## ORIGINAL STATE OF INDIANA

## INDIANA UTILITY REGULATORY COMMISSION

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## PETITION OF TOWN OF SCHERERVILLE, INDIANA, FOR AUTHORITY TO INCREASE ITS WATER RATES AND CHARGES, AND FOR APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES

CAUSE NO. 42872

**APPROVED:** DEC 1 4 2005

## **<u>BY THE COMMISSION</u>** Larry S. Landis, Commissioner Lorraine Hitz-Bradley, Administrative Law Judge

On June 14, 2005, the Town of Schererville ("Petitioner") filed its petition seeking Commission authority for an increase in the rates and charges of its municipal water utility. The Presiding Officers convened a prehearing conference and preliminary hearing on July 28, 2005, at which the Petitioner and the Indiana Office of Utility Consumer Counselor ("OUCC") appeared and agreed to a procedural schedule and related matters, memorialized in our August 10, 2005 Prehearing Conference Order.

The Petitioner filed the testimony and exhibits constituting its case-in-chief on August 10, 2005. On October 12, 2005, the OUCC notified this Commission of its intent not to prefile testimony in this cause, and notified us that the parties had reached an agreement in principle to settle this cause. On November 7, 2005, the parties jointly filed a stipulation and settlement agreement ("Settlement"), including schedules setting forth their agreement that the Petitioner should increase its water rates by 9.97%. On November 9, 2005, the Presiding Officers issued a docket entry asking the parties to clarify one of the schedules which had been submitted in support of their Settlement, the result of which was that the parties corrected an error in that schedule. Applying the corrected calculation to their Settlement resulted in a reduction in the agreed upon percentage of the rate increase, to 9.95%.

Pursuant to notice duly published, the Presiding Commissioner and Senior Administrative Law Judge Abby Gray convened an evidentiary hearing in this cause on November 10, 2005, at the Commission's office. The previously filed testimony and exhibits of the Petitioner's witness, Theodore Sommer, were admitted without objection, and the OUCC waived its right to cross-examine Mr. Sommer. The parties then jointly offered their Settlement, including the revised schedules, which the Presiding Officers also admitted into the record. A copy of the Settlement is attached to this order.

Having considered the evidence and the law, the Commission now finds that:

1. <u>Notice and Jurisdiction</u>. The Commission properly published notice of the hearing in this cause, incorporated into the record of this Cause by reference. The Petitioner is a municipality providing water utility service to customers in and around the Town of Schererville. Indiana Code section 8-1.5-3-8 assigns to this Commission jurisdiction over the rates and

charges of municipal water utilities. Accordingly, this Commission has jurisdiction over the Petitioner and the subject matter of this cause.

2. <u>Relief Requested</u>. The Petitioner's current rates were established by order of this Commission on December 29, 1993, in Cause No. 39729, and are now inadequate. The Petitioner's evidence, which was based on a test year ending December 31, 2004, asserted the need for an additional \$511,881 in water utility revenue, to be achieved by increasing water rates by 12.09%. As a result of Petitioner's negotiations with the OUCC it agreed, as part of a comprehensive settlement, to accept a smaller rate increase designed to produce additional water utility revenue of \$421,229, or 9.95% greater than its current rates.

3. <u>Settlement</u>. The parties have agreed that the Petitioner's revenue requirement is \$4,978,763, comprised as follows:

Operation and Maintenance Expense	\$3,458,235
Debt Service	962,488
Extensions and Replacements	481,857
Payment In Lieu of Taxes	114,202
Less Interest	(38,019)

The parties further agree that the Petitioner's pro forma operating receipts in its test year from customers and other sources were \$4,561,596. Subtracting this amount from its revenue requirement yields a need for an additional \$417,167 in annual revenue. The parties then factored into their Settlement the impact of the Utility Receipts Tax on the proposed increase, which resulted in the need for an additional \$4,061 in annual revenue for the Petitioner from its customers, for a total proposed increase of \$421,229 in annual revenue from its customers. This represents an increase of 9.95% from the Petitioner's *pro forma* revenue from customers at its current rates of \$4,235,164.

4. <u>Approval of Settlement</u>. Settlement agreements presented to this Commission differ from contracts to resolve disputes between private parties in other contexts. When we approve a settlement, such as the one the parties have proposed in this matter, it "loses its status as a strictly private contract and takes on a public interest gloss." U.S. Gypsum, Inc. v. Indiana Gas Co., 735 N.E.2d 790, 803 (Ind. 2000) (quoting Citizens Action Coalition v. PSI Energy, 664 N.E.2d 401, 406 (Ind. App. 1996)). Indiana's appellate courts have instructed us not to accept a settlement merely because the parties in this cause are satisfied, but to exercise our independent judgment as to whether our acceptance of the terms as agreed to by the parties will serve the public interest.

