on December 31, 2019. Mr. Blum is the current owner
10 of the additional 75 acres Petitioner includes in its growth model.
- 11 • Village Development is the current owner of 76 acres, platted for 229 single-
12 family residential homes. Village Development assumed the name *The Hills*
13 *at St. Joe Farm* on February 17, 2020.⁶ (Note: Seven Diamonds and
14 Circumlocution own both Village Development and Granger Water.)
- 15 • Peerless Midwest Inc. ("Peerless") constructed the water utility treatment
16 plant and drilled the water utility's wells. Peerless is an unaffiliated entity.
- 17 • New Buffalo Land Improvement Company d/b/a Forest Beach Builders, a
18 Michigan Corporation, entered into a contract to build the water treatment
19 plant shell for \$301,000. Mr. Matthews is the resident agent of Forest Beach
20 Builders.⁷
- 21 • Capstone Construction is the exclusive builder of the currently platted 229
22 single-family residential homes.

⁵ Petitioner's Attachment JZW-1, page 11 of 13, states, "Assumes new customers of 38 per year from year 1 through year 5, and 35 per year from years 6 through 10 for a total of 365 customers." I will present the impossibility of this statement without the inclusion of all 151 areas later in my testimony.

⁶ Attachment CFS-1: Village Developments Assumed Name, The Hills at St. Joe Farm

⁷ Attachment CFS-2: Forest Beach Builders' License

1 **Q: Please summarize the history of the Subdivision.**

2 A: Village Development purchased 76 acres from Mr. Paul Blum. The 76 acres is
3 platted for 229 single-family homes and a water treatment plant. Petitioner's
4 response to Data Request No. 2-1 states, "Village Development conveyed Lot
5 230, 4.7 acres, for the water plant as an equity contribution."⁸ Village
6 Development has an option to purchase an additional 75 acres which it anticipates
7 will be platted in 2030.⁹

8 **Q: What are Village Development's responsibilities?**

9 A: As a developer, Village Development's responsibilities would generally include
10 acquiring utility services, installing the sewer collection system, installing the
11 water distribution system, and constructing streets and curbs. Typically, the
12 developer contributes utility assets to the utility provider or local governmental
13 entity that will be responsible for the asset's operation and maintenance.

14 **Q: Is there comingling of responsibilities among the various entities involved in**
15 **the Subdivision and water utility?**

16 A: Yes. Based on my review of Petitioner's testimony, exhibits, and responses to
17 OUCC Data Request questions, Petitioner seems to use the name Village
18 Development and Hills at St. Joe Farm interchangeably with the name Granger
19 Water. In addition, documents and invoices that should use the name Granger
20 Water Utility LLC use The Hills at St. Joe Farm.¹⁰

⁸ Attachment CFS-3: Data Request No. 2-1

⁹ Attachment CFS-4: Data Request No. 4-4

¹⁰ Attachment CFS-5: Comingling Business Names

1 **Q: What is the relevance of this observation?**

2 A: For ratemaking and other regulatory purposes, it is important to be able to
3 establish which entity is acting. Information provided to the OUCC made it
4 difficult to determine which entity made equity infusions or paid invoices for
5 work done on the water utility's behalf. Petitioner's response to Data Request No.
6 2-1 indicates Village Development, an affiliate of Granger Water, conveyed the
7 land as an equity contribution.¹¹ If so, then Village Development would therefore
8 be a partial owner of the water utility. It is also unclear as to which entity paid
9 invoices that were received in Village Development's name. Commingling funds
10 between Granger Water and Village Development is an unacceptable business
11 practice. From an accounting perspective, Granger Water needs to have a separate
12 set of books and records that accurately identify the financial transactions that
13 have taken place and will take place in the future if the Commission approves the
14 formation of Granger Water as a regulated provider of water service.

III. FINANCIAL ASSUMPTIONS

15 **Q: What assumptions did Petitioner make to create its *pro forma* financial**
16 **statements?**

17 A: I will address eight of the financial assumptions Petitioner used, most of which
18 were used to develop its *pro forma* financial statements. These assumptions
19 include (1) an aggressive customer growth projection, (2) annual revenue
20 increases based on the Alternative Regulatory Procedure, (3) deferral of utility
21 losses as a regulatory asset, (4) incorrect federal and state income tax rates, (5)

¹¹ Attachment CFS-3: Data Request No. 2-1

1 sale of the distribution system to the utility in lieu of contribution by the
2 developer, (6) system development charge cash flows used to fund operating
3 expense, (7) an initial flat rate of \$75 that does not include all allowable recovery,
4 and (8) inadequately supported and excessive non-recurring charges. I present the
5 OUCC's revised assumption after a brief discussion of Petitioner's proposal.

A. Customer Growth

6 **Q: Please summarize Petitioner's customer growth assumptions.**

7 A: According to the direct testimony of Petitioner's witness Ms. Wilson, Granger
8 Water will add 38 customers per year in years one (1) through five (5). Growth
9 will slow to 35 customers per year in years six (6) through ten (10). Granger
10 Water's ten-year *pro forma* financial statements are based on a cumulative growth
11 of 365 customers.¹² Petitioner's witness Mr. Patrick Matthews states the project
12 will eventually grow to serve 500-600 homes.¹³

13 **Q: Are these growth projections well supported?**

14 A: No. Moreover, an August 12, 2020, email from Mr. Matthews to Mr. Travis
15 Goodwin and Mrs. Liz Melvin of the Indiana Department of Environmental
16 Management ("IDEM") indicates the projection of 500 lots/units is purely

¹² Direct Testimony of Ms. Jennifer Wilson, page 4

¹³ Direct Testimony of Mr. Patrick Matthews, page 5

1 speculative.¹⁴ Also, Village Development has not secured the additional land
2 necessary to expand the Subdivision.¹⁵

3 **Q: Are the growth assumptions presented in Petitioner's Case-in-Chief the same**
4 **as the growth assumptions included in Granger Water's Water System**
5 **Management Plan ("WSMP"), which was submitted to IDEM on June 16,**
6 **2020?**

7 A: No. Exhibit 2.7-*Cost Based Rate Analysis* of the WSMP reflects a growth rate of
8 24 customers per year.¹⁶ However, growth based on that pace should not be
9 considered reliable either. Ms. Dana Lynn of the IURC, who performed a
10 financial capacity review in coordination with IDEM's process, considered the
11 prospect of adding 24 homes per year to be unrealistic:

12 Operating Revenues are based upon 24 homes being built each
13 year and with all homes coming online January 1 of each year.
14 This is an unrealistic assumption as most homes in a new
15 development connect to a water utility at various times throughout
16 the year. Moreover, staff found no support that a 10% growth rate
17 is reasonable.¹⁷

18
19 **Q: Does the OUCC agree with Petitioner's growth assumptions as presented in**
20 **its case-in-chief?**

21 A: No. Granger Water's customer growth is completely dependent on Village
22 Development's ability to sell lots and Capstone Construction's ability to build
23 homes. Village Development currently owns 76 acres with 229 lots platted.
24 Therefore, Granger Water's customer base cannot grow beyond 229 EDUs,
25 without some change in ownership of the land currently owned by Mr. Blum, or a

¹⁴ Attachment CFS-6: Data Request No. 4-12, page 69 and 70 of 227

¹⁵ Attachment CFS-3: Data Request 2-1

¹⁶ Attachment CFS-7: Water System Management Plan, page 69 of 91

¹⁷ Attachment CFS-8: Data Request No. 4-18, Financial Capacity Checklist

1 decision by another entity to develop that property and select Granger Water as its
2 water provider.

3 **Q: Do Petitioner’s *pro forma* financial statements present an accurate financial
4 picture if there is no growth after 229 homes have been built and sold?**

5 A: No. Petitioner’s *pro forma* financial statements are based on Granger Water
6 serving 360 EDUs by the end of Year 10. Petitioner used a growth assumption
7 that is not realistic and will result in an overstatement of operating revenues in
8 years seven (7) through ten (10).

9 Assuming Petitioner’s projected flat rate of \$81.04 for years seven (7)
10 through ten (10), the amount of overstatement can be calculated by subtracting the
11 maximum annual operating revenue, \$222,698 ($\$81 \times 12 = \$972 \times 229 \text{ EDUs} =$
12 $\$222,698$) from Petitioner’s projected annual operating revenue. Table CSF-1
13 below calculates the total overstatement for years seven (7) through ten (10).

14 Table CFS-1: Revenue Over Statement:

| | <u>Year 7</u> | <u>Year 7</u> | <u>Year 8</u> | <u>Year 9</u> | <u>Year 10</u> |
|-------------------------------|---------------|----------------|----------------|----------------|-------------------|
| Cumulative Customer Count | 229 | 263 | 297 | 331 | 365 |
| Yearly Rate per Customer | \$ 972 | \$ 972 | \$ 972 | \$ 972 | \$ 972 |
| Total Revenue | 222,698 | 255,762 | 288,827 | 321,891 | 354,955 |
| Less: Possible Revenue | | <u>222,698</u> | <u>222,698</u> | <u>222,698</u> | <u>222,698</u> |
| Yearly Revenue Over Statement | | 33,064 | 66,129 | 99,193 | 132,257 |
| Total Revenue Over Statement | | | | | <u>\$ 330,643</u> |

15 **Q: What growth rate did you use to analyze Petitioner’s request?**

16 A: I used the customer growth rate Granger Water presented in its WSMP; 24
17 customers a year for years one (1) through nine (9). I adjusted year ten’s growth
18 to 13 customers. This growth model gives Granger Water 229 ($24 \times 9 = 216 + 13$
19 $= 229$) customers at the end of ten (10) years.

B. Alternative Regulatory Ratemaking Procedures (“ARP”)

1 **Q: Please briefly summarize the ARP program.**

2 A: ARP offers small water and wastewater utilities the means to raise Commission
3 approved rates without filing a general rate case. The utility can raise rates five
4 (5) times (once a year for five (5) years) beginning one year after a general rate
5 order. The utility can request an ARP increase through the 30-day filing process.
6 The utility must meet extensive eligibility requirements as outlined in the ARP
7 Guidelines.¹⁸

8 **Q: How is the ARP increase calculated?**

9 A: The increase is limited to the eligible expenses identified by the Commission in
10 the participating utility's general rate order. The eligible expenses are multiplied
11 by the Annual Cost Index, which is currently 1.56%.¹⁹

12 **Q: What are eligible expenses?**

13 A: Eligible expenses are limited to operating expenses (and extensions and
14 replacements for municipal and not-for-profit utilities). Granger Water's eligible
15 expenses could include purchased power, contractual services, maintenance,
16 insurance, material and supplies, and miscellaneous expenses.

¹⁸ Attachment CFS-9: ARP Guidelines

¹⁹ The Annual Cost Index is a weighted composite of the latest annual indices including the Labor Index ECI (47.51%), Industrial Electric Power PPI (10.53%), Industrial Chemicals PPI (2.7%), CPI (39.26%), and other cost.

1 **Q: Do you believe Granger Water should be granted preapproval of a rate**
2 **increase using ARP?**

3 A: No. The ARP gets authorized at the conclusion of a general base rate case. This is
4 not a base rate case. Granger Water does not have a test year, and the OUCC
5 cannot confirm that the projected expenses are reasonable and necessary to
6 provide safe, reliable water service. The year-to-year results of the ARP cannot
7 be predetermined, and it is not appropriate for a utility to count on an ARP to
8 establish its financial viability.

9 **Q: Does the OUCC's *pro forma* financial statements employ an ARP increase?**

10 A: No. If the Commission approves the formation of Granger Water, cost-based rates
11 will be unaffordable. The specific goal of ARP is to increase the rates by
12 increasing the revenue requirement for operating and maintenance expenses.
13 Since Granger Water's rates are not cost-based, an ARP is not possible.

C. Regulatory Asset

14 **Q: Please summarize Petitioner's request to record a regulatory asset.**

15 A: Petitioner's *pro forma* financial statements do not include the recovery of a
16 regulatory asset. However, Ms. Wilson states, "the regulatory asset could be used
17 in future proceedings to recover the cost of the initial investment and expected
18 loss to be incurred in the start-up of Granger Water."²⁰ Mr. Dellinger explains in
19 his testimony how recovery of a regulatory asset might further affect rates.

²⁰ Direct Testimony of Ms. Jennifer Wilson, page 15

1 **Q: Do you agree Granger Water should be authorized to record its net**
2 **operating losses as a regulatory asset?**

3 A: No. Such a regulatory asset would create an inappropriate intergenerational rate
4 inequity. A regulatory asset forces the next generation to pay for the current
5 generation's cost. Moreover, such a regulatory asset would be significant as
6 Granger Water will likely continue to operate with a net loss for the next decade
7 or longer. (See OUCC's Schedule: *Pro forma* Comparative Income Statements.)

8 Owners of an investor-owned utility accept the risk and reward associated
9 with a startup water utility. Large initial losses are expected due to the capital
10 intense nature of a water facilities. The Owners accepted the risks and decided the
11 benefits outweigh the losses.

D. Federal and State Income Taxes

12 **Q: Petitioner did not include income tax expenses on its *pro forma* Income**
13 **Statement. How does that affect its allowed expenses?**

14 A: Petitioner included a Revenue Conversion Factor, which includes federal and
15 state income taxes, on its Schedule of Allowable Net Operating Income. Including
16 federal and state income taxes in the gross-up factor increases the revenue
17 requirement even if the expense is not included on the Income Statement.

18 Petitioner also grossed-up its proposed system development charge for
19 taxes. I address the appropriate Internal Revenue Service ("IRS") filing
20 classification and the tax gross-up Petitioner proposes on its system development
21 charge in the following discussion.

1. **IRS Classification**

1 **Q: According to the IRS Tax Code, what options are available to an LLC**
2 **concerning income taxes?**

3 A: The Tax Code provides that an LLC may be classified for federal income tax
4 purposes as a partnership, a corporation, or an entity disregarded as an entity
5 separate from its owner.²¹

6 **Q: What tax treatment did Granger Water select?**

7 A: The Owners of Granger Water elected to treat the utility as a partnership for
8 income tax purposes:

9 Granger Water will provide an annual Schedule K-1 to its
10 members. A Schedule K-1 is a federal tax document used to report
11 the income or losses of a business's or financial entity's partners,
12 members or shareholders (in the case of an S corporation). A
13 Schedule K-1 is prepared for each individual partner or member
14 and is included with the partner's personal tax return. Thus, the
15 financial results of Granger Water will be reflected on the
16 individual member's income tax return.²²

17 **Q: How are net losses treated when an entity files as a partnership?**

18 A: When filing as a partnership, net income losses are reported on the Owners'
19 income tax return thereby reducing the personal tax liability of each Owner.

20 **Q: Does the OUCC accept Granger Water's chosen filing status?**

21 A: Granger Water will incur a net loss every year for over a decade. Granger Water
22 has no current need for an income tax revenue requirement. If the Commission
23 approves Granger Water as a provider of water service, before Granger Water
24 seeks to include any income tax expense in rates, the Commission and the OUCC

²¹ Attachment CFS-10: Publication 541 (03/2021), Partnerships | Internal Revenue Service

²² Attachment CFS-11: Data Request No. 5-7

1 should consider all filing options and determine whether Granger Water's
2 proposed income tax expense revenue requirement is reasonable.

3 **Q: What income tax rate does the OUCC's use in its Revenue Conversion**
4 **Factor?**

5 A: The OUCC's *Pro forma* Revenue Conversion Factor Calculation uses 0.00%
6 federal and state income tax rates for the years Granger Water has negative
7 taxable income and 10.00% federal and 5.00% state income tax rates in the years
8 Granger Water produces positive taxable income. Assuming Village Development
9 develops the additional 75 acres and Granger Water's customer growth continues
10 at 24 EDUs a year, the income tax rate changes to 10% federal and 5% state in
11 year 19. (See OUCC's *Pro forma* Gross Revenue Requirement Calculations.)

E. System Development Charge Gross-up

12 **Q: How did Petitioner calculate the gross-up for its proposed system**
13 **development charge?**

14 A: Petitioner used Mr. Matthews' personal income tax rate to determine the income
15 tax liability related to system development charge cash flow. Petitioner submitted
16 documents in response to Data Request No.1-9 to support a 42% income tax rate,
17 consisting of 37% federal and 5% state income tax rates.²³

18 **Q: Should Petitioner be permitted to gross-up system development charges for**
19 **income taxes?**

20 A: No. It is not necessary. First, any revenue collected for federal or state income
21 taxes must be passed through to the taxing authority by the collecting entity. As

²³ Attachment CFS-12: Data Request No. 1-9

1 stated above, Granger Water will not generate taxable income for 19 years,
2 possibly not even that soon. Therefore, Granger Water will not pass revenue
3 through to the taxing authority.

4 Second, for utilities that amortize CIAC, the income tax on SDCs is merely a
5 timing difference reflected in deferred taxes. The utility pays income tax on the CIAC
6 in the year of receipt, and the CIAC is included in their depreciable basis for tax
7 purposes. For book purposes, the CIAC is not reflected in income for purposes of
8 income tax expense, and the amortization of the CIAC is reflected as an offset against
9 regulatory depreciation expense.

10 Finally, H.R. 3684, Title VI, Sec. 80601, (“Infrastructure Bill” or “Section
11 80601”) would amend H.R. 1, Part IV, Section 13311, (“Tax Cut and Jobs Act of
12 2017” or “TCJA”), which eliminated Section 118 of the Internal Revenue Code.
13 Section 118 excluded water and wastewater CIAC from income taxes. Section 80601
14 includes an expenditure rule which has three requirements. 1.) The expenditure of
15 CIAC revenue must be for the acquisition or construction of tangible property. 2.)
16 The expenditure must occur by the end of the second taxable year after the
17 contributions is made. 3.) Accurate accounting records must be kept. The effective
18 date of Section 80601 applies to any contribution made after December 31, 2020.²⁴
19 Once the Infrastructure Bill is passed, all contributions to Granger Water will fall
20 under Section 80601 and be non-taxable.

²⁴ Attachment CFS-14: H.R. 3684, page 2413-2417

F. Purchase of Distribution System from Affiliated Development

1 **Q: Please describe Petitioner's plan for the acquisition of its distribution system.**

2 A: Granger Water intends to purchase the distribution system through the issuance of
3 a loan from Village Development. The Owners will repay the loan through what it
4 describes as equity contributions.

5 **Q: Developers normally contribute the distribution system to the utility. Why is**
6 **Granger Water purchasing the distribution system?**

7 A: Petitioner indicated it wishes to protect customers from the tax liability created by
8 TCJA, which made contributions to water and wastewater utilities taxable.²⁵

9 **Q: Does the OUCC accept Petitioner's plan to purchase the system distribution**
10 **system?**

11 A: No. if the Commission approves the formation of Granger Water, Granger Water
12 will be required to follow the main extension rules as set forth in 170 IAC 6-1.5-
13 33 regardless of negative tax consequences.²⁶

G. System Development Charge

14 **Q: How did Petitioner calculate its proposed system development charge?**

15 A: Petitioner used the incremental cost method as detailed in American Water Works
16 Association Manual M1 ("AWWA").

²⁵ Direct Testimony of Mr. Patrick Matthews, page 18

²⁶ Attachment CFS-15: Main Extension Rules

1 **Q: Does the Petitioner state how it will use the cash flow generated by the system**
2 **development charge?**

3 A: Yes. Petitioner anticipates the system development charge will generate positive
4 cash flow to help it pay operating expenses. Petitioner is requesting Commission's
5 approval to treat system development charge cash as *operating revenue*.²⁷

6 **Q: Does the OUCC agree SDC cash should be used to pay operating expenses?**

7 A: SDC cash should not be used to pay operating expenses. System development
8 charges ensure growth pays for growth and equity between the different
9 generations. It also ensures a cash reserve is available to finance capital needs.

10 **Q: What are the tax consequences of using SDC cash to pay operating expenses?**

11 A: If SDC cash is used to pay operating expenses, the cash must be classified as
12 operating revenue. Granger Water could possibly generate taxable income and
13 incur a tax liability for which a rate has not been approved.

H. Initial Flat Rate

14 **Q: Why is Petitioner requesting a flat rate instead of a volumetric rate?**

15 A: Mr. Matthews states meters are expensive and, since the vast majority of Granger
16 Water's operating cost are fixed costs, the volumetric component of the bill would
17 be very small.²⁸ Mr. Matthews also makes the unsupported statement that many
18 municipalities would charge significantly higher residential rates if the rate was
19 cost-based.²⁹ Mr. Matthews did not indicate to which municipal utilities he

²⁷ Direct Testimony of Ms. Jennifer Wilson, page 6, lines 16

²⁸ Direct Testimony of Mr. Patrick Matthews, page 15, line 22 through page 16, line 2

²⁹ Direct Testimony of Mr. Patrick Matthews, page 15, lines 5-9

1 referred. The OUCC's experience is that municipal utilities seek to recover their
2 costs including payment in lieu of taxes.

3 **Q: Did Ms. Lynn comment on the lack of meters in the Subdivision?**

4 A: Ms. Lynn stated Granger Water's rate structure should be based on metering each
5 customer's water usage. She considered the proposed flat rate structure to be
6 inadequate and added a flat rate structure discourages conservation.³⁰

I. Non-recurring Charges

7 **Q: What non-recurring charges does Petitioner seek to approve?**

8 A: Granger Water requests approval of the following non-recurring charges:

- 9 Service Call (Business Hours/Non-Emergency) \$235
- 10 Service Call (Non-Business Hours/Emergency) \$510
- 11 Bad Check Charge \$125

12 **Q: What cost support did Petitioner provide for the non-recurring charges.**

13 A: Petitioner submitted cost estimates from RB Trucking and Towing, Teachers
14 Credit Union, and documents outlining overhead cost.³¹

15 **Q: Is Petitioner's cost support adequate?**

16 A: No. RB Trucking and Towing would charge \$135 an hour and \$540 during
17 nonbusiness hours. Granger Water states its overhead cost is \$100 per incident.
18 Petitioner submitted a basic document tabulating the following costs without any
19 justification for each cost: staff, supporting staff, benefits, Employer's burden and
20 taxes, technology, office space and IT, office CAM, technology, insurance, office

³⁰ Attachment CFS-16: Data Request No. 4-18, Financial Capacity Checklist – Flat Rates

³¹ Attachment CFS-17: Nonrecurring Charge Estimates

1 supplies, training, and collection and deposit.³² Granger Water does not have
2 staff, supporting staff, office space, or technology and insurance and office
3 supplies are already accounted for in operating expenses.

4 **Q: Should these costs be approved?**

5 A: No. Granger Water customers should not be subject to exorbitant unsupported
6 charges for such basic services such as having their water shut off. If the
7 Commission approves the formation of Granger Water, the proposed non-
8 recurring charges should not be allowed.

IV. FINANCIAL CAPACITY

9 **Q: What is Granger Water's primary source of funds?**

10 A: Granger Water is reliant on the cash infusions of the Owners, which are based on
11 lot sales.

12 **Q: How much do the Owners anticipate investing into the water utility over the**
13 **next ten (10) years?**

14 A: According to Petitioner's *pro forma* financial statements, the Owners will
15 contribute approximately \$5,108,000 in cash over the next ten (10) years. A
16 detailed explanation of cash contributions follows with OUCC's financial
17 recommendations in section B.

³² Attachment CFS-18: Granger Water's Office Overhead

A. Cash Contributions

1 **Q: Please explain the original capital contribution made by the Owners of**
2 **Granger Water.**

3 A: The Owners of Granger Water contributed \$534,931 as an initial investment.
4 Table CFS-2 summarizes the investment.

5 Table CFS-2: Investment Summary:

| | |
|--|-------------------|
| Utility Plant (less land - debt) | \$ 217,453 |
| Land | 169,000 |
| Cash and Equivalents | 26,161 |
| Interest Reserve (to pay interest on loan) | <u>122,317</u> |
| Total Investment | <u>\$ 534,931</u> |

6 **Q: What other cash contributions do the Owners plan to make?**

A: The Owners plan to make cash contributions for curtailments, capital reserves,
and distribution system.

1. Curtailments

7 **Q: Please explain the cash contributions made by the Owners labeled**
8 **curtailments.**

9 A: The Owners plan to contribute approximately \$9,259 to Granger Water every time
10 a lot is sold until the water treatment plant loan, \$1,481,397, is paid.

11 **Q: How does OUCC’s growth adjustment effect the amount contributed to pay**
12 **the water plant loan?**

13 A: The water plant loan matures on March 31, 2024. The Owners are required to
14 contribute \$1,481,397 before the maturity date regardless of how many lots are
15 sold by Village Development. As such, OUCC’s *pro forma* financial statements
16 maintained the same level of cash contribution that Petitioner proposes in
17 Attachment JZW-1. (See OUCC’s *Pro forma* Statement of Cash Flow.)

1 **Q: Does Petitioner's cash contribution to pay the water plant loan increase rate**
2 **base?**

3 A: No. Contributions made to pay the water plant loan will not increase rate base.

2. **Capital Reserves**

4 **Q: Please explain the cash contributions made by the Owners labeled capital**
5 **reserve.**

6 A: The Owners anticipate contributing \$39,228 over the first ten (10) years of
7 operations to provide cash for capital expenditures.

8 **Q: Is there a better use for cash contributions labeled capital reserve?**

9 A: Yes. As previously discussed, the OUCC is strongly against utilities using SDC
10 cash flow to pay operating expenses. If the Commission approves the formation
11 of Granger Water, the OUCC recommends SCD revenue be used for capital
12 expenditures and capital reserve cash contributions be used to pay operating
13 expenses. Note, according to the OUCC's *pro forma* financial statements,
14 Granger Water will require a cash infusion of \$69,000 in its second year of
15 operations to maintain a positive cash balance. (See OUCC's *Pro Forma*
16 Comparative Income Statement.)

17 **Q: Are the Owners of Granger Water obligated to make cash contributions?**

18 A: No. If the owners make the business decision to no longer make these cash
19 infusions, or if Village Development is unable to sell the anticipated number of
20 lots, the ongoing financial viability of the utility further decreases.

3. Distribution System Loan

1 **Q: Please explain how the Owners of the utility propose to pay for the**
2 **distribution system loan.**

3 A: The Owners plan to contribute \$290,000 a year to Granger Water to pay principal
4 and interest on the distribution system loan. The loan holder is Granger Water's
5 affiliate Village Development, and the interest rate is 4.25%.

6 **Q: How would purchasing the distribution system affect Granger Water's rate**
7 **base?**

8 A: Purchasing the distribution system increases rate base. According to Attachment
9 JZW-1, opening UPIS, consisting of land, wells, and the water treatment plant, is
10 \$1,867,850. UPIS in year ten (10) is \$5,985,487. Using Petitioner's assumed
11 customer growth of 38 customers per year, the revenue requirement to meet
12 Petitioner's return on rate base would be \$101 per month per EDU. Table CFS-3
13 isolates utility plant in service and calculates the monthly revenue requirement
14 needed only to meet Petitioner's return on rate base.

15 Table CFS-3: Return on Rate Base:

| | <u>YEAR 1</u> | <u>YEAR 10</u> |
|--|----------------------|----------------------|
| Utility Plant in Service | \$ 1,867,850 | \$ 5,985,487 |
| Less: Accumulated Depreciation | (33,206) | (338,255) |
| Net Utility Plant in Service | <u>1,834,644</u> | <u>5,647,232</u> |
| WACC | <u>5.50%</u> | <u>7.71%</u> |
| Net Operating Income Required for UPIS | <u>\$ 100,905</u> | <u>\$ 435,402</u> |
| Petitioner's Customer Count | 38 | 360 |
| Yearly Revenue Requirement per year | <u>\$ 2,655</u> | <u>\$ 1,209</u> |
| | <u>12</u> | <u>12</u> |
| Monthly Bill | <u><u>\$ 221</u></u> | <u><u>\$ 101</u></u> |

1 **Q: Petitioner stated it is not seeking a return on the distribution system. Why**
2 **does this matter?**

3 A: OUCC Data Request 5-10 asked how long Petitioner intends to forgo the return
4 on the distribution system. Petitioner's response states it will forego the return for
5 at least ten (10) years but has not determined the timing for a future rate case
6 requesting full return.³³ If the Commission approves the formation of Granger
7 Water, the Owners will eventually seek a return on the distribution system
8 investment. It is also unclear under what circumstances Petitioner might elect to
9 no longer forgo recovery of its return and operating expenses earlier than ten
10 years.

4. **Plant Expansion**

11 **Q: Please explain the cash infusion to be made by the Owners to pay for the**
12 **plant expansion.**

13 A: According to Petitioner, Granger Water will require an expansion in year seven
14 (7) at a cost of \$500,000. Granger Water's Owners would make a cash infusion to
15 pay for the expansion.

16 **Q: Does the OUCC agree with Petitioner's assumption?**

17 A: No. Mr. Parks testifies that the necessary plant expansion would be more
18 expensive and would be needed sooner than Petitioner estimates. According to
19 Mr. Parks, Granger Water's Owners will need to make a \$1,080,000 cash infusion
20 in year five (5).

³³ Attachment CFS-19: Data Request 5-10

1 **Q: How would the plant expansion affect rates?**

2 A: The revenue requirement for the return on rate base would increase.

B. OUCC's Financial Recommendations

3 **Q: If the Commission approves the formation of Granger Water as a water**
4 **utility, what findings does the OUCC recommend accompany such a**
5 **determination?**

6 A: The OUCC makes the following recommendations concerning Granger Water's
7 financial operation.

8 1) Granger Water must use NARUC's System of Accounting and record
9 transactions according to NARUC's guidelines.

10 2) In accordance with usual regulatory practice, Granger Water must
11 require its affiliated developer to contribute the distribution system in
12 exchange for Granger Water providing service to the Subdivision.

13 3) System development charge receipts should be held in a restricted
14 account and be used for capital expenditures only. (Owners should
15 infuse additional cash to cover net operating losses.)

16 4) The system development charge should not be grossed up for income
17 taxes, denying Petitioner's proposal.

18 5) Petitioner's non-recurring charges should be denied.

19 6) Prior to the sale of a lot or home in the Subdivision, potential
20 customers should be made aware of Granger Water's full operating
21 costs and the extent of owner subsidization.

V. MANAGERIAL ABILITY

1 **Q: What are the primary business activities of the Owners of Granger Water?**

2 A: Through research on inbiz.in.gov, I was able to determine Mr. Matthews is a land
3 developer. He is the registered agent for Brennan's View LLC, Iron Creek LLC,
4 MAJCM LLC, New Buffalo Land Improvement Company (of Michigan), and
5 TRSCT2 Opportunity Fund LLC.³⁴

6 Mr. Keber is a Certified Public Accountant specializing in tax issues. He is
7 a junior partner with the accounting firm Crowe Horwath LLP ("Crowe").

8 **Q: To your knowledge, do the Owners of Granger Water have experience**
9 **managing a water utility?**

10 A: No.

11 **Q: What statute requires Petitioner to file with the IURC?**

12 A: IC 8-1-1.9-4, sets forth IURC's jurisdiction over any water utility organized after
13 June 30, 2018.³⁵

14 **Q: Did Petitioner seek the IURC's approval prior to organizing, financing, and**
15 **constructing the utility?**

16 A: No.

³⁴ Attachment CFS-20: Articles of Incorporation

³⁵ (a) Notwithstanding [IC 8-1-2.7](#) and any other law under which a water or wastewater utility is exempt from or may withdraw from the jurisdiction of the commission, a water or wastewater utility that is organized after June 30, 2018, is subject to the jurisdiction of the commission with respect to:

- (1) rates and charges;
- (2) stocks, bonds, notes, or other evidence of indebtedness;
- (3) rules; and
- (4) the annual report filing requirement;

for the period of ten (10) years beginning on the day on which the water or wastewater utility is organized.

1 **Q: Were you able to ascertain the earliest date Petitioner knew it needed to file a**
2 **case with the IURC?**

3 A: Yes. Mr. Keber signed the WSMP, dated June 16, 2020, as the financial advisor.
4 Petitioner's water system management plan was submitted to IDEM on June 22,
5 2020. The IURC is mentioned four separate times within the water system
6 management plan:

7 1. The first line under Financial Capacity, page 28, seems to be a call out to
8 Mr. Matthews. It reads, "FC 1 – Pat – Statement re Filing for IURC
9 approval as necessary."

10 2. Page 33 states, "The Granger Water Utility LLC, a for profit investor-
11 owned utility, is aware that prior to billing customers it will need to get
12 Indiana Utility Rate Commission (IURC) rate approval on "cost based
13 rates."

14 3. Page 52 states, "Appropriate rate approval by the IURC."

15 4. Page 53 states, "Indiana Utility Regulatory Commission (IURC)
16 Consumer rates being charged."

17 Petitioner knew, no later than June 16, 2020, that, at the very least, it had to
18 petition the IURC for rates and charges.

1 **Q: Did IDEM inform Petitioner that it needed to obtain permission from the**
2 **IURC in order to form a water utility?**

3 A: Yes. On August 13, 2020, Mr. Goodwin told Mr. Matthews via an email that
4 Granger Water is subject to the IURC's jurisdiction and requires a Commission
5 Order providing authorization to form a utility.³⁶

6 **Q: What activities were performed by the Petitioner after August 13, 2020,**
7 **when it was informed of the IURC's jurisdiction, but prior to filing Cause**
8 **No. 45568?**

9 A: The following items highlight actions taken by the Petitioner without Commission
10 authorization. The list is not all inclusive:

- 11 • November 22, 2020: Petitioner submits construction permit application,
12 plans, and specifications to IDEM.
- 13 • February 5, 2021: Petitioner received the water analysis from Peerless-
14 Midwest for well 1 which was completed March 2020.
- 15 • March 1, 2021: Petitioner signed a construction contract with Forest
16 Beach Builders.
- 17 • March 19, 2021: Petitioner encumbered the utility for \$1,481,397.
18 Petitioner also signed a \$7,270,000 mortgage using Granger Water's
19 treatment plant as collateral.
- 20 • April 7, 2021: Construction on the water treatment plant building begins.

³⁶ Attachment CFS-21: Data Request No. 4-12, page 68 of 227

1 • June 15,2021: Granger Water's Board of Directors authorized Mr.
2 Matthews to peruse IURC approval.

3 • June 22, 2021: Granger Water files petition and Case-in-Chief.

4 **Q: What events have occurred since Petitioner filed its Case-in-chief?**

5 A: The water treatment plant, distribution system, and wastewater collection system
6 were completed and have been on-line since August 15, 2021. Granger Water's
7 utility plant is operational.

8 **Q: What do you surmise from the timeline presented above?**

9 A: The order of Petitioner's actions indicates a lack of understanding or appreciation
10 of the Commission's role in determining whether an entity should be permitted to
11 provide water service. For instance, Petitioner was advised as early as August 17,
12 2020, that Commission approval of debt financing is necessary. Petitioner has not
13 displayed appropriate judgment or regard for the regulatory process, which is
14 needed in the management of utilities subject to the Commission's jurisdiction.
15 Petitioner's decision to move forward without first acquiring the Commission's
16 authorization, which Petitioner must have to operate as a public utility, should not
17 prohibit the Commission from determining that there is a better solution than the
18 formation of another small utility that lacks economies of scale and plans to
19 operate at a loss.

VI. SUMMARY

1 **Q: What are the most important factors for the Commission to consider in**
2 **determining whether to grant Petitioner's certificate of public convenience**
3 **and necessity to be a provider of water service?**

4 A: There are two important facts. First, Granger Water's business plan is to operate
5 at a loss for an indefinite period of time, requiring its owners to elect to fund
6 operating expenses despite that loss or raise rates to an unacceptable level.
7 Second, assuming Petitioner has acquired 229 customers by Year 10, cost-based
8 rates would be an estimated \$168 per month. (See OUCC's *Pro Forma* Revenue
9 Requirement.) Before Year 10, cost based rates reach even higher levels.

APPENDIX A

1 **Q: Please describe your educational background and experience.**

2 A: I graduated from Lipscomb University in June 1989 and received a Bachelor of
3 Science degree in business management. I earned a Master's degree in Business
4 Administration from Phoenix University in 2011 and a Master's degree in
5 Accounting and Financial Management from the Keller Graduate School in 2014.
6 Beginning in 2014, I worked as a balance sheet and payroll accountant for the
7 State of Wisconsin's Department of Health Services. In April of 2019, I joined
8 the staff of the Indiana Office of Utility Consumer Counselor as a Utility Analyst
9 II.

10 **Q: Have you previously testified before the Indiana Utility Regulatory**
11 **Commission?**

12 A: Yes.

APPENDIX B

- 1 **Attachment CFS-1: Village Development Assumed Name, The Hills at St. Joe Farm**
- 2 **Attachment CFS-2: Forest Beach Builders' Business License**
- 3 **Attachment CFS-3: Data Request No. 2-1**
- 4 **Attachment CFS-4: Data Request No. 4-4**
- 5 **Attachment CFS-5: Comingling Business Names**
- 6 **Attachment CFS-6: Data Request No. 4-12, page 69 and 70 of 227**
- 7 **Attachment CFS-7: Water System Management Plan, page 69 of 91**
- 8 **Attachment CFS-8: Financial Capacity Checklist**
- 9 **Attachment CFS-9: ARP Guidelines**
- 10 **Attachment CFS-10: Publication 541 (03-2021), Partnerships Internal Revenue**
- 11 **Service**
- 12 **Attachment CFS-11: Data Request No. 5-7**
- 13 **Attachment CFS-12: Data Request No. 1-9**
- 14 **Attachment CFS-13: Intentionally Unfilled**
- 15 **Attachment CFS-14: H.R. 3684, pages 2413-2417**
- 16 **Attachment CFS-15: Main Extension Rule**
- 17 **Attachment CFS-16: Data Request No. 4-18, Financial Capacity Checklist-Flat**
- 18 **Rates**
- 19 **Attachment CFS-17: Nonrecurring Charges Estimates**
- 20 **Attachment CFS-18: Granger Water's Office Overhead**
- 21 **Attachment CFS-19: Data Request No. 5-10**
- 22 **Attachment CFS-20: Articles of Incorporation**
- 23 **Attachment CFS-21: Data Request No. 4-12, page 68 of 227**

**GRANGER WATER UTILITY
CAUSE NUMBER 45568**

**OUCC's Pro Forma Revenue Requirement
\$1,080,000 of Additional Plant Added in Year 5**

| | Year 1 2022 | Year 2 2023 | Year 3 2024 | Year 4 2025 | Year 5 2026 | Year 6 2027 | Year 7 2028 | Year 8 2029 | Year 9 2030 | Year 10 2031 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Original Cost rate Base | \$ 1,867,850 | \$ 1,843,008 | \$ 1,810,355 | \$ 1,778,192 | \$ 1,746,522 | \$ 2,773,746 | \$ 2,721,386 | \$ 2,669,516 | \$ 2,618,137 | \$ 2,567,248 |
| Times: Weighted Cost of Capital | 5.24% | 5.90% | 6.55% | 7.25% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Net Operating Income Required for Return on Rate base | 97,875 | 108,737 | 118,578 | 128,919 | 139,722 | 221,900 | 217,711 | 213,561 | 209,451 | 205,380 |
| Less: Net Operating Income (Loss) | (160,105) | (126,210) | (95,824) | (60,739) | (46,729) | (27,335) | (7,965) | (75,205) | (60,561) | (46,169) |
| Net Revenue Requirement | 257,980 | 234,947 | 214,402 | 189,658 | 186,451 | 249,234 | 225,676 | 288,766 | 270,012 | 251,549 |
| Gross Revenue Conversion Factor | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% |
| Revenue Increase Required | <u>\$ 262,134</u> | <u>\$ 238,730</u> | <u>\$ 217,854</u> | <u>\$ 192,711</u> | <u>\$ 189,452</u> | <u>\$ 253,247</u> | <u>\$ 229,309</u> | <u>\$ 293,415</u> | <u>\$ 274,360</u> | <u>\$ 255,599</u> |
| Present Rate Revenues | 11,700 | 33,300 | 54,900 | 76,500 | 98,100 | 119,700 | 141,300 | 162,900 | 184,500 | 206,100 |
| Revenue Increase (After Gross Up) | 262,134 | 238,730 | 217,854 | 192,711 | 189,452 | 253,247 | 229,309 | 293,415 | 274,360 | 255,599 |
| Total Revenues | 273,834 | 272,030 | 272,754 | 269,211 | 287,552 | 372,947 | 370,609 | 456,315 | 458,860 | 461,699 |
| Customer Count | 24 | 48 | 72 | 96 | 120 | 144 | 168 | 192 | 216 | 229 |
| Annual Rate | 11,410 | 5,667 | 3,788 | 2,804 | 2,396 | 2,590 | 2,206 | 2,377 | 2,124 | 2,016 |
| Months | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Monthly Rate | <u>\$ 950.81</u> | <u>\$ 472.27</u> | <u>\$ 315.69</u> | <u>\$ 233.69</u> | <u>\$ 199.69</u> | <u>\$ 215.83</u> | <u>\$ 183.83</u> | <u>\$ 198.05</u> | <u>\$ 177.03</u> | <u>\$ 168.01</u> |

GRANGER WATER UTILITY
CAUSE NUMBER 45568

Petitioner's Pro Forma Revenue Requirement
\$500,000 of Additional Plant Added in Year 7

| | Year 1 2022 | Year 2 2023 | Year 3 2024 | Year 4 2025 | Year 5 2026 | Year 6 2027 | Year 7 2028 | Year 8 2029 | Year 9 2030 | Year 10 2031 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Original Cost rate Base | \$ 1,867,850 | \$ 1,843,008 | \$ 1,810,355 | \$ 1,778,192 | \$ 1,746,522 | \$ 1,715,346 | \$ 1,684,586 | \$ 2,144,316 | \$ 2,104,537 | \$ 2,065,248 |
| Times: Weighted Cost of Capital | 5.24% | 5.90% | 6.55% | 7.25% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Net Operating Income Required for Return on Rate base | 97,875 | 108,737 | 118,578 | 128,919 | 139,722 | 137,228 | 134,767 | 171,545 | 168,363 | 165,220 |
| Less: Net Operating Income (Loss) | (160,105) | (126,210) | (95,824) | (60,739) | (25,129) | (5,735) | 3,635 | (40,858) | (36,745) | (22,353) |
| Net Revenue Requirement | 257,980 | 234,947 | 214,402 | 189,658 | 164,851 | 142,962 | 131,132 | 212,403 | 205,108 | 187,573 |
| Gross Revenue Conversion Factor | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 101.61% | 118.93% | 101.61% | 101.61% | 101.61% |
| Revenue Increase Required | <u>\$ 262,134</u> | <u>\$ 238,730</u> | <u>\$ 217,854</u> | <u>\$ 192,711</u> | <u>\$ 167,505</u> | <u>\$ 145,264</u> | <u>\$ 155,955</u> | <u>\$ 215,823</u> | <u>\$ 208,411</u> | <u>\$ 190,593</u> |
| Present Rate Revenues | 11,700 | 33,300 | 54,900 | 76,500 | 98,100 | 119,700 | 141,300 | 162,900 | 184,500 | 206,100 |
| Revenue Increase (After Gross Up) | <u>262,134</u> | <u>238,730</u> | <u>217,854</u> | <u>192,711</u> | <u>167,505</u> | <u>145,264</u> | <u>155,955</u> | <u>215,823</u> | <u>208,411</u> | <u>190,593</u> |
| Total Revenues | 273,834 | 272,030 | 272,754 | 269,211 | 265,605 | 264,964 | 297,255 | 378,723 | 392,911 | 396,693 |
| Customer Count | 24 | 48 | 72 | 96 | 120 | 144 | 168 | 192 | 216 | 229 |
| Annual Rate | 11,410 | 5,667 | 3,788 | 2,804 | 2,213 | 1,840 | 1,769 | 1,973 | 1,819 | 1,732 |
| Months | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Monthly Rate | <u>\$ 950.81</u> | <u>\$ 472.27</u> | <u>\$ 315.69</u> | <u>\$ 233.69</u> | <u>\$ 184.45</u> | <u>\$ 153.34</u> | <u>\$ 147.45</u> | <u>\$ 164.38</u> | <u>\$ 151.59</u> | <u>\$ 144.36</u> |