Any order of this Commission must be based on specific findings with a basis in the law as well as in the evidence of record. This mandate is reflected in our procedural rules, which direct settling parties to support their agreement with "probative evidence." 170 IAC 1-1.1-17(d). We now find that the evidence in this cause supports our approval of the parties' Settlement. We specifically find that the Petitioner's current rates are insufficient, and that the public interest requires that we authorize the Petitioner to increase them by 9.95% across-the-board.

We further acknowledge that the Settlement reflects the parties' compromise in order to resolve this particular case. Accordingly, we find that future citation to this order should be construed in a manner consistent with our finding in our final order approving a settlement agreement involving Richmond Power & Light, Cause No. 40434, which we issued on March 19, 1997.

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

1. The Petitioner shall be and hereby is authorized to increase its rates for water utility service across-the-board by 9.95% in an effort to generate additional annual operating revenues of \$4,978,763.

2. The Petitioner shall file with the Commission's Gas/Water/Sewer Division a new schedule of rates and charges before placing in effect the rate increase authorized herein, which schedules, when approved by that Division, shall be effective and replace the Petitioner's previously approved schedules.

3. The Joint Stipulation and Settlement Agreement executed and filed by the parties on November 7, 2005, as modified by the replacement schedules filed on November 10, 2005, shall be and hereby is approved without further modification.

4. Petitioner shall pay the following itemized charges within twenty (20) days from the date of this Order to the Secretary of the Commission, as well as any additional costs which were or may be incurred in connection with this Cause:

Commission Charges	\$200.00
Reporting Charges	39.41
Legal Advertising Charges	102.21
OUCC Charges	320.00
TOTAL	\$661.62

5. This order shall be effective on and after the date of its approval.

## HARDY, HADLEY, LANDIS, SERVER AND ZIEGNER, CONCUR: APPROVED: DEC-1 4 2005

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

Pam White, Acting Secretary to the Commission

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ORIGINAL

## STATE OF INDIANA

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INDIANA UTILITY REGULATORY COMMISSION REGULATORY COMMISSION

PETITION OF TOWN OF SCHERERVILLE, ) INDIANA, FOR AUTHORITY TO INCREASE ) ITS WATER RATES AND CHARGES, AND FOR) APPROVAL OF A NEW SCHEDULE OF RATES ) AND CHARGES )

CAUSE NO. 42872

## JOINT STIPULATION AND SETTLEMENT AGREEMENT

The petitioner, the Town of Schererville, Indiana ("Town"), and the only other party to this case, the Indiana Office of Utility Consumer Counselor ("OUCC") (collectively "Parties"), have reached a settlement of their differences, the terms of which are set forth in this settlement agreement ("Agreement") and now jointly stipulate as follows:

1. <u>Amount of Stipulated Rate Increase.</u> The OUCC and the Petitioner stipulate and agree that the Petitioner's current rates and charges are inadequate. In order to avoid the time and expense of litigating the amount of the necessary increase, the Parties agree that the Petitioner's rates should be increased immediately upon the issuance of a Commission Order on an across-the-board basis by 9.97% so as to produce \$422,324 in additional annual operating revenues (including utility receipts tax). The Petitioner's revenue requirements to which the Petitioner and the OUCC stipulate and agree are set forth in the schedules attached hereto as <u>Attachment 1</u>. The Parties stipulate and agree that the rate increases provided herein are just and reasonable and should be approved.

2. <u>Admission of Evidence</u>. The OUCC stipulates to the admission of the Petitioner's prefiled testimony and exhibits and waives cross-examination of the Petitioner's witnesses. The Parties further agree to jointly sponsor this Joint Stipulation and Agreement and accompanying schedules to be admitted at the hearing as evidence of the reasonableness of the rate relief

described herein. In addition, the parties also agree to jointly sponsor any additional testimony and exhibits as may be reasonably necessary to support this Agreement.