GRANGER WATER UTILITY
CAUSE NUMBER 45568

OUCC's Pro Forma Gross Revenue Conversion Factors
Negative and Positive Taxable Income

| | Negative Taxable Income | Positive Taxable Income |
|--|--|--|
| Gross revenue Change | 100.0000% | 100.0000% |
| Less: Bad Debt Rate | 0.0000% | 0.0000% |
| Sub-total | 100.0000% | 100.0000% |
| Less: IURC Fee | 0.1276080% | 0.1276080% |
| Income Before State Income taxes | 99.872392% | 99.872392% |
| Less: State Income Tax (5% of Line 5) | 0.0000% | 4.9900% |
| Utility Receipts Tax (1.46% of Line 3) | 1.4600% | 1.4600% |
| Income before Federal income Taxes | 98.4124% | 93.4224% |
| Less: Federal income Tax (10% of Line 8) | 0.0000% | 9.3400% |
| Change in Operating Income | <u>98.4124%</u> | <u>84.0824%</u> |
| Gross Revenue Conversion Factor | <u>101.6100%</u> | <u>118.9300%</u> |

GRANGER WATER UTILITY
CAUSE NUMBER 45568

OUCC's Pro Forma Comparative Balance Sheet

| Customer Count | 24 | 48 | 72 | 96 | 120 | 144 | 168 | 192 | 216 | 229 | |
|---|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| ASSETS | Opening 2021 | YEAR 1 2022 | YEAR 2 2023 | YEAR 3 2024 | YEAR 4 2025 | YEAR 5 2026 | YEAR 6 2027 | YEAR 7 2028 | YEAR 8 2028 | YEAR 9 2029 | YEAR 10 2030 |
| Utility Plant: | | | | | | | | | | | |
| Land (Non depreciable) | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 | \$ 169,000 |
| Water Plant (Loan & Paid-in Capital) | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 | 1,698,850 |
| Plant Expansion (Add. Paid-in Capital) | - | - | - | - | - | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 |
| Distribution System (CIAC) | - | 222,000 | 444,000 | 666,000 | 888,000 | 1,110,000 | 1,332,000 | 1,554,000 | 1,776,000 | 1,998,000 | 2,118,250 |
| Less: Accm. Deprec. (UPIS & CIAC) | - | (38,417) | (81,274) | (128,571) | (180,308) | (258,085) | (340,302) | (426,959) | (518,056) | (613,593) | (711,535) |
| Net Utility Plant in Service | <u>1,867,850</u> | <u>2,051,433</u> | <u>2,230,576</u> | <u>2,405,279</u> | <u>2,575,542</u> | <u>3,799,765</u> | <u>3,939,548</u> | <u>4,074,891</u> | <u>4,205,794</u> | <u>4,332,257</u> | <u>4,354,565</u> |
| Current Assets: | | | | | | | | | | | |
| Operating Cash | 148,478 | 21,863 | (72,759) | (165,596) | (259,002) | (252,617) | (227,298) | (183,096) | (206,621) | (215,991) | (211,232) |
| Cash - Capital Reserve (Paid-in Capital) | - | 1,573 | 3,592 | 6,083 | 9,074 | 12,594 | 16,673 | 21,342 | 26,635 | 32,585 | 39,228 |
| Restricted Cash From SDC | - | 24,360 | 48,720 | 73,080 | 97,440 | 121,800 | 146,160 | 170,520 | 194,880 | 219,240 | 232,435 |
| Total Current Assets | <u>148,478</u> | <u>47,796</u> | <u>(20,447)</u> | <u>(86,433)</u> | <u>(152,488)</u> | <u>(118,223)</u> | <u>(64,465)</u> | <u>8,766</u> | <u>14,894</u> | <u>35,834</u> | <u>60,431</u> |
| Total Assets | <u>\$ 2,016,328</u> | <u>\$ 2,099,229</u> | <u>\$ 2,210,129</u> | <u>\$ 2,318,846</u> | <u>\$ 2,423,054</u> | <u>\$ 3,681,542</u> | <u>\$ 3,875,083</u> | <u>\$ 4,083,657</u> | <u>\$ 4,220,688</u> | <u>\$ 4,368,091</u> | <u>\$ 4,414,996</u> |
| LIABILITIES | | | | | | | | | | | |
| Equity | | | | | | | | | | | |
| Common Stock | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 | \$ 1,000 |
| Paid in Capital | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 | 533,931 |
| Add. Paid-in Capital (Water Plant Loan) | - | 351,832 | 703,664 | 1,055,496 | 1,385,731 | 1,385,731 | 1,385,731 | 1,385,731 | 1,385,731 | 1,385,731 | 1,385,731 |
| Add. Paid-in Capital (Capital Reserves) | - | 1,573 | 3,592 | 6,083 | 9,074 | 12,594 | 16,673 | 21,342 | 26,635 | 32,585 | 39,228 |
| Add. Paid-in Capital (Additional Plant) | - | - | - | - | - | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 | 1,080,000 |
| Retained Earnings | - | - | (160,105) | (286,315) | (382,138) | (442,877) | (489,606) | (516,941) | (524,906) | (600,110) | (660,672) |
| Current year Net Income | - | (160,105) | (126,210) | (95,824) | (60,739) | (46,729) | (27,335) | (7,965) | (75,205) | (60,561) | (46,169) |
| Total Equity | <u>534,931</u> | <u>728,231</u> | <u>955,872</u> | <u>1,214,372</u> | <u>1,486,859</u> | <u>2,523,650</u> | <u>2,500,394</u> | <u>2,497,098</u> | <u>2,427,187</u> | <u>2,372,575</u> | <u>2,333,049</u> |
| Long-term Debt | | | | | | | | | | | |
| Water Plant Loan | 1,481,397 | 1,129,565 | 776,318 | 394,957 | 27 | - | - | - | - | - | - |
| Total Long-term Debt | <u>1,481,397</u> | <u>1,129,565</u> | <u>776,318</u> | <u>394,957</u> | <u>27</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contributions in Aid of Construction | | | | | | | | | | | |
| Distribution System (UPIS) | - | 222,000 | 444,000 | 666,000 | 888,000 | 1,110,000 | 1,332,000 | 1,554,000 | 1,776,000 | 1,998,000 | 2,118,250 |
| SDC (Restricted Cash) | - | 24,360 | 48,720 | 73,080 | 97,440 | 121,800 | 146,160 | 170,520 | 194,880 | 219,240 | 232,435 |
| Less: Accumulated Amortization | - | (4,927) | (14,781) | (29,563) | (49,272) | (73,908) | (103,471) | (137,961) | (177,379) | (221,724) | (268,738) |
| Net CIAC | <u>-</u> | <u>241,433</u> | <u>477,939</u> | <u>709,517</u> | <u>936,168</u> | <u>1,157,892</u> | <u>1,374,689</u> | <u>1,586,559</u> | <u>1,793,501</u> | <u>1,995,516</u> | <u>2,081,947</u> |
| Total Liabilities | <u>\$ 2,016,328</u> | <u>\$ 2,099,229</u> | <u>\$ 2,210,129</u> | <u>\$ 2,318,846</u> | <u>\$ 2,423,054</u> | <u>\$ 3,681,542</u> | <u>\$ 3,875,083</u> | <u>\$ 4,083,657</u> | <u>\$ 4,220,688</u> | <u>\$ 4,368,091</u> | <u>\$ 4,414,996</u> |

**GRANGER WATER UTILITY
CAUSE NUMBER 45568**

**OUCC's Pro Forma Comparative Income Statement
With Increases Defined In Petitioner's Assumptions**

| | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>YEAR 6</u> | <u>YEAR 7</u> | <u>YEAR 8</u> | <u>YEAR 9</u> | <u>YEAR 10</u> |
|--------------------------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Operating Revenue | | | | | | | | | | |
| Water Sales | \$ 11,700 | \$ 33,300 | \$ 54,900 | \$ 76,500 | \$ 98,100 | \$ 119,700 | \$ 141,300 | \$ 162,900 | \$ 184,500 | \$ 206,100 |
| Total Operating Revenue | <u>11,700</u> | <u>33,300</u> | <u>54,900</u> | <u>76,500</u> | <u>98,100</u> | <u>119,700</u> | <u>141,300</u> | <u>162,900</u> | <u>184,500</u> | <u>206,100</u> |
| Operating Expenses | | | | | | | | | | |
| Purchased Power | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Maintenance | 585 | 1,665 | 2,745 | 3,825 | 4,905 | 5,985 | 7,065 | 8,145 | 9,225 | 10,305 |
| Billing Expense | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Qualified Operator | 43,200 | 44,496 | 45,831 | 47,206 | 48,622 | 49,594 | 50,586 | 51,598 | 52,630 | 53,683 |
| Insurance | 6,000 | 6,180 | 6,365 | 6,556 | 6,753 | 6,888 | 7,026 | 7,167 | 7,310 | 7,456 |
| Legal Fees | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 | 5,741 | 5,856 | 5,973 | 6,092 | 6,214 |
| Regulatory Reporting and Permit Fees | 1,200 | 1,236 | 1,236 | 1,236 | 1,236 | 1,236 | 1,236 | 1,236 | 1,236 | 1,236 |
| Security Service | 600 | 618 | 637 | 656 | 675 | 689 | 703 | 717 | 731 | 746 |
| Consumer Confidence Reporting | 600 | 618 | 637 | 656 | 675 | 689 | 703 | 717 | 731 | 746 |
| IDEM Fee (\$0.95 per connection) | - | 23 | 46 | 68 | 91 | 114 | 137 | 160 | 182 | 205 |
| Total O&M Expense | <u>75,185</u> | <u>77,986</u> | <u>80,801</u> | <u>83,667</u> | <u>86,586</u> | <u>88,936</u> | <u>91,311</u> | <u>93,712</u> | <u>96,137</u> | <u>98,590</u> |
| Depreciation Expense (Account 403) | 38,417 | 42,857 | 47,297 | 51,737 | 77,777 | 82,217 | 86,657 | 91,097 | 95,537 | 97,942 |
| CIAC Amortization (Account 272) | (4,927) | (9,854) | (14,782) | (19,709) | (24,636) | (29,563) | (34,490) | (39,418) | (44,345) | (47,014) |
| Taxes Other than Income: | | | | | | | | | | |
| IURC Fee | 15 | 42 | 70 | 98 | 125 | 153 | 180 | 208 | 235 | 263 |
| Utility Receipts Tax (1.46%) | 156 | 472 | 787 | 1,102 | 1,418 | 1,733 | 2,048 | 2,364 | 2,679 | 2,994 |
| Property Tax | - | - | 3,559 | 3,559 | 3,559 | 3,559 | 3,559 | 90,142 | 94,818 | 99,494 |
| Federal Income Tax | - | - | - | - | - | - | - | - | - | - |
| State Income Tax | - | - | - | - | - | - | - | - | - | - |
| Total Tax Other than Income | <u>171</u> | <u>514</u> | <u>4,416</u> | <u>4,759</u> | <u>5,102</u> | <u>5,445</u> | <u>5,787</u> | <u>92,714</u> | <u>97,732</u> | <u>102,751</u> |
| Total Operating Expenses | <u>108,846</u> | <u>111,503</u> | <u>117,732</u> | <u>120,454</u> | <u>144,829</u> | <u>147,035</u> | <u>149,265</u> | <u>238,105</u> | <u>245,061</u> | <u>252,269</u> |
| Net Operating Income | <u>(97,146)</u> | <u>(78,203)</u> | <u>(62,832)</u> | <u>(43,954)</u> | <u>(46,729)</u> | <u>(27,335)</u> | <u>(7,965)</u> | <u>(75,205)</u> | <u>(60,561)</u> | <u>(46,169)</u> |
| Other Income (Expense) | | | | | | | | | | |
| Interest Expense (Water Plant) | (62,959) | (48,007) | (32,992) | (16,785) | - | - | - | - | - | - |
| Net Income | <u>\$ (160,105)</u> | <u>\$ (126,210)</u> | <u>\$ (95,824)</u> | <u>\$ (60,739)</u> | <u>\$ (46,729)</u> | <u>\$ (27,335)</u> | <u>\$ (7,965)</u> | <u>\$ (75,205)</u> | <u>\$ (60,561)</u> | <u>\$ (46,169)</u> |

**GRANGER WATER UTILITY
 CAUSE NUMBER 45568**

OUCC's Pro Forma Statement of Cash Flow

| | <u>YEAR 1</u> | <u>YEAR 2</u> | <u>YEAR 3</u> | <u>YEAR 4</u> | <u>YEAR 5</u> | <u>YEAR 6</u> | <u>YEAR 7</u> | <u>YEAR 8</u> | <u>YEAR 9</u> | <u>YEAR 10</u> |
|---|------------------|--------------------|-------------------|---------------------|---------------------|-------------------|-----------------|------------------|------------------|------------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| <u>Cash Flows from Operating Activities</u> | | | | | | | | | | |
| Net Income | \$ (160,105) | \$ (126,210) | \$(95,824) | \$ (60,739) | \$ (46,729) | \$(27,335) | \$(7,965) | \$(75,205) | \$(60,561) | \$(46,169) |
| Plus: Depreciation Expense | 38,417 | 42,857 | 47,297 | 51,737 | 77,777 | 82,217 | 86,657 | 91,097 | 95,537 | 97,942 |
| Less: Amortization Expense | (4,927) | (9,854) | (14,782) | (19,709) | (24,636) | (29,563) | (34,490) | (39,418) | (44,345) | (47,014) |
| Net Cash Flows from Operating Activities | <u>(126,615)</u> | <u>(93,207)</u> | <u>(63,309)</u> | <u>(28,711)</u> | <u>6,412</u> | <u>25,319</u> | <u>44,202</u> | <u>(23,526)</u> | <u>(9,369)</u> | <u>4,759</u> |
| <u>Cash Flows from Financing Activities</u> | | | | | | | | | | |
| Additional Paid-in Capital (As stated by Petitioner) | 351,832 | 351,832 | 351,832 | 330,235 | - | - | - | - | - | - |
| Additional Paid-in Capital (As stated by Petitioner) | 1,573 | 2,019 | 2,491 | 2,991 | 3,520 | 4,079 | 4,669 | 5,293 | 5,950 | 6,643 |
| Additional Paid-in Capital (Plant) | - | - | - | - | 1,080,000 | - | - | - | - | - |
| Principle payment on Water Plant Loan (As stated by Petitioner) | (351,832) | (353,247) | (381,361) | (394,930) | (27) | - | - | - | - | - |
| Plant Expansion | - | - | - | - | (1,080,000) | - | - | - | - | - |
| Cash From SDC | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>24,360</u> | <u>13,195</u> |
| Net Cash Flows from Financing Activities | <u>25,933</u> | <u>24,964</u> | <u>(2,678)</u> | <u>(37,344)</u> | <u>27,853</u> | <u>28,439</u> | <u>29,029</u> | <u>29,653</u> | <u>30,310</u> | <u>19,838</u> |
| Net Increase (Decrease) in Cash | <u>(100,682)</u> | <u>(68,243)</u> | <u>(65,987)</u> | <u>(66,055)</u> | <u>34,265</u> | <u>53,758</u> | <u>73,231</u> | <u>6,127</u> | <u>20,941</u> | <u>24,597</u> |
| Beginning Cash | 148,478 | 47,796 | (20,447) | (86,433) | (152,488) | (118,223) | (64,465) | 8,766 | 14,894 | 35,834 |
| Net Increase (Decrease) in Cash | <u>(100,682)</u> | <u>(68,243)</u> | <u>(65,987)</u> | <u>(66,055)</u> | <u>34,265</u> | <u>53,758</u> | <u>73,231</u> | <u>6,127</u> | <u>20,941</u> | <u>24,597</u> |
| Ending Cash | <u>\$ 47,796</u> | <u>\$ (20,447)</u> | <u>\$(86,433)</u> | <u>\$ (152,488)</u> | <u>\$ (118,223)</u> | <u>\$(64,465)</u> | <u>\$ 8,766</u> | <u>\$ 14,894</u> | <u>\$ 35,834</u> | <u>\$ 60,431</u> |

**GRANGER WATER UTILITY
CAUSE NUMBER 45568**

OUC's Pro Forma Calculation of Rate Base

| | Opening | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 |
|--------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Utility Plant in Service | \$1,867,850 | \$2,089,850 | \$2,311,850 | \$2,533,850 | \$2,755,850 | \$4,057,850 | \$4,279,850 | \$4,501,850 | \$4,723,850 | \$4,945,850 | \$5,066,100 |
| Less: Accumulated Depreciation | - | (38,417) | (81,274) | (128,571) | (180,308) | (258,085) | (340,302) | (426,959) | (518,056) | (613,593) | (711,535) |
| Contributions in Aid of Construction | - | (222,000) | (444,000) | (666,000) | (888,000) | (1,110,000) | (1,332,000) | (1,554,000) | (1,776,000) | (1,998,000) | (2,118,250) |
| Add: Amortization of CIAC | - | 4,927 | 14,781 | 29,563 | 49,272 | 73,908 | 103,471 | 137,961 | 177,379 | 221,724 | 268,738 |
| Net Utility Plant in Service | 1,867,850 | 1,834,360 | 1,801,357 | 1,768,842 | 1,736,814 | 2,763,673 | 2,711,019 | 2,658,852 | 2,607,173 | 2,555,981 | 2,505,053 |
| Add: Working Capital (see below) | - | 8,648 | 8,998 | 9,350 | 9,708 | 10,073 | 10,367 | 10,664 | 10,964 | 11,267 | 11,574 |
| Total Original Cost Rate Base | 1,867,850 | 1,843,008 | 1,810,355 | 1,778,192 | 1,746,522 | 2,773,746 | 2,721,386 | 2,669,516 | 2,618,137 | 2,567,248 | 2,516,627 |

Working Capital Calculation

| | Opening | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 6 | YEAR 7 | YEAR 8 | YEAR 9 | YEAR 10 |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| Operation & Maintenance Expense | - | \$ 75,185 | \$ 77,986 | \$ 80,801 | \$ 83,667 | \$ 86,586 | \$ 88,936 | \$ 91,311 | \$ 93,712 | \$ 96,137 | \$ 98,590 |
| Less: Purchased Power | - | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) | (6,000) |
| Adjusted Operation & Maintenance Expense | - | 69,185 | 71,986 | 74,801 | 77,667 | 80,586 | 82,936 | 85,311 | 87,712 | 90,137 | 92,590 |
| Times: 45-Day Factor | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |
| Working Capital Requirement | - | \$ 8,648 | \$ 8,998 | \$ 9,350 | \$ 9,708 | \$ 10,073 | \$ 10,367 | \$ 10,664 | \$ 10,964 | \$ 11,267 | \$ 11,574 |

GRANGER WATER UTILITY CAUSE NUMBER 45568

OUCC's Assumptions and Explanations

Balance Sheet

Net Utility Plant In Service

Land was purchased with funds from the original investment of \$534,931.

Water Plant was built using funds from the original investment and a loan from Teacher's Credit Distribution System will be contributed to the Utility by the Developer. The developer will pay the tax liability if H.R. 3624 is not passed.

Deprecation is calculated using the 2% composite rate and excludes land.

Current Assets

Operating Cash is from the original investment. Granger breaks it down into cash, \$26,161, and Interest reserve, \$122,317. The interest reserve is meant to pay the interest on the water plant loan. Cash - Capital Reserve is owner invested money. The amount fluctuates.

Restricted Cash is funds from system development charges. Filing assumes the money from SDCs will not be used to offset losses. If Commission agrees to use the money to offset losses, the amount will move from Restricted Cash to Operating Cash. The IRS will consider the cashflow to taxable revenue regardless of the H.R. 3624.

Total Equity

Common Stock - the owners do not anticipate issuing additional stock.

Paid in Capital is the original cash investment by the owners.

Add. Paid-in Capital (Water Plant Loan) is owner invested money. (I adopted the amounts used in JZW-1.) An important concept, this money is NOT from the Developer. Profit from the Developer has to flow back to the owners, where it is claimed as income for tax purposes.

Add. Paid-in Capital (Capital Reserve) is owner invested cash.

Add. Paid-in Capital (Additional Plant) is owner invested cash.

Retained Earnings equals prior year's net income plus current retained earnings.

**GRANGER WATER UTILITY
CAUSE NUMBER 45568**

OUCC's Assumptions and Explanations

Long-term Debt

Water Plant Loan is being paid back in four years.

Contributions in Aid of Construction

Distribution System will be donated by the Developer.

System Development Charge will be used for future capital expenditures.

Amortization will be recorded. Amortizing CIAC is especial important in Granger's case because CIAC is 60% of UPIS. Granger will quickly have a negative rate base if it does not amortizes

Income Statement

Operating Revenues

Water Sales are based on adding 24 customers a year over nine years and 13 customers in year ten, equaling 229 customers. Revenue is phased in each year, adding two customers a month.

Operating Expenses

OUCC accepts Petitioner's operating expenses however, they are all very high estimates.

Expenses were increased every year according to Petitioner's assumptions.

Depreciation and Amortization

Depreciation is Water Plant + Additional Plant + Distribution System * the composite rate of 2%.

CIAC Amortization is removed from depreciation so that CIAC has zero effect on the financial statements.

Taxes Other Than Income

Property taxes on UPIS is abated for five (5) years resulting in property tax liability of \$3,559 (\$169,000 * 2.1062%). Property tax is paid two years in arrears.

Utility Receipts Tax is 1.46% of operating revenue.

Federal and State income taxes use 10% federal and 5% state in years positive taxable income is generated.