3. <u>Mutual Conditions on Agreement.</u> The Petitioner and the OUCC agree for purposes of establishing new rates and charges for the Petitioner that the terms and conditions set forth in this Agreement are supported by the evidence and based on the Parties' independent review of the evidence, represent a fair, reasonable and just resolution of all the issues in this Cause, subject to their incorporation in a final Commission order in the form attached as the Proposed Order without modification or further condition, which may be unacceptable to either party. If the Commission does not approve this Agreement or does not issue the final order in the form attached as the Proposed Order in its entirety without modification, the entire Agreement shall be deemed withdrawn, unless otherwise agreed to by the Parties. The Petitioner and the OUCC represent that there are no other agreements in existence between them relating to the matters covered by this Agreement which in any way affect this Agreement.

4. <u>Proposed Order</u>. The Parties stipulate and agree to the issuance by the Commission of a final order to be provided at the hearing ("Proposed Order"). Each description of an agreement by the Parties contained in the Proposed Order is incorporated herein by reference and is accepted by each of the Parties as if fully set forth herein. Solely for purposes of settlement, the Parties stipulate and agree that the terms, findings, and ordering paragraphs of the Proposed Order constitute a fair, just and reasonable resolution of the issues raised in this Cause provided they are approved by the Commission in their entirety and without modification.

5. <u>Non-Precedential</u>. The Parties condition their Agreement on the Commission providing assurance in the final order issued herein that it is not the Commission's intent to allow

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this Agreement or the Order approving it to be used as an admission or as a precedent against the signatories hereto except to the extent necessary to enforce the terms of the Agreement. The parties agree that this Agreement shall not be construed nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission, or before any court of competent jurisdiction on these particular issues. This Agreement is solely the result of compromise in the settlement process and except as provided herein is without prejudice to and shall not constitute a waiver of any position that either of the parties may take with respect to any or all the items resolved herein in any future regulatory or other proceedings and, failing approval by this Commission, shall not be admissible in any subsequent proceedings.

6. <u>Authority to Stipulate.</u> The undersigned have represented and agreed that they are fully authorized to execute this Agreement on behalf of their designated clients who will be bound thereby.

Respectfully submitted,

## INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

By:

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#### TOWN OF SCHERERVILLE

By: One of its attorneys

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## Schererville Municipal Utility CAUSE NUMBER 42872

## Settlement

**Revenue Requirements** 

Revenue Requirements:	Per Petitioner	Per Settlement	Sch. Ref.	More/(Less)
Operation & Maintenance Exp.	\$3,551,568	\$3,458,235	4	\$ (93,333)
Debt Service	962,488	962,488	5	• • •
Extensions and Replacements	481,857	481,857	5	
Working Capital	0			
Payment In Lieu of Taxes	109,324	114,202	4	\$ 4,878
Total Revenue Requirements	5,105,237	5,016,782		(88,455)
• • • • •				-
Less: Other Operating Revenue - Interest	38,019	38,019	5	\$-
Net Revenue Requirements	5,067,218	4,978,763		(88,455)
Less: Revenues at Current Rates	4,561,596	4,561,596	4	••••
	·····	······		
Revenue Increase Required Excluding taxes	505,622	417,167		(88,455)
Plus: Utility Receipts Tax Increase	6,259	5,156	5	\$ (1,103)
Net Revenue Increase Required	\$511,881	\$422,324		(\$89,558)
Pro Forma Present Rate Customer Revenues	\$4,235,164	\$4,235,164		\$-
	¢ 1,200, 101	4 (1200) . 0 (		· ·
Recommended Percentage Increase/(Decrease)	12.09%	9.97%		-2.11%
(coordination of the contract				
	Per	Per		
Current	Petitoner	Settlement		More/(Less)
Cost of 5,000 gallons \$16.85	\$18.89	\$18.54		(\$0.35)

## Schererville Municipal Utility CAUSE NUMBER 42872

## Reconciliation of Net Operating Income Statement Adjustments Pro-Forma Present Rates

Description:	Per Petitioner	Per Settlement	More/(Less)
Operating Revenues:			
Metered Water Sales	\$ 190,731	\$ 190,731	-
Tap Fees		-	
Public Hydrant Rental	38,579	38,579	-
Sales Tax	(198,145)	(198,145)	-
Reimbursement Fees		-	
Refunds		-	·
Miscellaneous	(38,579)	(38,579)	
Total Operating Revenue	(7,414)	(7,414)	-
Operating Expenses:			
Salaries and Wages Expense	89,263	73,584	(15,679)
PERF	4,902	3,961	(941)
Benefits	22,843	21,333	(1,510)
FICA Taxes	7,923	6,723	(1,200)
Purchased Water	50,285	50,285	-
Equipment & Supplies	(84,716)	(84,716)	-
Insurance	9,777	9,131	(646)
Miscellaneous	7,491	7,491	(0)
Professional Services	(147,592)	(220,950)	(73,358)
PILT	(82,338)	(77,460)	4,878
Indiana Utility Receipts Tax Increase	(1,145)	(1,145)	(0)
Sales Tax Remitted	(198,145)	(198,145)	-
Total Operating Expense	(321,452)	(409,908)	(88,456)
Total Net Operating Income Adjustments	\$ 314,038	\$ 402,494	\$ 88,456