Other Income (Expenses)

Interest Expense is due on the Water principle. The original cash investment of \$122,317, designated as Interest Reserve, is used to pay Interest Expense.



Assumed Name History

Business Details

Business Name: **THE VILLAGE DEVELOPMENT LLC** ←
Entity Type: **Domestic Limited Liability Company**
Creation Date: **09/17/2019**
Principal Office Address: **52127 Fall Creek Drive, Granger, IN, 46530, USA**
Jurisdiction of Formation: **Indiana**

Business ID: **201909171346322**
Business Status: **Active**
Inactive Date:
Expiration Date: **Perpetual**
Business Entity Report Due Date: **09/30/2023**
Years Due:

Assumed Name History Details

| Filing Date | Effective Date | Filing Number | Name | Status |
|-------------|----------------|---------------|---------------------------|--------|
| 02/17/2020 | 02/17/2020 | 0008527379 | THE HILLS AT ST. JOE FARM | Active |





ID Number: 800436495 [Request certificate](#) [Return to Results](#) [New search](#)
Summary for: NEW BUFFALO LAND IMPROVEMENT COMPANY
The name of the DOMESTIC PROFIT CORPORATION: NEW BUFFALO LAND IMPROVEMENT COMPANY

Entity type: DOMESTIC PROFIT CORPORATION
Identification Number: 800436495 Old ID Number: 426389

Date of Incorporation in Michigan: 10/21/1996

Purpose: All Purpose Clause

Term: Perpetual

Most Recent Annual Report: 2021 Most Recent Annual Report with Officers & Directors: 2020

The name and address of the Resident Agent:
Resident Agent Name: J. PATRICK MATTHEWS ←
Street Address: 21715 HOWELL
Apt/Suite/Other:
City: CASSOPOLIS State: MI Zip Code: 49031
Registered Office Mailing address:



The name of the DOMESTIC PROFIT CORPORATION: NEW BUFFALO LAND IMPROVEMENT COMPANY

Identification Number: 800436495 Old ID Number: 426389

| Assumed Name | Creation Date | Renewal Date | Expiration Date | Two or more entities assuming the same name |
|-------------------------|---------------|--------------|-----------------|---|
| FOREST BEACH BUILDERS | 1/22/1997 | 11/8/2012 | 12/31/2017 | |
| FOREST BEACH BUILDERS ← | 1/11/2019 | | 12/31/2024 | |

IURC Cause No. 45568
Granger Water's Responses to OUCC DR 2
July 30, 2021

Q-2-1: Mr. Matthews states on page 5, line 4 of his direct testimony, "Petitioner's proposed service area is comprised of approximately 151-acres." Please identify who owns the land in the service area and its relationship if any with Petitioner. If the owner is corporation, please identify all owners and officers of the corporation.

Objection: Granger Water objects to the Data Request on the basis of the foregoing general objections.

Response:

The Village Development LLC purchased 76 acres for the Hills Subdivision. The Village Development LLC conveyed Lot 230, 4.7 acres, for the water plant as an equity contribution. The Village Development LLC has an option to purchase the remaining 75 acres currently owned by Mr. Paul Blum. See response to OUCC DR 2-2 for ownership interests. Paul Blum has no relationship to Petitioner. J. Patrick Matthews is President of The Village Development LLC, and Ken Keber is Secretary-Treasurer of The Village Development LLC.

IURC Cause No. 45568
Granger Water's Responses to OUCC DR 4
August 16, 2021

Q-4-4: Reference Attachment JPM-4 Granger Water Utility LLC, Map of Proposed Service Area (The Hills at St. Joe Farm, Major Subdivision, including optioned land) Granger, Indiana 46530. Of the 151 acres shown outlined in red, please state how many acres are currently platted by the developer and approved by the St. Joseph County Area Plan Commission ("APC"). Please provide the APC #s and copies of the Primary and Secondary Plat maps for the initial 76 acres. Please also state when Petitioner anticipates the additional 75 acres will be platted, if not already platted.

Objection: Granger Water objects to the Data Request on the basis of the foregoing general objections.

Response:

See Attachment OUCC 4-4. The plat of the initial 76 acres was approved in 2020. The additional 75 acres will be developed after the initial 76 acre development nears completion. The additional 75 acres is expected to receive final plat approval in 2030.



Peerless Midwest is now
DUP2 Advanced Solutions

New Remit to Address:

REMIT TO: PEERLESS-MIDWEST, INC.
PO BOX 207362
DALLAS, TX 75320-7362

Phone: 574.254.9050 / Fax: 574.254.9650

SOLD TO

Forest Beach Builders
52127 Fall Creek
Granger, IN 46530

The Hills at St. Joe Farm

SHIP TO

| | |
|--|--------------------------|
| INVOICE NO. 501073 | BN 712993 |
| TERMS- NET 30 . 1.5% SERVICE CHARGE (18% ANNUAL RATE) EACH MONTH THEREAFTER - AFTER 45 DAYS A LIEN WILL BE FILED. | |
| Invoice Date 2/26/2020 | Proj Mgr. FTW |
| Project # and Task # 145898 / 1.1 & 2.1 | Your Order No. Verbal |
| Tax Exempt? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | Reason Tax Exempt |
| | Material Cost |
| P | Tax |

Federal ID # 35-1284374

Work Completed since Pre-Well Site Survey was finished - November, December, January & February

| | | |
|------------------------------------|----|-----------|
| Field Labor & Equipment | \$ | 38,445.00 |
| Hydrogeologist Services | \$ | 1,200.00 |

Material:

- E-Z Mud
- Well Pack 0.80-1.20MM (#0C)
- Quick Trol Gold
- Ben Seal
- Quik Gel
- Sodium Hypochlorite
- Well Pack 0.60-0.80MM
- Casing Steel 12" A53-B
- 2" PVC Screen
- 2" PVC Casing
- 20' of 12" SSWW Well Screen
- Chemistry Analysis

| | | |
|--|----|------------------|
| Total for Materials..... | \$ | <u>23,443.26</u> |
| Subtotal..... | \$ | 63,088.26 |
| Tax..... | \$ | 1,641.03 |
| TOTAL AMOUNT OF THIS INVOICE..... | \$ | 64,729.29 |

WE APPRECIATE YOUR BUSINESS. THANK YOU !



Peerless Midwest, Inc.

New Remit to Address:

REMIT TO: PEERLESS-MIDWEST, INC.
PO BOX 207362
DALLAS, TX 75320-7362

Phone: 574.254.9050 / Fax: 574.254.9650

SOLD TO

Forest Beach Builders *The Villages at Development*
52127 Fall Creek
Granger, IN 46530

The Hills at Saint Joe Farms

SHIP TO

| | |
|--|--------------------------|
| INVOICE NO. 505610 | BN# 718964 / 720183 |
| TERMS- NET 30 . 1.5% SERVICE CHARGE (18% ANNUAL RATE) EACH MONTH THEREAFTER - AFTER 45 DAYS A LIEN WILL BE FILED. | |
| Invoice Date 5/6/2020 | Proj Mgr. FTW |
| Project # and Task # 145898 / 1.1 & 2.1 | Your Order No. Verbal |
| Tax Exempt? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | Reason Tax Exempt |
| P | Material Cost Tax |

Federal ID # 35-1284374

**Construction, development, and testing of 12" test/production well. Construct (2) monitoring
Performance of pumping test and aquifer analysis. Preparation of report.**

| | | |
|--------------------------------|----|-----------|
| Field Labor & Equipment | \$ | 32,987.50 |
| Hydrogeology Labor & Equipment | \$ | 8,400.00 |

Material:

- 2" PVC Well Casing
- 2" PVC Well Screen
- Forty Two (42) Gallons EZ Mud
- Wellpack for Monitoring Wells and Production Well
- 162lbs Quick Trol Gold
- 44 lbs. EZ Mud Gold
- Fifty Three (53) Bags Quick Gel
- Seventy Five (75) bags ben seal
- 86' of 12" Well Casing
- 12"x 20' SSWW Well Screen

| | | |
|-----------------------------|----|-----------|
| Total for Materials..... | \$ | 26,985.68 |
| Sales Tax..... | \$ | 1,889.00 |
| Chemistry and Analysis..... | \$ | 4,584.00 |

TOTAL AMOUNT OF THIS INVOICE..... \$ 74,846.18

WE APPRECIATE YOUR BUSINESS. THANK YOU !

File: _____



Peerless Midwest, Inc.

New Remit to Address:

REMIT TO: PEERLESS-MIDWEST, INC.
PO BOX 207362
DALLAS, TX 75320-7362

Phone: 574.254.9050 / Fax: 574.254.9650

SOLD TO

Forest Beach Builders
52127 Fall Creek
Granger, IN 46530

SHIP TO

The Hills at Saint Joe Farms

| | |
|--|--------------------------|
| INVOICE NO. 516753 | BN# 731720 |
| TERMS- NET 30 . 1.5% SERVICE CHARGE (18% ANNUAL RATE) EACH MONTH THEREAFTER - AFTER 45 DAYS A LIEN WILL BE FILED. | |
| Invoice Date 8/28/2020 | Proj Mgr. FTW |
| Project # and Task # 151739 / 1.1 | Your Order No. Verbal |
| Tax Exempt? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | Reason Tax Exempt |
| P | Material Cost Tax |

Federal ID # 35-1284374

Conduct Pilot Plant Study

Peerless field labor & equipment - services rendered on 7/16/2020, 7/23/2020, & 7/28/2020 \$ 4,800.00

- Water surplus media filter and chemical feed system
- Water surplus equipment preparation and decommission for pilot test for OXI plus 75 catalytic media treatment system design
- Water surplus preparation of report, summarize data, provide analysis, tables, and figures of results

Total for Water Surplus \$ 13,000.00

Eurofins Laboratory: \$ 950.00

Material:

- Hach DR 900 Colorimeter
- FerroVer Iron Reagent
- KTO Manganese Reagent
- Free Chlorine Reagent
- Ratchet Strap
- Ratchet with Rope
- Connectors
- 1 x 3/4 Galvanized Coupling
- Camlock Couplings

Total for Materials \$ 2,882.44

Sales Tax \$ 201.78

TOTAL AMOUNT OF THIS INVOICE \$ 21,834.22

WE APPRECIATE YOUR BUSINESS. THANK YOU !

File: _____



Peerless Midwest, Inc.

New Remit to Address:

REMIT TO: PEERLESS-MIDWEST, INC.
PO BOX 207362
DALLAS, TX 75320-7362

Phone: 574.254.9050 / Fax: 574.254.9650

SOLD TO

Forest Beach Builders
52127 Fall Creek
Granger, IN 46530

SHIP TO

The Hills at St. Joe Farms
Granger, IN

| | |
|--|----------------------------|
| INVOICE NO. 530837 | BN# 766632 |
| TERMS- NET 30 . 1.5% SERVICE CHARGE (18% ANNUAL RATE) EACH MONTH THEREAFTER - AFTER 45 DAYS A LIEN WILL BE FILED. | |
| Invoice Date 3/4/2021 | Proj Mgr. FTW |
| Project # and Task # 152892 / 1.1 | Your Order No. Contract |
| Tax Exempt? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | Reason Tax Exempt |
| P | Material Cost Tax |

Federal ID # 35-1284374

Water Treatment Plant Equipment and Services as per our correspondence on 2/29/2020

| | | |
|---|----|------------|
| Base Contract Amount | \$ | 785,000.00 |
| Plus Upgrade of Piping from 6" to 8" as per our e-mail on 12/2/2020 | \$ | 14,920.00 |
| Plus Upgrade of Electrical System as per our e-mail on 12/2/2020 | \$ | 4,850.00 |
| Plus Upgrade of HVAC System as per our e-mail on 12/2/2020 | \$ | 5,110.00 |
| Plus sealing of wells on the site-deep production well previously drilled and monitoring well as per our correspondence on 2/5/2021 | \$ | 5,100.00 |
| Plus addition of manual-only piping system for Fire Department use on the remote well | \$ | 2,500.00 |

Adjusted Contract Total \$ 817,480.00

Less Uncompleted Work \$ -772,480.00

TOTAL AMOUNT OF THIS INVOICE \$ 45,000.00

WE APPRECIATE YOUR BUSINESS. THANK YOU !



Peerless Midwest, Inc.

New Remit to Address:

REMIT TO: PEERLESS-MIDWEST, INC.
PO BOX 207362
DALLAS, TX 75320-7362

Phone: 574.254.9050 / Fax: 574.254.9650

SOLD TO

Forest Beach Builders
52127 Fall Creek
Granger, IN 46530

SHIP TO

The Hills at St. Joe Farms
Granger, IN

| | |
|--|--------------------------------|
| INVOICE NO. 530922 | BN# 767243 |
| TERMS- NET 30 . 1.5% SERVICE CHARGE (18% ANNUAL RATE) EACH MONTH THEREAFTER - AFTER 45 DAYS A LIEN WILL BE FILED. | |
| Invoice Date 3/4/2021 | Proj Mgr. FTW |
| Project # and Task # 152892 / 1.1 | Your Order No. Pat Matthews |
| Tax Exempt? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> | Reason Tax Exempt All Labor |
| | Material Cost |
| P | Tax |

Federal ID # 35-1284374

Construction of a Computer Model for the Upper Aquifer

TOTAL AMOUNT OF THIS INVOICE \$ 5,850.00

WE APPRECIATE YOUR BUSINESS. THANK YOU !



RECORD OF WATER WELL

State Form 35680 (R5 / 9-04)

Driller--Mail complete record in 30 days to:
INDIANA DEPT. OF NATURAL RESOURCES
Division of Water
402 W. Washington St., Rm. W264
Indianapolis, IN 46204-2641
(877) 928-3755 toll-free or (317) 232-4160

| | |
|----------------------|---------|
| County Permit Number | 2001540 |
| DNR Variance Number | |

Include if applicable

Fill in completely

| WELL LOCATION | | | | |
|--|---|---|--|---|
| County where drilled St. Joseph | Civil township name Harris | Township number (N-S) 28N | Range number (E-W) 4E | Section 19 |
| Driving directions to the well location (include trip origin, street & road names, intersecting roads, and compass directions). Show well address below and subdivision in box at lower right. There is space for a map on the reverse side. 385' N of EB 180/190 & 1,095' W of Wayne Ct. | | | UTM Northing 4,620,516 | UTM Easting 573,276 |
| | | | Datum <input checked="" type="checkbox"/> NAD 27 <input type="checkbox"/> NAD 83 | GPS used Garmin |
| Well address: Well 1/ TPW 20B | | | Subdivision name & lot number (if applicable) | |
| If drilled for water supply, this well is: <input type="checkbox"/> First well on property <input type="checkbox"/> Replacement well <input checked="" type="checkbox"/> Additional well on property <input type="checkbox"/> Dry hole | | | | |
| OWNER - CONTRACTOR | | | | |
| Well owner--name Hills at St. Joe Farm | | | Telephone number (574) 315-9668 | |
| Address (number and street, city, state, ZIP code) 12851 Cleveland Rd., Granger, IN 46530 | | | | |
| Building contractor--name | | Address (number and street, city, state, ZIP code) | | Telephone number |
| Drilling contractor--name Peerless-Midwest, Inc. | | Address (number and street, city, state, ZIP code) 55860 Russell Industrial Pwy., Mishawaka, IN 46545 | | Telephone number (574) 254-9050 |
| Equipment operator--name Gregg Burks | | License number of operator 3059 WD/PI | Date of well completion 3/19/2020 | |
| CONSTRUCTION DETAILS | | | WELL LOG | |
| Use of well <input type="checkbox"/> Home <input checked="" type="checkbox"/> Public supply <input type="checkbox"/> Industrial / commercial <input type="checkbox"/> Livestock <input type="checkbox"/> Irrigation <input type="checkbox"/> Monitoring / environ. <input type="checkbox"/> Test hole Other: _____ | Drilling method <input checked="" type="checkbox"/> Rotary <input type="checkbox"/> Reverse rotary <input type="checkbox"/> Cable tool <input type="checkbox"/> Jet <input type="checkbox"/> Bucket / bore <input type="checkbox"/> Auger (including HSA) <input type="checkbox"/> Direct push Other: _____ | Type of pump <input type="checkbox"/> Submersible <input type="checkbox"/> Shallow-well jet <input type="checkbox"/> Deep-well jet <input type="checkbox"/> No pump installed Other: _____ | FORMATIONS: Type of material | |
| | | Pump depth setting (feet) | From (feet) | To (feet) |
| Total depth of well (feet) 102 | Borehole diameter (in.) 20 | Gravel pack inserted <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Fine-Medium Sand | 0 43 |
| Casing length (feet) 82 | Casing diameter (in.) 12 | Casing material <input type="checkbox"/> PVC Other: <input checked="" type="checkbox"/> Steel | Fine-Medium Sand, Fine-Medium Gravel | 43 102 |
| Screen length (feet) 20 | Screen diameter (in.) 12 | Screen material <input type="checkbox"/> PVC Other: Rock _____ <input checked="" type="checkbox"/> Steel | Brown Hard Sticky Clay | 102 |
| Screen slot size 0.100 | Water quality (clear, odor, etc.) | | | |
| WELL CAPACITY TEST | | | | |
| Test method <input type="checkbox"/> Air <input type="checkbox"/> Bailing <input checked="" type="checkbox"/> Pumping | Static level below surface 5.03 feet | Gallons per min. 1,391 | Hours tested 72 | Drawdown (change in level) 38.26 feet |
| GROUTING | | WELL ABANDONMENT | | |
| Grout material Benseal | Grout depth from to 0 72 | Sealing material | Depth filled from to | |
| Installation method Tremmie | No. of bags used 48 | Installation method | No. of bags used | |
| Additional space for well log and comments on reverse side | | | | |
| I hereby swear or affirm, under the penalties for perjury, that the information submitted herewith is, to the best of my knowledge and belief, true, accurate, and complete. | | Signature of drilling contractor or authorized representative | | MUST BE SIGNED OR STAMPED Date 3/23/2020 |



RECORD OF WATER WELL
State Form 35680 (R5 / 9-04)

Driller—Mail complete record in 30 days to:
INDIANA DEPT. OF NATURAL RESOURCES
Division of Water
402 W. Washington St., Rm. W264
Indianapolis, IN 46204-2641
(877) 928-3755 toll-free or (317) 232-4160

County Permit Number **2101466**
DNR Variance Number
Include if applicable

Fill in completely

| WELL LOCATION | | | | | |
|--|--------------------------------------|---|--|---|---|
| County where drilled St. Joseph | Civil township name Harris | Township number (N-S) 28N | Range number (E-W) 4E | Section 19 | |
| Driving directions to the well location (include trip origin, street & road names, intersecting roads, and compass directions). Show well address below and subdivision in box at lower right. There is space for a map on the reverse side. 2,730' S of Anderson Rd. & 2,290' W of Bittersweet Rd. | | | UTM Northing 4,620,545 | | |
| | | | UTM Easting 573,257 | | |
| | | | Datum <input checked="" type="checkbox"/> NAD 27 <input type="checkbox"/> NAD 83 | | |
| | | | GPS used Garmin | | |
| | | | Subdivision name & lot number (if applicable) | | |
| Well address: Well 2 North | | | | | |
| If drilled for water supply, this well is: <input type="checkbox"/> First well on property <input type="checkbox"/> Replacement well <input checked="" type="checkbox"/> Additional well on property <input type="checkbox"/> Dry hole | | | | | |
| OWNER - CONTRACTOR | | | | | |
| Well owner—name Hills at St. Joe Farm <i>Address (number and street, city, state, ZIP code)</i> 52127 Fall Creek, Granger, IN 46530 | | | | | Telephone number |
| Building contractor—name | | Address (number and street, city, state, ZIP code) | | | Telephone number |
| Drilling contractor—name Peerless-Midwest, Inc. | | Address (number and street, city, state, ZIP code) 55860 Russell Industrial Pwy., Mishawaka, IN 46545 | | | Telephone number (574) 254-9050 |
| Equipment operator—name Jon Dock | | License number of operator 4129 WD | | Date of Well Completion 5/19/2021 | |
| CONSTRUCTION DETAILS | | | WELL LOG | | |
| Use of well <input type="checkbox"/> Home <input checked="" type="checkbox"/> Public supply <input type="checkbox"/> Industrial / commercial <input type="checkbox"/> Livestock <input type="checkbox"/> Irrigation <input type="checkbox"/> Monitoring / environ. <input type="checkbox"/> Test hole Other: _____ | | Drilling method <input checked="" type="checkbox"/> Rotary <input type="checkbox"/> Reverse rotary <input type="checkbox"/> Cable tool <input type="checkbox"/> Jet <input type="checkbox"/> Bucket / bore <input type="checkbox"/> Auger (including HSA) <input type="checkbox"/> Direct push Other: _____ | | Type of pump <input type="checkbox"/> Submersible <input type="checkbox"/> Shallow-well jet <input type="checkbox"/> Deep-well jet <input type="checkbox"/> No pump installed Other: _____ | |
| Total depth of well (feet) 93 | | Borehole diameter (in.) 20 | | Gravel pack inserted <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| Casing length (feet) 63 | | Casing diameter (in.) 12 | | Casing material <input type="checkbox"/> PVC <input checked="" type="checkbox"/> Steel | |
| Screen length (feet) 30 | | Screen diameter (in.) 12 | | Screen material <input type="checkbox"/> PVC <input checked="" type="checkbox"/> Steel | |
| Screen slot size 0.035 | | Water quality (clear, odor, etc.) | | | |
| WELL CAPACITY TEST | | | | | |
| Test method <input type="checkbox"/> Air <input type="checkbox"/> Bailing <input checked="" type="checkbox"/> Pumping | | Static level below surface 7.5 feet | | Gallons per min. 998 | |
| | | Hours tested 24 | | Drawdown (change in level) 25.5 feet | |
| GROUTING | | | WELL ABANDONMENT | | |
| Grout material Benseal | | Grout depth from to 0 53 | | Sealing material | |
| Installation method Tremmie | | No. of bags used 42 | | Depth filled from to | |
| Additional space for well log and comments on reverse side | | | | | |
| I hereby swear or affirm, under the penalties for perjury, that the information submitted herewith is, to the best of my knowledge and belief, true, accurate, and complete. | | | | Signature of drilling contractor or authorized representative MUST BE SIGNED OR STAMPED | |
| | | | | Date 5/24/2021 | |

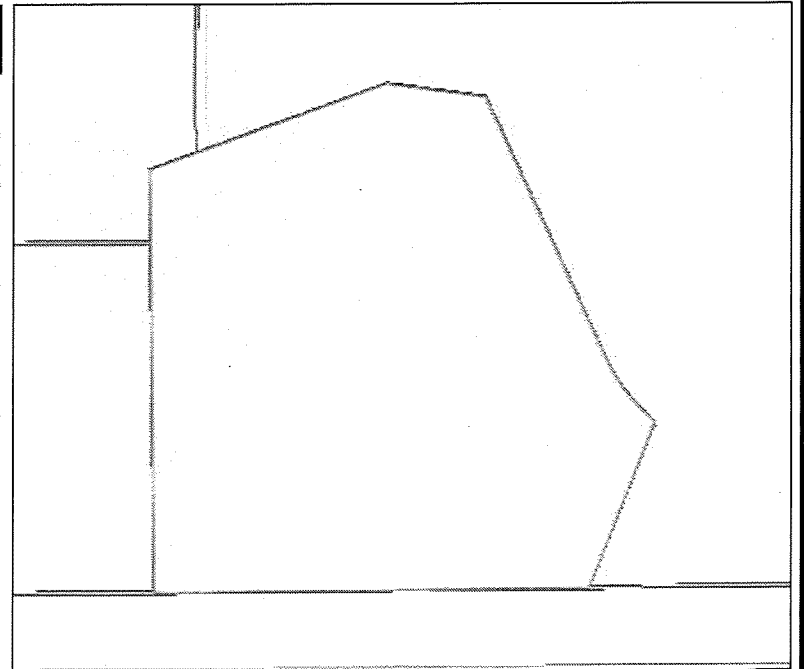
St. Joseph County

Property Information

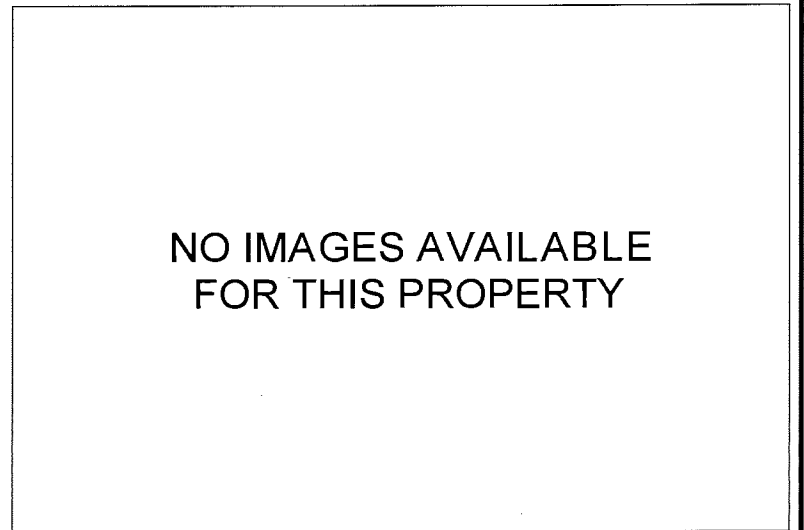
| | |
|--------------------------|--|
| Subject Property: | , |
| Parcel ID: | 006-1009-010941 |
| State ID: | 71-05-19-300-045.000-011 |
| Current Owner(s): | THE VILLAGE DEVELOPMENT LLC |
| Mailing Address: | 52127 Fall Creek Dr , Granger IN 46530 |
| Assessed Usage: | AGRICULTURAL - OTHER AGRICULTURAL USE |
| Township: | Harris |
| Municipality: | |
| Tax District: | Harris |

Property Assessment Information as of Last Assessment Date

| | |
|---------------------------|--|
| Land Value: | \$0.00 |
| Improved Value: | \$0.00 |
| Assessed Year: | 2023 |
| Acres: | 7.26 |
| Legal Description: | Lot 230 The Hills at St Joe Farm Major Sub Sec 1 22/23 NP #303 02/24/2021 |



Not to Scale



Information shown on this map is not warranted for accuracy or merchantability. Reproduction or distribution of this material is not authorized.

Date Printed: August 11, 2021





INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

We Protect Hoosiers and Our Environment.

100 N. Senate Avenue • Indianapolis, IN 46204

(800) 451-6027 • (317) 232-8603 • www.idem.in.gov

Eric J. Holcomb
Governor

Bruno Pigott
Commissioner

PERMIT FOR PUBLIC WATER SUPPLY CONSTRUCTION

J. Patrick Matthews, Manager
The Hills at St. Joe Farm
52127 Fall Creek Drive
Granger, IN 46530

WS-12205

March 19, 2021

Permit Number

Date Issued

Matt Prater

Drinking Water Branch Chief
Office of Water

You are hereby notified that the Office of Water Quality has approved the general design of plans and specifications of water works improvements to The Hills at St. Joe Farm public water system (PWSID 5271002). This Permit allows for well, treatment, chemical addition, and storage facility construction for The Hills at St. Joe Farm public water system located in St. Joseph County, Indiana. This Permit is issued under provisions of Indiana Code (IC) 13-15, IC 13-18-16, 327 Indiana Administrative Code (IAC) 8-3, and 327 IAC 8-4-1.

Pursuant to IC 13-15-5-3 and IC 4-21.5-3-4(d), this Permit is effective on the date issued.

The project consists of the installation of two 12-inch steel, approximately 100 feet deep, gravel pack wells with vertical turbine pumps rated at 600 gallons per minute and 265 feet of total dynamic head, six vertical pressure filters, two hydropneumatic tanks with a total storage capacity of 6,000 gallons, and a sodium hypochlorite chemical addition unit, together with all the necessary appurtenances.

This Permit is issued with the following conditions:

1. That the permittee notify, in writing, Liz Melvin, Capacity Development, Operator Certification and Permits Chief, a minimum of ten (10) days, excluding Saturdays, Sundays, and State of Indiana holidays, before exercising a permit issued in accordance with 327 IAC 8-3. The notification may be via email (dwppermits@idem.in.gov) and must include the construction permit number assigned, the location of the construction, a description of the construction, anticipated duration of the construction, and the phone number of the permittee or permittee's representative who will be present during the construction;

From: Patrick Matthews <pat@7.diamonds>
Sent: Wednesday, August 12, 2020 3:34 PM
To: MELVIN, LIZ <LMELVIN@idem.IN.gov>
Cc: Goodwin, Travis <TGoodwin1@idem.IN.gov>
Subject: Re: Granger WSMP

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Travis & Liz,

Thank you. I received comments last week and I am diligently preparing updates.

There is one item in particular that caught my attention for a more immediate response: **Financial Capacity**

In the WSMP I made some references to capacity for 500 lots at full build out. I may have misspoken regarding 500 lots.

Clarification:

Any narrative mentioning 500 lots/units is purely speculative. The development only has enough land for 229 residential lots as depicted in the provided plat. The developer has not secured any additional

8/12/2021

Seven Diamonds LLC Mail - Re: Granger WSMP

land to provide for expansion. We believe it is prudent to size for additional capacity at this time.

Exhibit 2.7 - Cost Based Rate Analysis

| Lots Sold: | 24 | 48 | 72 | 96 | 120 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| ORIGINAL COST RATE BASE | | | | | |
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Utility Plant in Service | 1,666,980 | 1,666,980 | 1,666,980 | 1,666,980 | 1,666,980 |
| Less: Accumulated Depreciation | (5,800) | (11,600) | (17,400) | (23,200) | (29,000) |
| Net Utility Plant in Service | 1,661,180 | 1,655,380 | 1,649,580 | 1,643,780 | 1,637,980 |
| Add: Materials & Supplies Inventory | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Less: Contributions in Aid of Construction | - | - | - | - | - |
| Total Adjustments | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Original Cost Rate Base | \$ 1,673,180 | \$ 1,667,380 | \$ 1,661,580 | \$ 1,655,780 | \$ 1,649,980 |
| RATE OF RETURN ON ORIGINAL COST | | | | | |
| Net Operating Income | \$ (71,028) | \$ (44,905) | \$ (18,431) | \$ 8,337 | \$ 29,125 |
| Divided by: Original Cost Rate Base | 1,673,180 | 1,667,380 | 1,661,580 | 1,655,780 | 1,649,980 |
| Rate of Return on Original Cost | (4.2%) | (2.7%) | (1.1%) | 0.5% | 1.8% |
| Proposed per Lot Monthly Utility Rate: | \$ 65.00 | \$ 65.00 | \$ 65.00 | \$ 65.00 | \$ 65.00 |
| Fair Value Rate Base | \$ 1,673,180 | \$ 1,667,380 | \$ 1,661,580 | \$ 1,655,780 | \$ 1,649,980 |
| Times: Fair Value Rate of Return | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Allowable Utility Net Operating Income | \$ 167,318 | \$ 166,738 | \$ 166,158 | \$ 165,578 | \$ 164,998 |
| Unmetered Water Revenues | 257,066 | 249,083 | 240,749 | 232,121 | 229,473 |
| Connection and System Development Fees | 57,600 | 57,600 | 57,600 | 57,600 | 57,600 |
| Other Revenue | 2,321 | 4,643 | 6,964 | 9,285 | 11,607 |
| Total Revenue | 316,987 | 311,326 | 305,313 | 299,007 | 298,680 |
| Operating Expenses | 77,109 | 80,164 | 83,232 | 86,352 | 96,725 |
| Administrative Expenses | 13,400 | 13,802 | 14,179 | 14,567 | 14,967 |
| Interest Expense | 53,360 | 44,822 | 35,943 | 26,709 | 16,189 |
| Income Tax Expense | - | - | - | - | - |
| Depreciation Expense | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 |
| Amortization Expense | - | - | - | - | - |
| Total Expenses | 149,669 | 144,588 | 139,155 | 133,429 | 133,682 |
| NET INCOME | 167,318 | 166,738 | 166,158 | 165,578 | 164,998 |
| Allowed vs Projected Revenue: | | | | | |
| Unmetered Water Revenue Allowed | 257,066 | 249,083 | 240,749 | 232,121 | 229,473 |
| Unmetered Water Revenue Projected | \$ 78,641 | \$ 99,683 | \$ 120,724 | \$ 141,765 | \$ 162,807 |
| Per Customer Monthly Revenue Allowed | 893 | 432 | 279 | 201 | 159 |
| Per Customer Monthly Revenue Projected | 273 | 173 | 140 | 123 | 113 |

Revised 01Sep20

PWSID #:
Proposed Public Water Supply Name: **Granger Water Utility LLC**

FINANCIAL CAPACITY CHECKLIST

| Rule Requirement | Included In Plan? (Y, N, N/A) | Page Referenced | Comments |
|---|-------------------------------|----------------------------|--|
| Community Public Water Supply | | | |
| Five (5) Year Budget Plan | | | |
| Pro Forma Income Statement | Y | p. 67- Exhibit 2.0 | See below |
| Pro Forma Balance Sheet | N | | |
| Statement of Retained Earnings | N | | |
| Statement of Cash Flows | Y | p. 67 – Exhibit 2.0 | Exhibit appears to represent all costs to provide service, but exhibit is not footed |
| Projected Details of Operating Revenues | Y | p. 67- Exhibit 2.0 | See below |
| Projected Details of Operating Expenses | Y | p. 67- Exhibit 2.0 | See below |
| Operation & Maintenance Expenses | Y | p. 67- Exhibit 2.0 | See below |
| Administration Expenses | Y | p. 67- Exhibit 2.0 | No comments |
| Twenty (20) Year Financial Plan | Y | p. 68 – Exhibit 2.4 | Covers the basic requirements contained in the IAC. |
| Projected Growth | Y | p. 12, p. 68 – Exhibit 2.4 | Development only has enough land for 229 residential lots, projected annual growth rate of approximately 10% was used. |
| Infrastructure Replacement Plan | Y | p. 66 – Exhibit 1.5 | No comments |
| Account to Fund Repairs & Growth | Y | p. 32 | Reflects a “Capital Reserve Contribution” |
| | | | |

| | | | |
|-----------------------------------|---|-------------|-----------|
| Nontransient Noncommunity Systems | | | |
| Five (5) Year Budget Plan | | | |
| Summary of Revenues of PWS | Y | Exhibit 2.0 | See below |
| Summary of Expenses of PWS | Y | Exhibit 2.0 | See below |
| CPA Certification? | Y | p.27 | |
| | | | |

Reviewer’s Signature: Dana M. Lynn Date: 10/14/20
Comments/Concerns: Granger acknowledges that it will need approval of its rates and charges before charging customers. However, Granger has not yet filed a Petition for approval of rates and charges with the IURC.

As an investor-owned utility (IOU), rates are established based on operating expenses and a reasonable rate of return on investment (i.e., revenue requirements). However, we find that most start-up IOUs will elect to forego its allowed revenue requirements to keep its proposed rates lower. Thus, our review is based strictly on the cash flow necessary for this utility to be financially viable.

Concerns identified with Granger’s Exhibits 2.0 and 2.4 are as follows:

1. Operating Revenues are based upon 24 homes being built each year and with all homes coming on line January 1 of each year. This is an unrealistic assumption as most homes in a new development connect to a water utility at various times throughout the year. Moreover, staff found no support that a 10% growth rate is reasonable.
2. It appears Granger anticipates charging \$2,100 per residential customer for the System Development Charge (SDC) and Connection Fee. It also appears that Granger plans to charge \$7 per customer for fire protection. Granger provided no explanation how these charges were determined. These charges should be cost based. Moreover, SDCs and Connection fees are considered sources of capital, called Contributions in Aid of Construction (CIAC), used to fund Utility Plant in Service.
3. On Exhibit 2.0, Income Tax Credits (Line 2.2.9) appear to represent a source of cash. Perhaps, these amounts would more properly be shown as a contribution from the shareholders. In addition, the amounts appear unrealistically high based on the losses of income presented on Line 2.2.5.
4. As an IOU, Granger will be subject to paying property taxes. Thus, it would be reasonable that some amount be included in Taxes Other Than Income for property taxes.
5. Sales Tax should be removed from Revenues and Expenses. Sales Tax should be

reflected on Granger’s balance sheet as Granger is only acting as a fiduciary for the Indiana Department of Revenue.

6. Debt Service and Debt Service Reserve (Line 2.2.12) should include interest expense on the proposed debt, but Interest Expense is listed in Total Operating Expenses. Thus, staff is unsure if Granger double counted this cost.

The tables below reflects a more realistic projection of revenues by normalizing Granger’s 24 customer connections over the course of a year. Finally, we excluded costs associated with sales tax, as explained above, and capital reserve contributions because it appears the \$5,800 listed as “Greater of Depreciation or Extensions and Replacements” will cover the costs associated with Granger’s proposed Infrastructure Replacement Plan. The second table excludes interest expense based on the possibility that Granger included this cost twice in Exhibit 2.0. With these adjustments, both tables reflect the negative cash flow Granger may sustain in its first five years of operation:

| Based on Information provided on Exhibit 2.0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|--------------|-------------|--------------|--------------|---------------|
| Revenue (Excludes Sales Tax) | \$ 10,371 | \$ 31,113 | \$ 51,855 | \$ 72,597 | \$ 93,339 |
| Add: SDCs and Connection Fees | 57,600 | 57,600 | 57,600 | 57,600 | 57,600 |
| Income Tax Credits | 57,628 | 88,731 | 92,983 | 92,983 | 92,983 |
| Less: Expenses (Excludes Capital Reserve Contribution) | 128,896 | 122,992 | 116,762 | 110,226 | 109,659 |
| Infrastructure Replacement | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 |
| Debt Service | 266,800 | 266,800 | 266,800 | 289,704 | 310,892 |
| Cash - Over/(Shortfall) | \$ (275,897) | \$(218,148) | \$ (186,924) | \$ (182,550) | \$ (182,429) |
| Cumulative Cash - Over/(Shortfall) | \$ (275,897) | \$(494,045) | \$ (680,969) | \$ (863,519) | \$(1,045,948) |
| Assumes Granger may have Double Counted Interest Expense | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Revenue (Excludes Sales Tax, Connection and SDC) | \$ 10,371 | \$ 31,113 | \$ 51,855 | \$ 72,597 | \$ 93,339 |
| Add: SDCs and Connection Fees | 57,600 | 57,600 | 57,600 | 57,600 | 57,600 |
| Income Tax Credits | 57,628 | 88,731 | 92,983 | 92,983 | 92,983 |
| Less: Expenses (Excludes Capital Reserve Contribution) | 128,896 | 122,992 | 116,762 | 110,226 | 109,659 |
| Infrastructure Replacement | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 |
| Debt Service (Principal Only) | 213,440 | 221,978 | 230,857 | 262,995 | 294,703 |
| Cash - Over/(Shortfall) | \$ (222,537) | \$(173,326) | \$ (150,981) | \$ (155,841) | \$ (166,240) |
| Cumulative Cash - Over/(Shortfall) | \$ (222,537) | \$(395,863) | \$ (546,844) | \$ (702,685) | \$ (868,925) |

Cumulative cash shortfalls could possibly near or exceed \$1 million dollars during the first five years of operation. Staff believes these short falls can continue into future years but to a lesser degree because of additional growth and because the debt appears to be amortized over 5 years. Nonetheless, unless Granger can provide additional information explaining how the owners plan to cover these cash shortfalls, staff believes this utility will not be financially viable.

Regarding the proposed debt shown on Exhibits 2.0 and 2.4, there is no description of the terms of debt, including the amount and interest rates in the WSMP. It also appears that Granger plans to payback the debt over an approximate 5-year period. By Granger proposing a debt issuance with what appears to be a 5-year payback period, significant inputs of cash will be needed from the shareholder to offset the utility’s costs during the term of the debt. Typically, the term of a debt issuance is set to help a utility’s cash flow. It would be more reasonable for Granger to incur debt with a 20 or 25-year payback period. In addition, we note that Indiana Code § 8-1-2-78 requires financing authority be obtained from the IURC before a utility may incur debt.

Further, section 2.4.2 of the WSMP states that “[t]he cost of the infrastructure to the distribution system will be included in the development cost of each phase of the development paid for through lot sales proceeds. Granger must follow the IURC’s administrative rules found under 170 Indiana Administrative Code, Article 6 (IURC Rules). Included in the IURC Rules are requirements for main extensions to serve the proposed development (170 IAC 6-1.5). Wells and treatment plants are typically funded by shareholders through either debt or equity. The mains in the distribution system are typically contributed to the utility and recorded as CIAC except to the extent of a 3-year revenue allowance (170 IAC 6-1.5-10). The 3-year revenue allowance included in the Commission’s main extension rules essentially represents the portion of the main the utility will fund. In this case, \$65 per month rate x 36 months = \$2,340.

Finally, as a new, start-up water utility, Granger’s rate structure should be based on metering each customer’s water usage. The use of a flat monthly rate for a new start-up system, as proposed by Granger, is a rate structure that has been regarded as a thing of the past and does not adequately send the proper pricing signals to customers thereby discouraging conservation.

**ARP Guidelines
Alternative Regulatory Ratemaking Procedure
for Small Water and Wastewater Utilities**

Introduction

Subject to all qualifications, conditions, limitations and requirements stated herein, a small water or wastewater utility may increase its base rates five (5) times from the date of its most recent general rate order. No increase as described herein shall be authorized to commence later than six years from the date of the utility's most recent general rate order.

A participating utility's annual increase will be limited to a factor applied to eligible expenses identified by the Indiana Utility Regulatory Commission ("Commission") in the participating utility's rate order. This factor shall be the Annual Cost Index described below.

A. Utility Eligibility Requirements

A water or wastewater utility must meet the following requirements in order to be eligible to participate in this program:

- (a) the utility serves fewer than 3,000 customers;
- (b) the utility primarily provides retail service to residential customers;
- (c) the utility does not serve extensively another utility;
- (d) the utility's current rates were set by a general rate order issued after January 1, 2011;
- (e) before each annual increase, the utility has met all mandatory program elements as described herein;
- (f) before each annual increase, the utility has met the requisite number of elective program elements as described herein; and
- (g) before each annual increase, the utility has made the filings as required by this program and received Commission approval.

I. Mandatory Program Requirements

In order to participate and continue to participate in the program, each utility shall meet the mandatory program elements as set forth below (also listed in Appendix A) at the time the utility applies for the annual increase.

Every utility must satisfy the following Mandatory Program Requirements:

- (a). Remain current with IURC requirements,
- (b). Provide Indiana Department of Environmental Management (“IDEM”) information, and
- (c). The utility must be a member of Indiana Underground Plant Protection Service (“IUPPS”)

2. Elective Program Requirements

In order to participate and continue to participate in the program, each utility must select and satisfy the requisite number of elective program requirements as set forth below, (also listed in Appendix A). For the first three annual rate increases, an electing utility must select and satisfy four electives each year. For the fourth year, an electing utility must select and satisfy five electives. For the fifth year, an electing utility must select and satisfy six electives. For each applicable year, all electives shall be completed prior to implementation of the annual rate increase.

Each elective can be used each year for all five increases provided the conditions for the elective are met and supporting documents provided to the IURC at the time of application. This applies to all electives except the one to “Join InWARN” which can only be used one time.

- (a). Provide an Asset Management Plan that has been prepared or updated within the last three years.
- (b). Develop or provide existing Standard Operating Procedures.
- (c). Complete the Water System Self Evaluation questionnaire provided by the Maryland Center for Environmental Training.
- (d). Complete Security Vulnerability Assessment and Emergency Response Plan.
- (e). Complete and document routine maintenance across all program areas as applicable to the utility.
- (f). Develop or provide existing map of utility system assets.
- (g). Provide a system Master Plan that has been prepared or updated within the last five years.
- (h). Join Indiana’s Water/Wastewater Agency Response Network (“InWARN”) as a utility member.