## Joint Schedule 2 Page 1 of 2

Schererville Municipal Utility CAUSE NUMBER 42872

Settlement

## ASSETS AND OTHER DEBITS

Utility Plant in Service	\$29,180,254
Less: Accumulated Depreciation	8,603,494
Accumulated Amortization	
Net Utility Plant in Service	20,576,760
•	
Acquisition Adjustment	
Construction Work in Progress	
Net Utility Plant	20,576,760
Current and Accrued Assets:	
Operation and Maintenance Fund	577,848
Accounts Receivable - Net	555,425
Accounts Receivable from Associated Company	
Accrued Interest Income	2,848
Materials and Supplies	110,024
Customer Acct Rec	37,515
Total Current and Accrued Assets	1,283,660
Restricted Assets:	
Sinking Fund	1,467,033
Cash with Fiscal Agent]	478,682
Total Restricted Assets	1,945,715
Deferred Debits	
Unamortized Bond Issuance Costs	81,666
Unamortized Bond Discount	
Total deferred Debits	81,666
Total Assets and Other Debits	\$23,887,801

Joint Schedule 2 Page 2 of 2

## Schererville Municipal Utility CAUSE NUMBER 42872

## Balance Sheet as of December 31, 2004

## LIABILITIES AND OTHER CREDITS

Equity Capital: Unappropriated Retained Earnings Current Year Earnings	\$16,788,727
Total Equity Capital	16,788,727
Contributions in Aid of Construction: Contributions In Aid of Construction	128,800
Total Contributions in Aid of Construction	128,800
Current and Accrued Liabilities: Accounts Payables Revenue Bonds - Current State Revolving Fund Loans - Current Notes Payable - Current Capital Lease Obligation Accounts Payable to Associated Co. Compensated Absences Payable	407,925 675,000
Customer Deposits Advances for Construction Unearned Revenue Accrued Taxes	555,425
Misc Current & Accrued Liab	14,068
Accrued Interest	97,855
Total Current and Accrued Liabilities	1,750,273
Long-Term Debt:	
Notes Payable	5,220,000
Total Long Term Debt	5,220,000
Total Deferred Credits	0
Total Liabilities and Other Credits	\$23,887,800

Joint Schedule 3 Page 1 of 2

## Schererville Municipal Utility CAUSE NUMBER 42872

#### Settlement

	Calendar Year
	12/31/2004
Operating Receipts:	
Metered Sales	3,501,799
Tap Fees	310,632
Public Hydrant Rental	504,055
Sales Tax	198,145
Construction Water	10,491
Reimbursement Fees	202
Refunds	21
Interest	36,527
Miscellaneous	43,665
Total Operating Receipts	4,605,537
Operating Disbursements	
Salaries and Wages Employees	723,113
PERF	35,935
Benefits	128,063
FICA Taxes	54,224
Purchased Water	1,697,540
Purchased Power	79,926
Telephone	8,896
Materials & Supplies	45,311
Equipment Purchases	181,102
Repairs and Maintenance	62,643
Leases & Rentals	1,449
Insurance	54,813
Office Supplies	12,975
Postage	24,052
Miscellaneous	8,671
Professional Services	388,498
Travel	1,310
Miscellaneous Refunds or Credits	8,326
Gasoline & Oil	18,704
Payment In Lieu of Taxes	191,662
Utility Receipts Tax	53,048
Sales Tax Remitted	198,145
Training	2,385
Uniforms	1,554
Total Operating Disbursements	3,982,345
Net Operating Receipts/(Disbursements)	623,192

	Joint Schedule 3 Page 2of 2
Non-Operating Receipts:	
Interest income - Sinking Bond Fund	5,997
Interest Income - Construction fund	40
Reimbursement of Costs - Improvement Fund	549,749
Temporary Loan - Improvement Fund	175,000
Meter Deposits	97,207
Miscellaneous Other Receipts	2,250
Total Non-Operating Receipts	830,243
Non-Operating Disbursements:	
Debt Service	822,583
Professional service - Construction Fund	22,616
Professional service - Improvement Fund	10,605
Meter Deposit Refunds	50,350
Equipment Purchases - Improvement Fund	844,442
Temporary Loan Repayment - Improvement Fund	175,000
Miscellaneous Disbursements	1,119
Total Non-Operating Disbursements	1,926,715
Net Receipts/(Disbursements)	(473,280)