- (i). Maintain lost water below 12% for the most recent 12 month period.
- (j). Conduct a leak/loss survey in the prior year for systems with water loss greater than 15%.
- (k). Reduce lost water by 20% compared to water loss from the prior year.
- (l). Provide to the utility's consumers, at least annually, educational material concerning the wise use of water via a billing insert and provide the same or similar information on the utility's web-site if it has one.
- (m). Develop or provide existing information that supports the existence of written financial policies and procedures and the use of financial budgets.
- (n). Develop or provide an existing Business Plan/Strategic Plan.
- (o). Participate in performance measurement program by providing additional information requested in IURC Annual Report so that all performance measures can be calculated.
- (p). For utilities that elect to participate in the performance measurement program within the first two years, improve 85% of the performance measures by 10% over a three year period without decreasing performance for the remaining 15% of the performance measures.
- (q). At least one utility staff member participates in IURC Water/Wastewater Division sponsored training.
- (r). A member of the Clerk-Treasurer's office of municipal utility system or primary bookkeeper for private utilities holds a minimum of a two year accounting degree.
- (s). Clerk-Treasurer attends or has attended the Indiana State Board of Accounts Clerk-Treasurer training within the last two years.
- (t). Two currently serving board members or city/town council members attend Alliance of Indiana Rural Water's Management Conference during the most recent twelve month period.

3. Annual Rate Increase Calculation

A participating utility's annual increase will be limited to a factor applied to the Eligible Expenses identified by the Commission in the participating utility's rate order. This factor shall be determined annually and designated as the "Annual Cost Index". In any rate order issued to a water or wastewater utility with fewer than 3,000 customers, the Commission shall list the eligible expenses that may be multiplied by the Annual Cost Index.

4. Annual Cost Index

For each calendar year, Commission staff shall establish the Annual Cost Index based on a weighted composite of the latest annual indices composed of Labor Index ECI (47.51%), Industrial Electric Power PPI (10.53%), Industrial Chemicals PPI (2.7%), and Other costs-CPI (39.26%) by January 31st of each year.

The Annual Cost Index will apply to all annual increase filings for the twelve month period the index is in effect. Utilities that elect to skip a year, or more, or opt to not apply the full Annual Cost Index factor increase in any given year, are not permitted to select a potentially larger Annual Cost Index from a previous year, but instead, will be required to apply the Annual Cost Index in effect for the year the annual increase application is filed.

5. Limitations on Increases

The increases authorized under this program shall not exceed 7.5% per year. Cumulative increases shall not exceed 25% on eligible expenses.

Investor-owned utilities will not be eligible to receive an annual increase in any year where the utility's earnings result in a return that exceeds the return authorized in the utility's most recent rate order. The return will be determined using Schedule F-4 of the IURC Annual Report. Utilities will be provided with an opportunity to provide a corrected Schedule F-4 if the utility can show it is not earning in excess of its authorized return.

For a utility that participates in this program and also implements a Distribution System Improvement Charge ("DSIC"), the utility customers could receive a rate increase more frequently than every twelve months. Utilities are encouraged to make their best efforts to combine a DSIC increase with an annual program increase where the two will be close together to limit customer confusion. Any DSIC rate approved by the Commission may not exceed the statutory cap on DSIC revenues based on the utility's base revenues as determined in its most recent general rate proceeding, excluding annual ARP increases.

6. Eligible Expenses

Eligible expenses shall be limited to Extensions and Replacements (E&R - municipal and not-for-profit only) and operating expenses including, but not limited to, the following:

Salary and Wages, Chemical Expense, Pension and Benefits, Bad Debt Expense, Purchased Power Expense, Contractual Services, Maintenance, Transportation, Insurance, Materials and Supplies, Miscellaneous Expenses, Bad Debts, Rent Expense, and Postage.

7. Ineligible Expenses and Revenue Requirements

The following expenses and revenue requirements are not eligible for increases under this program:

Debt Service, Depreciation, Return on Rate Base, Any Amortized Expense, Purchased Water and Purchased Wastewater Treatment expense. Thus, when considering investor-owned utilities, the net operating income (rate base times weighted cost of capital) and the associated income taxes will be the same amounts calculated and approved in the last rate case.

The annual revenue increase will not be augmented with a separate calculation for taxes and expenses related to revenue such as the Utility Receipts Tax and the IURC fee. However, an increase to these amounts is provided because the amounts approved in the rate case will be increased by the Annual Cost Index. Any differences that would be generated from a more precise calculation are not material and do not warrant the additional complexity that would be required.

Because it is difficult to contemplate all possible adjustments to eligible expenses, additional adjustments may be made. However, these adjustments will be limited and will be consistent with the items outlined in this document.

8. Expenses and Revenue Requirements to be Eliminated from Rates

(a) As part of any general rate order for a utility with fewer than 3,000 customers, the Commission shall identify any revenue requirement scheduled or otherwise anticipated to discontinue within six years of the rate order, along with the year the revenue requirement will be discontinued. Such identified revenue requirement shall include but not be limited to debt service for loans paid in full, amortizations of debt service reserve, working capital, rate case expense or other amortized revenue requirement that has been completely amortized thus fully recovered in rates. If a utility has a fully funded debt service reserve, then the Commission may consider this in determining when to remove debt service from revenue requirements.

Therefore, an ordering paragraph may be stated as follows:

If XYZ Utility, Inc. elects to participate in the Program, the eligible operating expenses to which the Annual Cost Index will be applied are \$132,453. This amount excludes \$46,271 approved for purchased water. All other components of the revenue requirement will remain unchanged except that in years four and five, operating expenses shall be reduced by \$15,000 related to rate case expense

amortization. Also, in year five, debt service will be excluded to reflect full payment of the utility's outstanding debt obligations.

(b) In the case of a utility rate order that does not identify any such expenses, the utility may request that the Commission identify any such expenses such as debt service, debt service reserve, working capital, or rate case expense and determine which such revenue requirements should be considered to expire within six years of the rate order. A utility shall identify in its application any such authorized revenue requirement when it applies for participation in the program.

(c) In exchange for continued participation in this Program, the utility shall eliminate from its rates any such revenue requirement identified by the Commission. The removal of such revenue requirement from rates shall occur no later than the next annual rate adjustment following the anticipated or actual expiration of the revenue requirement, whichever first shall occur.

9. Application Process

A participating utility shall request each annual rate increase through the 30-day filing process. Under existing 30-day filing procedures, the OUCC will receive a copy on the filing date.

Each year thereafter, the participating utility shall file for the increase through the 30-day filing process. In the event a utility fails to request an increase in a given year, the utility is not prohibited from filing in subsequent years; however, the utility is not permitted to add increases from years in which it failed to request an increase or elected to not apply the full allowed increase.

Each utility shall complete and submit the one page form provided in Appendix B along with documentation supporting the utility's completion of the Mandatory Program Requirements and the Elective Program Elements selected.

A utility will not be permitted to implement its first annual increase until after 12 months have passed from the date of the utility's most recent rate order. Similarly, subsequent annual increases may not be implemented until 12 months have passed from the date the utility's most recent annual increase was implemented. These provisions do not apply to rate increases that are phased-in over time. However, utilities are encouraged to make their best efforts to combine a phased-in rate increase with an annual increase where the two will be close together to limit customer confusion.

Utilities that received a rate order after January 1, 2011, but before the order date of the Commission order approving this program, will have the opportunity to apply for five annual

rate increases during the six year period ending after the date an order is issued approving this program.

10. Simultaneous Applications Prohibited

A participating utility shall not submit a request for general rate increase while an application for rate adjustment under this Program is pending. Once a participating utility has filed a general rate increase, any subsequent application for annual rate increase from a prior order shall not be considered.

Appendix A: Program Elements

1. Mandatory Program Requirements:

Note: If a utility believes the content of its submissions is confidential, it must contact the Indiana Utility Regulatory Commission's ("IURC" or "Commission") Water/Wastewater Division Director before submitting that information.

(a). Current with IURC requirements

- Complete and current IURC Annual Report must be on file with the Commission. A complete IURC Annual Report is one that complies with the directions contained in the annual report forms and accurately reports financial statement information. Completion of data for the performance measurement program is not required unless the utility chooses performance measures as one of its electives. However, all utilities are encouraged to provide all of the performance measurement data requested even if they do not plan to participate in the Program.
- All affiliated contracts must be on file with the Commission.
- All compliance requirements outlined in Commission orders must be current.
- An IURC approved tariff must be on file with the Commission.
- A valid Certificate of Territorial Authority held where required for wastewater utilities.
- Investor-owned and not-for-profit utilities should be current with Public Utility Fee payments.

(b). Provide IDEM Information to the IURC

Provide its Indiana Department of Environmental Management (IDEM) National Pollutant Discharge Elimination System ("NPDES") (wastewater) and/or Public Water System Identification Number PWSID (water) and information concerning its IDEM certified operators and compliance with permit requirements as indicated:

- Each utility shall identify its operator(s) by name, operator number and class.
- A summary of continuing education activity for the previous calendar year shall be provided showing fulfillment of the required contact hours for their specific operator class.
- A statement concerning compliance with permit requirements for the previous calendar year.

327 IAC 8-12 governs the certification of water system operators, establishes appropriate Classes of certification, and establishes the required continuing education requirements for each class.

327 IAC 5-22 governs the certification of wastewater treatment plant (WWTP) operators, establishes appropriate Classes of certification and establishes the required continuing education requirements for each class.

(c). Indiana Underground Plant Protection Service (IUPPS) membership

The primary purpose of IUPPS (also known as Indiana811 or Call Before You Dig) is to operate and maintain a statewide toll-free one-call notification system to prevent the damage of underground facilities and to facilitate public safety. See www.indiana811.org. For this element to be met, the utility must be shown on the IUPPS web-site as being a member or otherwise demonstrate membership.

2. Elective Program Elements:

(a). Provide an Asset Management Plan that has been prepared or updated within the last three years.

The United States EPA defines Asset Management as a “desired level of service for what you want your assets to provide at the lowest life cycle cost. Lowest life cycle cost refers to the best appropriate cost for rehabilitating, repairing, or replacing an asset.”

An Asset Management Plan (“Plan”): “Monitors and manages the asset wear-out processes and defines the most cost-effective rate of reinvestment.” A utility’s Plan should include an inventory or data base of current assets and the condition and maintenance performed and to be performed on those assets.

To meet this elective, the utility must submit one of the following that has been prepared or updated within the last three years:

- MY CUPSS Plan (EPA’s Check Up Program for Small Systems) <http://water.epa.gov/infrastructure/drinkingwater/pws/cupss> populated with information specific to the utility; or
- An asset management plan developed by the utility that contains at least all of the elements of the MY CUPSS Plan.

The EPA’s CUPSS program is available at no cost.

(b). Develop or provide existing Standard Operating Procedures (SOPs).

Utility shall develop and maintain standard operating procedures for all significant pieces of equipment, processes and office duties. Elements of the procedures may include:

- Start-up Procedures
- Shut-down Procedures
- Daily Routine Operations
- Safety Practices and Procedures
- Maintenance Procedures
- Troubleshooting Procedures
- Testing and Monitoring Protocol
- Operational Forms and Reports
- Figures and Diagrams
- Day-to-day office tasks

The Rural Community Assistance Partnership (RCAP) has prepared a document titled, “The Big Guide for Small Systems: A Resource for Board Members.” This guide contains an example set of SOPs in its Appendix A. This example is also available in Microsoft Word format and may be a useful starting point. However, as noted in the Appendix, the document is a “tool.” “It is not ready-to-use and should not be distributed as-is.” This guide is free and can be accessed at the following web address: <http://www.rcap.org/commpubs>.

(c). Complete the Water System Self Evaluation questionnaire provided by the Maryland Center for Environmental Training.

Submit a completed Water System Self Evaluation form that can be found at the following web address: <http://www.mcet.org/Resources/Toolkit2.html>

(d). Complete a Security Vulnerability Assessment and Emergency Response Plan.

RCAP has developed a toolbox titled “Security and Emergency Response Planning Toolbox for Small Water and Wastewater Systems.” The toolbox includes a “simple and practical vulnerability guide” as well as “emergency-response planning instructions” and “an emergency-response planning template” for small water and wastewater systems. The toolbox is free and is available at the following web address: <http://www.rcap.org/toolbox>.

For this elective to be met, the utility must certify the following:

- a Vulnerability Assessment has been completed and/or updated within the last twelve months consistent with the elements outlined in the RCAP guide.
- an Emergency Response Plan has been completed and/or updated within the last twelve months consistent with the content provided in the template provided by RCAP.

Since these documents may contain sensitive information, only the certification page should be provided to the Commission. However, Commission staff may, on occasion, request a utility to submit the documents for review. These documents will be promptly destroyed after the review is completed.

(e). Complete and document routine maintenance across all program areas as applicable to the utility. Some examples include, but are not limited to:

- Exercise Valves
- Distribution System Flushing
- Televising and Clean Sewer Lines
- Well Maintenance
- Fire Hydrant Testing
- Lift Station Maintenance
- Pump and Motor Maintenance
- Buildings and Ground Maintenance
- Vehicle Maintenance

For this elective to be met, the utility must submit a receipt from the vendor or verification of employee man-hours from utility director or board member which includes a description of the maintenance performed. Written maintenance records should be available for inspection if requested by Commission staff.

(f). Develop or provide existing map of utility system assets.

(i). Water Utilities

The utility shall have system maps showing water utility assets indentifying or referencing main lines (including pipe material and diameter), valves, hydrants, pumping facilities, tanks and other major facilities with at least enough accuracy to determine if facilities are on the correct side of the street or in the street. For this criteria to be met, the utility must submit a verified statement indicating it has maps and submit one sample map for a portion of its system (for example, a map of a street, subdivision or neighborhood showing the various utility assets).

(ii). Wastewater Utilities

The Utility shall have system maps showing wastewater utility assets indentifying or referencing collection lines (including pipe material diameter), force mains (including pipe material diameter), manholes, air release valves, cleanouts, pumping facilities and other major facilities with at least enough accuracy to determine if facilities are on the correct side of the street or in the street. For this criteria to be met, the utility must submit a verified statement indicating it has maps and submit one sample map for a portion of its system (for example, a map of a street, subdivision or neighborhood showing the various utility assets).

(g). Provide a system master plan that has been prepared or updated within the last five years.

A system master plan is an essential tool for every utility to take a forward look at their possible growth patterns and demands to facilitate planning of system expansion and improvements for the next 20 years. A system master plan is one that takes into account at least all of the following:

- The utility's existing and potential service territory;
- Description and inventory of existing system;
- Present and planned land use;
- The current and planned environmental and quality regulations and the ability of the utility system to comply with the regulations;
- Projection of system annual demand and usage for the next 20 years;
- Improvements necessary to meet the projection of system annual demand and usage for the next 20 years with these improvements categorized into priorities or phases;
- Documentation and description of costs associated with planned improvements; and
- A map or system diagram showing general location of proposed improvements.

Master plans are inherently technical documents almost always requiring the use of a Professional Engineer. For this element to be met, a master plan certified by a Professional Engineer must be submitted.

(h). Join InWARN (Indiana's Water/WasteWater Agency Response Network) as a utility member.

InWARN's mission is "To support and promote statewide emergency preparedness, disaster response, and mutual aid between water and wastewater utilities responding to major emergencies" <http://in.uswarn.org>. For this element to be met, the utility must be shown on the InWARN web-site as being a member with a completed Mutual Aid Agreement ("MMA") on file.

This Elective can only be used one time during the six year time period.

(i). Maintain lost water below 12% for the most recent 12 month period.

Water Loss shall be defined and reported in a manner consistent with page W-6 (Pumping and Purchased Water Statistics) of the IURC Annual Report.

(j). Conduct a leak/loss survey in the prior year for systems with water loss greater than 15%.

The Utility must maintain and report evidence documenting that that a leak/loss survey has been conducted on the utility's entire system using best available technologies, the survey is able to locate additional leaks within the survey area, and leaks found have been repaired or have been incorporated into capital improvements to be completed within the next 12 months. Components of a typical leak/loss survey may include:

- Use of sonic leak detection technology and/or data loggers.
- Prompt repair of identified and reported leaks.
- Measurement and analysis of system or area meter data.
- System pressure analysis resulting in pressure management program(s).

(k). Reduce lost water by an additional 20% compared to water loss from the prior year.

Water Loss shall be defined and reported in a manner consistent with page W-6 (Pumping and Purchased Water Statistics) of the IURC Annual Report for two consecutive years.

(l). Provide the utility's consumers educational material concerning the wise use of water via a billing insert and provide the same or similar information on the utility's web-site if it has one. Information provided via billing insert should be provided annually, at a minimum.

The educational material should contain content concerning the following major areas: efficient lawn watering, the amount of water wasted via leaking faucets and toilets, and the amount of water saved by using shower flow restrictors and high efficiency toilets. Examples of such educational material can be found on the web-site of the Office of Utility Consumer Counselor at www.in.gov/oucc or through the American Water Works Association web-site at www.awwa.org.

For this elective to be met, the utility must submit a copy of the educational billing insert and provide a link to its web-site, if it has one, providing the educational material.

(m). Develop or provide existing information regarding written financial policies and procedures and the use of financial budgets.

In order to obtain credit for this elective, a utility needs to submit the following:

- Written financial policies and procedures.
- Copies of monthly financial statements for the most recent twelve month period that show comparisons of actual amounts to budgeted amounts. Written explanations should be provided for significant differences between budgeted and actual amounts.

- A five-year capital budget or Capital Improvement Plan showing individual assets the utility intends to purchase over each of the next five years.

The RCAP has prepared a document titled, “The Basics of Financial Management for Small-community Utilities.” This guide contains an example set of financial management policies as part of Chapter 1. This example is also available in Microsoft Word format and may be a useful starting point. However, as noted in Chapter 1, the “sample policies are not ready-to-use and should not be adopted or distributed as-is.” Chapter 2 provides information about capital improvement plans while Chapters 3 and 4 provide operating budget information. This document is free and can be accessed at the following web address:
<http://www.rcap.org/finmgmtguide>.

(n). Develop or provide an existing Business Plan/Strategic Plan.

A Business Plan or Strategic Plan should include vision, mission and organizational values statements. Contemplation of internal and external factors that could impact the utility should be evaluated. An assessment of the utility’s strengths and weaknesses or opportunities for improvement for the next 3 to 5 years should also be identified. An acceptable Business Plan should provide analysis and selection of strategies in each of the following areas of water and/or wastewater system management:

- Customer service
- Finance
- Human resources management
- Business process improvement
- Short- and long-term action plans that include allocation of resources directed at achieving the goals and strategies the utility has adopted
- A process for strategic plan development and annual review/updates that facilitate input from customers, employees and other stakeholders
- Regulatory Compliance

(o). Participate in performance measurement program by providing additional information requested in IURC Annual Report so that performance measures can be calculated.

The Commission’s Water/Wastewater Division developed a Performance Measurement program that has been incorporated into the IURC Annual Report due every April 30th. In order to calculate all of the performance measures, additional information is required beyond that which is necessary to complete the Annual Report. Utilities that provide the additional information will receive credit for this elective.

Utilities that participate in the performance measurement program will receive their results along with the results of other utilities that provide the necessary information. To understand the additional information required to participate in the performance measurement program, please review the IURC Annual Report.

(p). For utilities that elect to participate in the performance measurement program within the first two years, improve 85% of the performance measures by 10% over a three year period without decreasing performance for the remaining 15% of the performance measures.

Given the requirements of this elective, a utility could only receive credit for this elective in the fourth year if the utility participated in the performance measurement program in year one or in the fifth year if the utility initiated participation in year two.

(q). At least one utility staff member participates in IURC Water/Wastewater Division sponsored training.

The IURC's Water/Wastewater Division sponsors a one-day training program that provides training about IURC specific matters along with other utility issues. If at least one utility employee attends a training program, the utility will receive credit for one elective. Additional credits will not be provided for multiple attendees.

(r). A member of the Clerk-treasurer's office of municipal utility system or primary bookkeeper for private utilities holds a minimum of a two year accounting degree.

Provide a copy of the degree or other school documentation that supports the stated requirements.

(s). Clerk-treasurer attends or has attended the Indiana State Board of Accounts clerk-treasurer training within the last two years.

Provide documentation that supports attendance or a verified statement of attendance.

Information about the training can be found on the Indiana State Board of Accounts website at <http://www.in.gov/sboa/index.htm>.

(t). Two currently serving board members or city/town council members attend Alliance of Indiana Rural Water's Management Conference during the most recent twelve month period.

Provide documentation that supports attendance for two board members or city/town council members.

Information about the conference can be found on the Alliance of Indiana Rural Water's website at <http://www.inh2o.org/>.

Appendix II: Forms

Alternative Regulatory Ratemaking Procedure for Small Water and Wastewater Utilities

Municipal and Not-for-Profit Utility Form

Utility Name:

Rate Case Cause No./Date Approved:

| Description | Rev. Reqmts. | Revenue Requirements for Annual Rate Increase Program | | | | | |
|--|-------------------------|---|---------|---------|---------|---------|---------|
| | from last Rate Order | Adjustments | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| 1 Operating Expenses | | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 Payment in Lieu of Taxes | | | - | - | - | - | - |
| 3 Extensions & Replacements | | | - | - | - | - | - |
| 4 Taxes Other Than Income | | | - | - | - | - | - |
| 5 Prior Year "Cost" Increases (Cumulative) | | | - | - | - | - | - |
| 6 Revenue Requirement Subject to Annual Increase | - | | - | - | - | - | - |
| 7 Times: Annual Cost Index (IURC Small Utility Cost Index) | N/A | | | | | | |
| 8 Annual Revenue Increase | - | | - | - | - | - | - |
| 9 Allowable but Unadjustable Operating Expense | - | | - | - | - | - | - |
| 10 Working Capital | | | - | - | - | - | - |
| 11 Debt Service | | | - | - | - | - | - |
| 12 Total Revenue Requirements | - | | - | - | - | - | - |
| 13 Less: Interest Income | | | - | - | - | - | - |
| 14 Other Revenues | - | | - | - | - | - | - |
| 15 Net Revenue Requirements | - | | - | - | - | - | - |
| 16 Less: Revenues at Current Rates | | | - | - | - | - | - |
| 17 Required Revenue Increase | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 18 Revenue Not Subject to Increase at Present Rates | | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 19 Revenue Subject to Increase (Line 16-Line 18) | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 20 Percentage Increase (Line 17/Line 19) | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

Alternative Regulatory Ratemaking Procedure for Small Water and Wastewater Utilities
Investor-Owned Utility Form

Utility Name:

Rate Case Cause No./Date Approved:

| Description | Rev. Reqmts. from last Rate Order | Adjustments | Revenue Requirements for Annual Rate Increase Program | | | | |
|--|---|-------------|---|---------|---------|---------|---------|
| | | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| 1 Operating Expenses | | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 Taxes Other Than Income | | | - | - | - | - | - |
| 3 Prior Year "Cost" Increases (Cumulative) | - | | - | - | - | - | - |
| 4 Revenue Requirements Subject to Annual Increase | - | | - | - | - | - | - |
| 5 Times: Annual Cost Index (IURC Small Utility Cost Index) | N/A | | | | | | |
| 6 Total: Adjustable Revenue Requirements | - | | - | - | - | - | - |
| 7 Allowable but Unadjustable Operating Expenses | | | - | - | - | - | - |
| 8 Depreciation Expense | | | - | - | - | - | - |
| 9 Income Taxes | | | - | - | - | - | - |
| 10 Net Operating Income | | | - | - | - | - | - |
| 11 Total Revenue Requirements | - | | - | - | - | - | - |
| 12 Less Revenues at Current Rates | | | - | - | - | - | - |
| 13 Revenue Increase Required | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 14 Revenue Not Subject to Increase at Present Rates | | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 15 Revenue Subject to Increase (Line 12-Line 14) | \$ - | | \$ - | \$ - | \$ - | \$ - | \$ - |
| 16 Percentage Increase (Line 13/Line 15) | #DIV/0! | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |

Clipped from: <https://www.irs.gov/publications/p541>

Forming a Partnership

The following sections contain general information about partnerships.

Organizations Classified as Partnerships

An unincorporated organization with two or more members is generally classified as a partnership for federal tax purposes if its members carry on a trade, business, financial operation, or venture and divide its profits. However, a joint undertaking merely to share expenses is not a partnership. For example, co-ownership of property maintained and rented or leased is not a partnership unless the co-owners provide services to the tenants.

The rules you must use to determine whether an organization is classified as a partnership changed for organizations formed after 1996.

Organizations formed after 1996.

An organization formed after 1996 is classified as a partnership for federal tax purposes if it has two or more members and it is none of the following.

- An organization formed under a federal or state law that refers to it as incorporated or as a corporation, body corporate, or body politic.
- An organization formed under a state law that refers to it as a joint-stock company or joint-stock association.
- An insurance company.
- Certain banks.
- An organization wholly owned by a state, local, or foreign government.
- An organization specifically required to be taxed as a corporation by the Internal Revenue Code (for example, certain publicly traded partnerships).
- Certain foreign organizations identified in section 301.7701-2(b)(8) of the regulations.
- A tax-exempt organization.
- A real estate investment trust.
- An organization classified as a trust under section 301.7701-4 of the regulations or otherwise subject to special treatment under the Internal Revenue Code.
- Any other organization that elects to be classified as a corporation by filing Form 8832.

For more information, see the Instructions for Form 8832.

Limited liability company (LLC).

An LLC is an entity formed under state law by filing articles of organization as an LLC. Unlike a partnership, none of the members of an LLC are personally liable for its debts. However, if the LLC is an employer, an LLC member may be liable for employer related penalties. See Pub. 15, Employer's Tax guide (Circular E), and Pub. 3402, Taxation of Limited Liability Companies. An LLC may be classified for federal income tax purposes as either a partnership, a corporation, or an entity disregarded as an entity separate from its owner by applying the rules in Regulations section 301.7701-3. See Form 8832 and section 301.7701-3 of the regulations for more details.



A domestic LLC with at least two members that doesn't file Form 8832 is classified as a partnership for federal income tax purposes..

Organizations formed before 1997.

An organization formed before 1997 and classified as a partnership under the old rules will generally continue to be classified as a partnership as long as the organization has at least two members and doesn't elect to be classified as a corporation by filing Form 8832.

Community property.

Spouses who own a qualified entity (defined below) can choose to classify the entity as a partnership for federal tax purposes by filing the appropriate partnership tax returns. They can choose to classify the entity as a sole proprietorship by filing a Schedule C (Form 1040) listing one spouse as the sole proprietor. A change in reporting position will be treated for federal tax purposes as a conversion of the entity.

A qualified entity is a business entity that meets all the following requirements.

- The business entity is wholly owned by spouses as community property under the laws of a state, a foreign country, or a possession of the United States.
- No person other than one or both spouses would be considered an owner for federal tax purposes.

IURC Cause No. 45568
Granger Water's Responses to OUCC DR 5
August 26, 2021

Q-5-7: According to Attachment JZW-1, page 9, Granger Water Utility LLC's proposed system development charge would be grossed up 42% for federal and state income taxes. However, according to attachment JZW-1, page 6, Granger Water Utility LLC will report a net operating loss eight of the first ten years resulting in no tax liability.

- a. Please explain why Granger Water Utility LLC will need to include a tax liability in its system development charges when it anticipates it will not have a tax liability.
- b. Please explain what entity or person may report any net operating loss for tax purposes.

Objection: Granger Water objects to the Data Request on the basis of the foregoing general objections.

Response:

- a. The tax gross up will need to be in place at the time Granger Water begins to operate at a profit. Granger Water wishes to charge the same amount to each customer as they join the system. As stated on page 9 of Ms. Wilson's testimony, Granger Water could justify a charge of \$7,200.00, but has instead proposed a charge of \$1,750.00.
- b. Granger Water will provide an annual Schedule K-1 to its members. A Schedule K-1 is a federal tax document used to report the income or losses of a business's or financial entity's partners, members, or shareholders (in the case of an S corporation). A Schedule K-1 is prepared for each individual partner or member and is included with the partner's personal tax return. Thus, the financial results of Granger Water will be reflected on the individual member's income tax return.

STATE OF INDIANA)
) SS:
COUNTY OF LAKE)

AFFIDAVIT OF THOMAS K. WITHEROW

I, Thomas K. Witherow, being duly sworn under oath, state as follows:

1. I am a competent adult over the age of 18. The information contained in this affidavit is based on my personal knowledge.

2. I am licensed certified public accountant and principal owner of Thomas K. Witherow & Co. PC, a public accounting firm with a principal place of business at 9002 Indianapolis Blvd., Suite #B, Highland, Indiana 46322.

3. I act as the state and federal income tax preparer for J. Patrick Matthews and have acted in this capacity for the state and federal income tax returns filed from 1994 to 2019, the most recent state and federal income tax returns filed by J. Patrick Matthews as of the date this affidavit is given.

4. J. Patrick Matthews' federal income tax rate is 35% on his federal income tax return for calendar year 2019.

5. J. Patrick Matthews' state income tax rate is 5% on his state income tax return for calendar year 2019.

6. J. Patrick Matthew's federal income tax rate based on my preliminary tax computations for the calendar year 2020 will be 37% and 5% for state income taxes.

FURTHER THE AFFIANT SAYETH NOT.

2413

1 inserting “**FEDERALLY DECLARED DISASTER,**
2 **SIGNIFICANT FIRE,**”.

3 (2) *The item relating to section 7508A in the*
4 *table of sections for chapter 77 of such Code is amend-*
5 *ed by striking “Presidentially declared disaster” and*
6 *inserting “Federally declared disaster, significant*
7 *fire,”.*

8 (c) *EFFECTIVE DATE.—The amendments made by this*
9 *section shall apply to fires for which assistance is provided*
10 *after the date of the enactment of this Act.*

11 **TITLE VI—OTHER PROVISIONS**

12 **SEC. 80601. MODIFICATION OF TAX TREATMENT OF CON-** 13 **TRIBUTIONS TO THE CAPITAL OF A CORPORA-** 14 **TION.**

15 (a) *IN GENERAL.—Section 118 of the Internal Revenue*
16 *Code of 1986 is amended—*

17 (1) *in subsection (b), by inserting “except as pro-*
18 *vided in subsection (c),” after “For purposes of sub-*
19 *section (a),”*

20 (2) *by redesignating subsection (d) as subsection*
21 *(e), and*

22 (3) *by striking subsection (c) and inserting the*
23 *following:*

24 “*(c) SPECIAL RULES FOR WATER AND SEWERAGE*
25 *DISPOSAL UTILITIES.—*

2414

1 “(1) *GENERAL RULE.*—For purposes of this sec-
2 tion, the term ‘contribution to the capital of the tax-
3 payer’ includes any amount of money or other prop-
4 erty received from any person (whether or not a
5 shareholder) by a regulated public utility which pro-
6 vides water or sewerage disposal services if—

7 “(A) such amount is—

8 “(i) a contribution in aid of construc-
9 tion, or

10 “(ii) a contribution to the capital of
11 such utility by a governmental entity pro-
12 viding for the protection, preservation, or
13 enhancement of drinking water or sewerage
14 disposal services,

15 “(B) in the case of a contribution in aid of
16 construction which is property other than water
17 or sewerage disposal facilities, such amount
18 meets the requirements of the expenditure rule of
19 paragraph (2), and

20 “(C) such amount (or any property ac-
21 quired or constructed with such amount) is not
22 included in the taxpayer’s rate base for rate-
23 making purposes.

24 “(2) *EXPENDITURE RULE.*—An amount meets
25 the requirements of this paragraph if—

2415

1 “(A) an amount equal to such amount is
2 expended for the acquisition or construction of
3 tangible property described in section 1231(b)—

4 “(i) which is the property for which
5 the contribution was made or is of the same
6 type as such property, and

7 “(ii) which is used predominantly in
8 the trade or business of furnishing water or
9 sewerage disposal services,

10 “(B) the expenditure referred to in subpara-
11 graph (A) occurs before the end of the second tax-
12 able year after the year in which such amount
13 was received, and

14 “(C) accurate records are kept of the
15 amounts contributed and expenditures made, the
16 expenditures to which contributions are allo-
17 cated, and the year in which the contributions
18 and expenditures are received and made.

19 “(3) DEFINITIONS.—For purposes of this sub-
20 section—

21 “(A) CONTRIBUTION IN AID OF CONSTRUC-
22 TION.—The term ‘contribution in aid of con-
23 struction’ shall be defined by regulations pre-
24 scribed by the Secretary, except that such term

2416

1 *shall not include amounts paid as service*
2 *charges for starting or stopping services.*

3 “(B) *PREDOMINANTLY.*—*The term ‘pre-*
4 *dominantly’ means 80 percent or more.*

5 “(C) *REGULATED PUBLIC UTILITY.*—*The*
6 *term ‘regulated public utility’ has the meaning*
7 *given such term by section 7701(a)(33), except*
8 *that such term shall not include any utility*
9 *which is not required to provide water or sewer-*
10 *age disposal services to members of the general*
11 *public in its service area.*

12 “(4) *DISALLOWANCE OF DEDUCTIONS AND CRED-*
13 *ITS; ADJUSTED BASIS.*—*Notwithstanding any other*
14 *provision of this subtitle, no deduction or credit shall*
15 *be allowed for, or by reason of, any expenditure which*
16 *constitutes a contribution in aid of construction to*
17 *which this subsection applies. The adjusted basis of*
18 *any property acquired with contributions in aid of*
19 *construction to which this subsection applies shall be*
20 *zero.*

21 “(d) *STATUTE OF LIMITATIONS.*—*If the taxpayer for*
22 *any taxable year treats an amount as a contribution to the*
23 *capital of the taxpayer described in subsection (c)(1)(A)(i),*
24 *then—*

2417

1 “(1) the statutory period for the assessment of
2 any deficiency attributable to any part of such
3 amount shall not expire before the expiration of 3
4 years from the date the Secretary is notified by the
5 taxpayer (in such manner as the Secretary may pre-
6 scribe) of—

7 “(A) the amount of the expenditure referred
8 to in subparagraph (A) of subsection (c)(2),

9 “(B) the taxpayer’s intention not to make
10 the expenditures referred to in such subpara-
11 graph, or

12 “(C) a failure to make such expenditure
13 within the period described in subparagraph (B)
14 of subsection (c)(2), and

15 “(2) such deficiency may be assessed before the
16 expiration of such 3-year period notwithstanding the
17 provisions of any other law or rule of law which
18 would otherwise prevent such assessment.”.

19 (b) *EFFECTIVE DATE.*—The amendments made by this
20 section shall apply to contributions made after December
21 31, 2020.

22 **SEC. 80602. EXTENSION OF INTEREST RATE STABILIZATION.**

23 (a) *FUNDING STABILIZATION UNDER THE INTERNAL*
24 *REVENUE CODE OF 1986.*—The table in subclause (II) of

WATER UTILITIES

DSIC revenues and the DSIC costs. The utility shall serve a copy of the report simultaneously on the office of the utility consumer counselor. Within fifteen (15) days of service, the office of the utility consumer counselor shall submit its comments to the commission and serve a copy on the utility. Upon review of the utility's report and the office of utility consumer counselor's comments, the commission may, at its discretion, convene a hearing after notice to adjust the DSIC to reconcile over recovery or under recovery of the underlying DSIC costs.

(b) In the event the utility is later authorized to change its DSIC, then the annual reconciliation shall be twelve (12) months following the authorization of the change in the DSIC, with the first reconciliation also covering the period between the last reconciliation of the previously approved DSIC and authorization to change the DSIC (the "interim period"). Reconciliation for the interim period shall use the DSIC revenues and DSIC costs associated with the DSIC in effect at the time.

(c) In the event that a utility files revised rate schedules, the commission's order will reset the DSIC and create new basic rates and charges. Upon issuance of the order, the utility shall file the reconciliation report covering previously unreconciled periods with the commission within three (3) months. The report must be completed as follows:

(1) The reconciliation report shall use the DSIC revenues and DSIC costs associated with the DSIC in effect at the time.

(2) An over or under recovery shall be shown as an addition to or reduction from DSIC costs included in the utility's first DSIC filing following implementation of the new basic rates and charges.

(Indiana Utility Regulatory Commission; 170 IAC 6-1.1-8; filed Sep 27, 2005, 8:45 a.m.: 29 IR 458; readopted filed Sep 23, 2011, 11:52 a.m.: 20111019-IR-170110397RFA; filed Jan 6, 2012, 10:25 a.m.: 20120201-IR-170110426RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)

Rule 1.5. Extension of Water Mains

170 IAC 6-1.5-1 "Applicant" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 1. As used in this rule, "applicant" means a person requesting the main extension in order to receive water utility service from the utility. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-1; filed Dec 5, 1990, 3:35 p.m.: 14 IR 559; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-2 "Commission" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 2. As used in this rule, "commission" refers to the Indiana utility regulatory commission. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-2; filed Dec 5, 1990, 3:35 p.m.: 14 IR 559; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-3 "Completion date of the main extension" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 3. As used in this rule, "completion date of the main extension" means the date the utility declares the main extension to be in service and releases it for taps. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-3; filed Dec 5, 1990, 3:35 p.m.: 14 IR 559; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

WATER UTILITIES

170 IAC 6-1.5-4 "Cost of connecting" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 4. As used in this rule, "cost of connecting" means the average of the utility's costs for the same size service connection incurred during the preceding calendar year including, if provided by the utility, the service pipe, service stop, meter and meter vault, tap, and installation thereof or portions thereof; however, the cost of connecting shall not be applicable under this rule for those portions of such cost recovered from an applicant by a utility in the form of a tap or similar charge. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-4; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-5 "Cost of the main extension" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 5. As used in this rule, "cost of the main extension" means the cost of installing the main as determined in sections 31 through 32 of this rule. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-5; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-6 "Customer" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 6. As used in this rule, "customer" means a person being supplied with water utility service. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-6; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-7 "Deposit" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 7. As used in this rule, "deposit" means the amount required to be deposited by or on behalf of each applicant or prospective customer for a main extension prior to the utility commencing construction of the main extension. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-7; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-8 "Estimated annual revenue" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 8. As used in this rule, "estimated annual revenue" for an applicant connecting to the main means the utility's average annual revenue per applicant from comparable customers in the calendar year preceding such connection, adjusted to reflect any changes in the applicable rates and charges of the utility for such service. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-8; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr*

WATER UTILITIES

11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)

170 IAC 6-1.5-9 "Frontage" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 9. As used in this rule, "frontage" means the footage, ten (10) feet minimum length, of a lot or tract (but not an easement) boundary that is parallel to or curvilinear to, and immediately adjacent to a main extension in a public thoroughfare or easement. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-9; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-10 "Immediate revenue allowance" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 10. As used in this rule, "immediate revenue allowance" means the amount of three (3) times the estimated annual revenue less the cost of connecting for an applicant. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-10; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-11 "Lot" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 11. As used in this rule, "lot" means a parcel of land as platted or, if the area to be served is not platted, the equivalent of a parcel of land as determined in accordance with section 30 of this rule. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-11; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-12 "Main" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 12. As used in this rule, "main" means a pipe owned by the utility which delivers water to fire hydrants and service pipes. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-12; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-13 "Main extension" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 13. As used in this rule, "main extension" means the mains, hydrants, and appurtenances installed by the utility to provide the water utility service requested by or on behalf of the applicant or prospective customer, but does not include the service pipes. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-13; filed Dec 5, 1990, 3:35 p.m.: 14 IR 560; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

WATER UTILITIES

170 IAC 6-1.5-14 "Original depositor" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 14. As used in this rule, "original depositor" means an applicant who enters into a main extension agreement and makes a deposit with the utility. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-14; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-15 "Person" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 15. As used in this rule, "person" means an individual, firm, corporation, governmental agency, or other entity. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-15; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-16 "Prospective customer" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 16. As used in this rule, "prospective customer" means a person who is not an original depositor, but whose lot or frontage directly abuts the main extension between its original beginning and its original end point. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-16; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-17 "Public thoroughfare" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 17. As used in this rule, "public thoroughfare" means a road, street, or way which has been dedicated for use by the public and accepted by the appropriate governmental authority. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-17; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-18 "Refund" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 18. As used in this rule, "refund" means the subsequent connector's fees, subsequent connector's revenue allowances, and revenue allowances from depositor-authorized connections of lots included in the original depositor's main extension agreement that must be paid by the utility to the original depositor for ten (10) years after the completion date of the main extension. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-18; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

WATER UTILITIES

170 IAC 6-1.5-19 "Revenue allowance from depositor-authorized connection" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 19. As used in this rule, "revenue allowance from depositor-authorized connection" means the amount of three (3) times the estimated annual revenue less the cost of connecting that the utility may refund to original depositor for connections for lots or unplatted areas owned, controlled, or designated by the original depositor and does not include an immediate revenue allowance. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-19; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-20 "Service pipe" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 20. As used in this rule, "service pipe" means a supply line leading directly into the premises supplied or to be supplied from the main adjacent to such premises. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-20; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-21 "Service stop" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 21. As used in this rule, "service stop" means a valve inserted in the service pipe between the main and the meter for the purpose of turning water on and off. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-21; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-22 "Subsequent connector" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 22. As used in this rule, "subsequent connector" means a person who was not an original depositor but subsequently applies for water service and who connects to the main within ten (10) years after the completion date of the main extension. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-22; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-23 "Subsequent connector's fee" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 23. As used in this rule, "subsequent connector's fee" means the cash fee equal to the cost per lot of the main extension determined in accordance with sections 30 through 32 of this rule, multiplied by the number of lots for which service is requested. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-23; filed Dec 5, 1990, 3:35 p.m.: 14 IR 561; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

WATER UTILITIES

170 IAC 6-1.5-24 "Subsequent connector's revenue allowance" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 24. As used in this rule, "subsequent connector's revenue allowance" means three (3) times the estimated annual revenue for the subsequent connector less the cost of connecting. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-24; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-25 "Tap" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 25. As used in this rule, "tap" means a fitting owned by the utility and inserted by it into a main to which a service pipe is attached. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-25; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-26 "Total required deposit" defined

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 26. As used in this rule, "total required deposit" means the amount by which the cost of the main extension exceeds the immediate revenue allowance for the original depositor. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-26; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-27 Free extension

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 27. A utility, upon written request for service by an applicant, shall extend a main and connect the applicant free of charge to provide the service requested if:

- (1) the cost of the main extension does not exceed the immediate revenue allowance for the applicant; and
- (2) the applicant agrees to take service within nine (9) months following the completion date of the main extension.

(*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-27; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-28 Main extension; exception to commission approval

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 28. If the cost of the main extension is greater than the free extension cost provided in section 27 of this rule, that extension shall be made, upon receipt by the utility of a signed agreement and a deposit from the applicant, without specific approval of the agreement by the commission. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-28; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-*

WATER UTILITIES

170190136RFA)

170 IAC 6-1.5-29 Main extension route

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 29. (a) The utility shall use good engineering and water utility practices in determining the route for all main extensions.
(b) The utility shall determine the total length of the extension from its existing main to serve the extension to the end of the lot or frontage of the most remote applicant to be served.

(c) However, if the end lot or frontage is a corner lot or frontage abutting an intersecting street in which an existing main is located, the end of the new extension must connect with the existing main located in that intersecting street.

(d) If the end lot or frontage is a corner lot or frontage abutting an intersecting street in which no main is located, the end of the new extension may not extend beyond the intersecting street corner of that lot.

(e) If the street in which the main is to be laid dead ends in a cul-de-sac or appears to be permanently dead ended against a railroad, creek, river, or other major physical or natural barrier, the end point of the main extension, if serving the most remote lot or frontage, shall be the point of the most remote service pipe connection, which connection point shall be at least ten (10) feet beyond the lot line. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-29; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-30 Number of lots served by main extension

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 30. A determination shall be made of the number of lots to be served by the main extension. The determination may include only lots which directly abut the main extension between its original beginning and its original end point. If any part of the main extension is located within an area platted or to be platted, the number of lots shown within the plat to be served shall be included in the determination. If any part of the main extension is located in an unplatted area, the number of lots to be included shall be determined by dividing the total frontage of the main extension within the unplatted area on either or both sides of the public thoroughfare or easement in which the main is located by one hundred (100) feet and rounded to the nearest whole number of lots, provided either or both sides are available for future development and not restricted against usage because of limited access or other reasons. The determination of the number of lots for a particular extension may include a combination of platted and unplatted lots as defined in this section. Any further main extension subsequently connected to the original main extension shall, for all purposes under this rule, constitute a separate main extension. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-30; filed Dec 5, 1990, 3:35 p.m.: 14 IR 562; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-31 Main extension cost

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 31. (a) The cost of the main extension may, as determined by the utility, be either:

- (1) the computed cost based on the average costs for similar main extensions experienced by the utility during its preceding fiscal year, plus or minus any amount necessary to adjust for known cost increases or decreases;
- (2) the estimated cost of the extension; or
- (3) the actual cost of a developer-installed extension.

(b) In the absence of representative cost data for the previous year for any size or type of main or for any special construction, or for any other facility involved in a main extension, the cost shall be the utility's best estimate of the cost of the main, special construction, or related facilities based upon current available information.

WATER UTILITIES

(c) If the cost of the main extension is computed or estimated under subsection (a)(1) or (a)(2), it shall be based on an eight (8) inch main unless the utility determines that a larger or smaller main is reasonably necessary to serve the applicant, including fire protection service, in which event the cost, computed or estimated, shall be based on the size of main determined reasonably necessary.

(d) If the utility's future extension plans require a larger main than is reasonably necessary to serve the applicants and prospective customers, the difference in the cost for the larger main size and increased material and installation cost, if any, shall be borne by the utility.

(e) The computed or estimated cost may be adjusted to the actual cost by the utility, in which event the actual cost as finally determined shall constitute the cost of the main extension. If the main extension agreement provides for the adjustment of the computed or estimated cost of the main extension to the actual cost, the adjustment shall be made upon completion of the main extension. If the actual cost of the extension is less than the computed or estimated cost, the utility shall refund the difference to the original depositor as soon as the actual cost has been determined. If the actual cost of the extension exceeds the computed or estimated cost, then the utility shall bill the original depositor for, and that depositor shall pay, the difference between the computed or estimated cost and the actual cost.

(f) If the utility determines that a main larger than eight (8) inches is reasonably necessary to serve the domestic and fire protection requirements of the applicant, and those requirements are significantly in excess of the requirements of the other applicants or the prospective customers along the intervening route of the main, the cost of the main extension or deposit for other applicants or subsequent connector's fee for the prospective customers shall be based on the smaller size main that the utility has determined is adequate to meet the requirements of the other applicants or the prospective customers along the intervening route. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-31; filed Dec 5, 1990, 3:35 p.m.: 14 IR 563; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-32 Cost per lot

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 32. The cost per lot shall be determined by:

- (1) the total number of lots to be served by the main extension divided into the cost of the main extension; or
- (2) the cost of the main extension shall be divided proportionately on the basis of respective lot frontage for all lots to be served by the main extension.

(*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-32; filed Dec 5, 1990, 3:35 p.m.: 14 IR 563; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-33 Cost options

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 33. (a) The utility shall file with the commission, for approval, its choice of the following options with appropriately revised rules:

- (1) For the main extension, the applicant shall be required to pay the cost of the main extension, and the full gross-up state and federal taxes associated with the cost of the extension and the applicant shall receive refunds as provided in sections 36 through 37 of this rule.
- (2) For the main extension, the applicant shall be required to pay the cost of the main extension exclusive of the tax associated with the main extension, and the applicant shall receive refunds as provided in sections 36 through 37 of this rule.
- (3) For the main extension, the applicant shall be allowed the option of paying the cost of the main extension and full gross-up state and federal taxes associated with the cost of the main extension, and the applicant shall receive refunds as provided in sections 36 through 37 of this rule, or shall pay the cost of the main extension exclusive of the tax associated with the main extension and the applicant shall forfeit all rights to immediate revenue allowances and to refunds, except for subsequent

WATER UTILITIES

connector's fees.

(b) If the utility desires to change its option after initial filing, the utility shall submit its requested revisions to the commission for approval. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-33; filed Dec 5, 1990, 3:35 p.m.: 14 IR 563; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-34 Total required deposit

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 34. (a) In the case of a residential real estate development, immediate revenue allowance may not be deducted from the cost of the main extension in determining the amount of the total required deposit, except for those residential dwelling units, if any, where construction has commenced above the first floor level.

(b) In the case of a commercial or industrial real estate development, immediate revenue allowance may not be deducted from the cost of the main extension in determining the amount of the total required deposit, except where building construction has commenced and pertinent data, such as customer types, service pipe, metering arrangements, and water demands, have been furnished to the utility, to allow the utility to determine the estimated annual revenue from that development.

(c) The total required deposit for a main extension may either be made in a cash payment, or it may be secured by an irrevocable letter of credit acceptable to the utility and issued by a national banking association or a bank chartered under the laws of the state. The deposit may also be secured in any other manner which is mutually acceptable to the parties and which guarantees payment of the deposit immediately upon completion of the main extension.

(d) If permitted by the utility, the main extension may be installed by the developer or the developer's contractor according to the extension and installation policies of the utility, and the actual cost of the developer-installed extension shall be considered the total required deposit.

(e) A utility may allocate, or permit original depositors to allocate, the total required deposit on the basis of the number of lots, the respective lot frontage, or any other basis mutually acceptable to the original depositors. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-34; filed Dec 5, 1990, 3:35 p.m.: 14 IR 564; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

170 IAC 6-1.5-35 Subsequent connector fee

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 35. (a) Within ten (10) years after the completion date of the main extension, a utility shall not permit a subsequent connector to connect to a main extension until after the subsequent connector has paid the required subsequent connector's fee to the utility.

(b) Applicants for service connections for lots in subdivision and tract developments which are included in the original depositor's main extension agreement, are not required to pay a subsequent connector's fee, unless otherwise specifically provided for in the main extension agreement.

(c) If a prospective customer with frontage land that was unplatted on one (1) or both sides of the street at the time the main extension was installed later subdivides this frontage prior to the expiration of the ten (10) years after the completion date of the main extension in such a manner that some or all lots will not require service directly from that main extension, the customer is considered to have requested a lateral extension from that main extension to serve the customer's land. The utility, in that case, shall collect from the prospective customer prior to installing the requested lateral main extension, a subsequent connector's fee for each equivalent lot of the frontage land used in determining the main extension cost per lot and which will not be served directly by the original main extension. (*Indiana Utility Regulatory Commission; 170 IAC 6-1.5-35; filed Dec 5, 1990, 3:35 p.m.: 14 IR 564; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA*)

WATER UTILITIES

170 IAC 6-1.5-36 Refunds

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 36. (a) Refunds shall be paid for a period of ten (10) years after the completion date of the main extension to the original depositor in proportion to the respective deposits, unless the original depositor for the main extension forfeited all rights to refunds, except subsequent connector's fees, as provided in section 33(a)(3) of this rule.

(b) However, no refunds shall be required to be made by the utility until the number of customers actually connected to the main extension equals the number of applicants for which an immediate revenue allowance was included in computing the total required deposit for the main extension. The refunds shall be paid annually or more frequently at regular intervals at the discretion of the utility.

(c) Total refunds to any original depositor shall not exceed the amount of the original deposit except in the case of a phased residential real estate development. In this situation the preliminary plat must be submitted to the utility at the time of the first request for a main extension. During the ten (10) year period beginning with the completion date of the first main extension, the amount of any refunds generated in excess of the deposit made on any phase of the development must be applied against the deposit made for any other phase of the development, so long as the total amount of refunds to the original depositor shall not at any time exceed the total amount of his deposits during the period. The utility shall not require any subsequent connector's fee which is in excess of the unrefunded balance of the aggregate of deposits received from all original depositors.

(d) The refund shall be made by mailing the payment to the original depositor's last known address as shown on the books and records of the utility. Any refund distribution which cannot be returned to an original depositor after the refund becomes due and payable must be reported as required by IC 32-9-1-42 [Repealed by P.L.31-1995, SECTION 9, effective July 1, 1996.]. (Indiana Utility Regulatory Commission; 170 IAC 6-1.5-36; filed Dec 5, 1990, 3:35 p.m.: 14 IR 564; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)

170 IAC 6-1.5-37 Deposit

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 37. A deposit shall be held by the utility as a customer's advance for construction. Any deposit which is not subject to refund because of the running of the ten (10) year period as provided in section 36 of this rule, shall be transferred by the utility to contributions in aid of construction. If the original depositor for a main extension forfeits all rights to a refund, except for subsequent connector's fees as provided in section 33(a)(3) of this rule, the payment must be included in contributions in aid of construction, and the associated taxes shall be deducted from contributions in aid of construction. All other deposits must be held as customers' advances for construction until returned to the original depositor or be reported as required by IC 32-9-1-36 [Repealed by P.L.31-1995, SECTION 9, effective July 1, 1996.]. (Indiana Utility Regulatory Commission; 170 IAC 6-1.5-37; filed Dec 5, 1990, 3:35 p.m.: 14 IR 565; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)

170 IAC 6-1.5-38 Basis for costs

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12
Affected: IC 8-1-12

Sec. 38. (a) Each utility shall, no later than the first quarter of each year, submit to the commission information used to establish the basis for computed costs for typical main extensions.

(b) If the applicant is required to make any payment, the utility shall, upon request, make the following available to the applicant:

(1) The information used to establish the basis for the applicable amount as submitted to the commission in compliance with this rule.

WATER UTILITIES

(2) The information used to establish the basis for the estimated annual revenue for a period of three (3) years to be realized by the utility from permanent and continuing customers on main extensions as required by this rule.

(3) The cost of connecting for the sizes of service connections.

(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-38; filed Dec 5, 1990, 3:35 p.m.: 14 IR 565; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)

170 IAC 6-1.5-39 Extension exception

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 39. A utility shall not be required to make extensions as described in this rule unless the applicants to be initially served by those extensions contract to use the service for a period of three (3) years. A bond may be required of the applicant in this situation. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-39; filed Dec 5, 1990, 3:35 p.m.: 14 IR 565; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-40 Special contract

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 40. (a) A utility may require a special contract when:

(1) the requested main extension is of such length and the prospective business to be developed by it is so meager as to make it doubtful whether the business from the extension would ever pay a fair return on the utility investment involved in such extension;

(2) the prospects are that the patronage and demand will not be of such permanency as to warrant the capital expenditure involved;

(3) there are industrial installations requiring extensive water utility investment and where the demand for water service is expected to be slight, irregular, or of unknown quantity; or

(4) there are other abnormal or extraordinary circumstances.

(b) The utility and the applicant requesting the extension may enter into a special contract establishing the terms and conditions on which the extension will be made. In the event they are unable to agree on the terms and conditions, the matter, including the contract embodying the terms and conditions, shall be submitted to the commission for determination. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-40; filed Dec 5, 1990, 3:35 p.m.: 14 IR 565; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

170 IAC 6-1.5-41 Prohibition exception

Authority: IC 8-1-1-3; IC 8-1-2-4; IC 8-1-12

Affected: IC 8-1-12

Sec. 41. This rule does not prohibit a utility from making free extensions of lengths greater than specified in this rule or from providing a method of return of deposits for extensions more favorable to original depositors, so long as discrimination is not practiced among applicants or original depositors whose service requirements are similar. *(Indiana Utility Regulatory Commission; 170 IAC 6-1.5-41; filed Dec 5, 1990, 3:35 p.m.: 14 IR 566; readopted filed Jul 11, 2001, 4:30 p.m.: 24 IR 4233; readopted filed Apr 24, 2007, 8:21 a.m.: 20070509-IR-170070147RFA; readopted filed Aug 2, 2013, 2:16 p.m.: 20130828-IR-170130227RFA; readopted filed Apr 11, 2019, 9:04 a.m.: 20190508-IR-170190136RFA)*

Rule 2. Classification of Accounts for Class A, B, and C Water Utilities

Further, section 2.4.2 of the WSMP states that “[t]he cost of the infrastructure to the distribution system will be included in the development cost of each phase of the development paid for through lot sales proceeds. Granger must follow the IURC’s administrative rules found under 170 Indiana Administrative Code, Article 6 (IURC Rules). Included in the IURC Rules are requirements for main extensions to serve the proposed development (170 IAC 6-1.5). Wells and treatment plants are typically funded by shareholders through either debt or equity. The mains in the distribution system are typically contributed to the utility and recorded as CIAC except to the extent of a 3-year revenue allowance (170 IAC 6-1.5-10). The 3-year revenue allowance included in the Commisison’s main extension rules essentially represents the portion of the main the utility will fund. In this case, \$65 per month rate x 36 months = \$2,340.

Finally, as a new, start-up water utility, Granger’s rate structure should be based on metering each customer’s water usage. The use of a flat monthly rate for a new start-up system, as proposed by Granger, is a rate structure that has been regarded as a thing of the past and does not adequately send the proper pricing signals to customers thereby discouraging conservation.

RB Trucking and Towing
 PO Box 76
 Granger, IN 46530

| |
|-------------------------|
| Estimate Name or Number |
| Granger Wat |

| Phone # | Fax # | E-mail |
|--------------|--------------|-----------------------------|
| 269-282-6795 | 269-282-6714 | rbtrucking.towing@gmail.com |

Name/Address

Granger Water Utility, LLC
 1130 S Bend Ave
 Ste 350
 South Bend, IN 46617

| |
|-------------|
| Date |
| 7/13/2021 |

| Description | Total |
|---|-----------------|
| Granger Water Estimate | |
| Business hours service call: 9:00 am - 4:00 pm | 135.00 |
| Minimum billing is one (1) hour | 405.00 |
| Holiday, weekend (emergency service) plus Minimum billing of one (1) hour | |
| Total | |
| | \$540.00 |

7/15/2021

Seven Diamonds LLC Mail - Teachers Credit Union - Return check fee



Patrick Matthews <pat@7.diamonds>

Teachers Credit Union - Return check fee

1 message

Beth Gudeman <bgudeman@tcunet.com>
To: Patrick Matthews <pat@7.diamonds>

Thu, Jul 15, 2021 at 3:09 PM

Pat,

Teachers Credit Union standard return check fee is \$32.

I am available if you need anything else.

Thank you,

~ **Beth**

Beth B. Gudeman

Vice President

TCU Commercial Lending

110 S. Main Street

South Bend, IN 46601



(O) 574-284-6370

(M) 574-220-7200

***** Please Note *****

This e-mail transmission may contain confidential or legally privileged information that is intended only for the individual or entity named in the e-mail address. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or reliance upon the contents of this e-mail is strictly prohibited. If you have received this e-mail transmission in error please reply to the sender and delete this message. Nothing in this message should be interpreted as a digital or electronic signature that can be used to authenticate a contract or other legal document.

Granger Water Utility LLC
Miscellaneous Cost Schedule
June 9, 2021

| ON/OFF Service | Weekday | Weekend |
|--|-------------------|----------------|
| | Business Hrs | Holiday |
| | M - F | & Sat. / Sun. |
| | 9:00 AM - 4:00 PM | |
| | (non-emergency) | (emergency) |
| GWU Office Overhead & Billing | 100.00 | 150.00 |
| Subcontractor Site visit (1hr min) (1) | 135.00 | 405.00 |
| Total | 235.00 | 555.00 |
| | | |
| Additional Hours (1hr increment only) | 135.00 | 405.00 |
| | | |
| Bad Check Fee | | |
| GWU Office Overhead & Billing | 100.00 | |
| Bank Charge (2) | 35.00 | |
| Total | 135.00 | |

(1) Verified RB Trucking, see attached
(2) Verified by TCU, see attached

Revised July 16, 2021

Granger Water Utility LLC
Office Overhead & Billing
Exhibit

| | |
|---------------------------|------------|
| Staff | 25 |
| supporting staff | 20 |
| Benefits | 5 |
| Employer's Burden & taxes | 13.5 |
| Technology | 5 |
| Office space & TI | 5 |
| Office CAM | 5 |
| Technology | 5 |
| Insurance (liability) | 5 |
| Office Supplies | 5 |
| Training | 2 |
| Collection and deposit | 4.5 |
| Billing rate per hour | <u>100</u> |

IURC Cause No. 45568
Granger Water's Responses to OUCC DR 5
August 26, 2021

Q-5-10: For what number of years does Granger Water Utility LLC intend to forgo its full authorized return on and return of its investment in rate base?

Objection: Granger Water objects to the Data Request on the basis of the foregoing general objections.

Response:

Granger Water has not yet determined the timing for a future rate case requesting rates allowing for an authorized return and return of investment in rate base. The projections shown in testimony show that Granger Water will forego its authorized return and return of investment in rate base for at least ten years.

BUSINESS INFORMATION
HOLLI SULLIVAN
INDIANA SECRETARY OF STATE
09/28/2021 09:04 AM

Business Details

| | | | |
|----------------------------|--|-------------------------------------|-----------------|
| Business Name: | TRACT2 OPPORTUNITY FUND LLC | Business ID: | 201912101361250 |
| Entity Type: | Domestic Limited Liability Company | Business Status: | Active |
| Creation Date: | 12/10/2019 | Inactive Date: | |
| Principal Office Address: | 52127 Fall Creek Drive, Granger, IN, 46530, USA | Expiration Date: | Perpetual |
| Jurisdiction of Formation: | Indiana | Business Entity Report Due Date: | 12/31/2021 |
| | | Years Due: | |

Registered Agent Information

Type: Individual
Name: J. Patrick Matthews
Address: 52127 Fall Creek Drive, Granger, IN, 46530, USA

BUSINESS INFORMATION
HOLLI SULLIVAN
INDIANA SECRETARY OF STATE
09/28/2021 09:04 AM

Business Details

Business Name: **MAJCM, LLC** Business ID: **2012121800449**
Entity Type: **Domestic Limited Liability Company** Business Status: **Active**
Creation Date: **12/18/2012** Inactive Date:
Principal Office Address: **52127 FALL CREEK DR, GRANGER, IN,
46530, USA** Expiration Date: **Perpetual**
Jurisdiction of Formation: **Indiana** Business Entity Report Due
Date: **12/31/2022**
Years Due:

Governing Person Information

| Title | Name | Address |
|--------|--------------------|---|
| Member | J Patrick Matthews | 52127 Fall Creek Drive, Granger, IN, 46530, USA |

Registered Agent Information

Type: **Individual**
Name: **J. PATRICK MATTHEWS**
Address: **52127 FALL CREEK DR, GRANGER, IN, 46530, USA**

BUSINESS INFORMATION
HOLLI SULLIVAN
INDIANA SECRETARY OF STATE
09/28/2021 09:04 AM

Business Details

| | | | |
|----------------------------|--|----------------------------------|------------------------|
| Business Name: | IRON CREEK LLC | Business ID: | 201908271342743 |
| Entity Type: | Domestic Limited Liability Company | Business Status: | Past Due |
| Creation Date: | 08/27/2019 | Inactive Date: | |
| Principal Office Address: | 52127 Fall Creek Drive, Granger, IN, 46530, USA | Expiration Date: | Perpetual |
| Jurisdiction of Formation: | Indiana | Business Entity Report Due Date: | 08/31/2021 |
| | | Years Due: | 2021/2022 |

Registered Agent Information

Type: **Individual**
Name: **J. Patrick Matthews**
Address: **52127 Fall Creek Drive, Granger, IN, 46530, USA**

BUSINESS INFORMATION
HOLLI SULLIVAN
INDIANA SECRETARY OF STATE
09/28/2021 08:46 AM

Business Details

| | | | |
|----------------------------|--|----------------------------------|------------------------|
| Business Name: | BRENNAN'S VIEW LLC | Business ID: | 202102051459687 |
| Entity Type: | Domestic Limited Liability Company | Business Status: | Active |
| Creation Date: | 02/05/2021 | Inactive Date: | |
| Principal Office Address: | 1130 South Bend Ave., Suite 350, South Bend, IN, 46617, USA | Expiration Date: | Perpetual |
| Jurisdiction of Formation: | Indiana | Business Entity Report Due Date: | 02/28/2023 |
| | | Years Due: | |

Registered Agent Information

Type: **Individual**
Name: **J. Patrick Matthews**
Address: **1130 South Bend Ave., Suite 350, South Bend, IN, 46617, USA**

----- Forwarded message -----

From: Goodwin, Travis <TGoodwin1@idem.in.gov>
Date: Thu, Aug 13, 2020 at 1:38 PM
Subject: RE: Granger WSMP
To: Patrick Matthews <pat@7.diamonds>, MELVIN, LIZ <LMELVIN@idem.in.gov>

Patrick, I received a response from our financial reviewers regarding your email from yesterday:

*Regarding the projected 500 connections, section 2.4.2 states that the build out of 500 units is expected to take 20 years at 25 per year.

Also, he is incorrect regarding an exemption. Pursuant to Indiana Code 8-1-1.9-4:

Sec. 4. Notwithstanding IC 8-1-2.7, IC 8-1.5-3-9, IC 8-1.5-3-9.1, and any other law under which a public utility is exempt from or may withdraw from the jurisdiction of the commission, a water or wastewater utility that begins providing service to the public after June 30, 2018, is subject to the jurisdiction of the commission with respect to:

- (1) rates and charges;**
- (2) stocks, bonds, notes, or other evidence of indebtedness;**
- (3) rules; and**
- (4) the annual report filing requirement;**

for the period of ten (10) years beginning on the day on which the water or wastewater utility begins providing service to the public.”

If you are now anticipating only 229 users you will have to clarify that in the WSMP revision in the appropriate sections. Also, it appears that utilities formed after June 30, 2018 are under the jurisdiction of the IURC regardless of size.