#### Joint Schedule 4 Page 1 of 1

#### Schererville Municipal Utility CAUSE NUMBER 42872

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Settlement

Description	Year Ended 12/31/2004	_Adjustments	Sch. Ref.	Pro-Forma Present Rates	Adjustments	Sch. Ref.	Pro-Forma Proposed Rates
Operating Revenues:							
Metered Sales	\$3,501,799	\$41,691 149,040	(6-1) (6-2)	\$3,692,530	\$368,213	1	\$4,060,743
Tap Fees	310,632		. ,	310,632			310,632
Public Hydrant Rental	504,055	38,579	(6-3)	542,634	\$54,111	1	596,745
Sales Tax	198,145	(198,145)	(6-4)	0			0
Construction Water	10,491			10,491			10,491
Reimbursement Fees	202			202			202
Refunds	21			21			21
Miscellaneous	43,665	(38,579)	(6-3)	5,086		•	5,086
Total Operating Revenues	\$4,569,010	(\$7,414)		\$4,561,596	\$422,324	-	\$4,983,920
Operating Expenses:	3,790,683			3,458,235			3,458,235
Salaries and Wages Employees		\$73,584	(7-1)				
PERF		3,961	(7-2)				
Benefits		21,333	(7-6)				
FICA Taxes		6,723	(7-12)				
Purchased Water		(11,530)	(7-8)				
		\$61,815	(7-7)				
Purchased Power							
Telephone							
Materials & Supplies		(04.740)	(*** 4)				
Equipment Purchases Repairs and Maintenance		(84,716)	(7-4)				
Leases & Rentals							
Insurance		9,131	(7-6)				
Office Supplies		0,101	(1-0)				
Postage							
Miscellaneous		7,491	(7-9)				
Professional Services		(242,015)	(7-2)				
		30,000	(7-5)				
		(8,935)	(7-10)				
Travel			• •				
Miscellaneous Refunds or Credits Gasoline & Oil							
Utility Receipts Tax		(1,145)	(7-13)		5,156		5,156
Sales Tax Remitted		(198,145)	(7-11)		0,100		0,100
Training		(	()				
Uniforms							
Payment In Lieu of Taxes	191,662	(77,460)	(7-14)	114,202		-	114,202
Total Operating Disbursements	3,982,345	(409,908)		3,572,437	5,156	-	3,577,593
Net Operating Receipts	\$586,665	\$402,494		\$989,159	\$417,167	-	\$1,406,326
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Joint Schedule 5 Page 1 of 2

#### Schererville Municipal Utility CAUSE NUMBER 42872

#### Settlement (1) Debt Service

To reflect the annual debt service requirement based on the maximum annual debt service for existing two issues offer the next five years.

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2005 Debt Service	953,405
2006 Debt Service	958,508
2007 Debt Service	962,488
2008 Debt Service	958,973
2009 Debt Service	955,365

Maximum Annual Debt Service

#### \$962,488

#### (2) Debt Service Reserve

To reflect the annual debt service reserve funding requirement for the existing two issues. 958,973

\$0.00

(3) Extensions and Replacements

To adjust revenue requirements to reflect the 7 year average of extensions and replacements, net of meters.

1998	\$211,803
1999	266,732
2000	326,665
2001	1,454,731
2002	221,919
2003	330,937
2004	560,215

Average extensions and Replacements, net of meters

\$481,857

Joint Schedule 5 Page 2of 2

10.000

#### (4) Unrestricted Interest Income

To adjust revenue requirements to reflect the projected level of unrestricted interest income.

Account	Balance	
Bond and Interest Reserve	\$727,300	
Bond and Interest Reserve	718,275	
Meter Deposit	555,425	
Total Test Year End Cash Balances	2,001,000	
Times: Interest Rate	1.90%	
Pro-forma Interest Income.		\$38,019

#### (5) Additional Utility Receipts Tax

To calculate the additional Utility Receipts Tax on the proposed increase

Pro-forma present rate customer revenues	\$3,692,530	
Divided by Total pro-forma present rate customer revenues	4,235,164	
Percentage of Increased Revenues subject to tax	87.19%	
times required increase before additional utility receipts tax	505,621	
divided by 1 minus the Utility Receipts Tax rate to gross-up	98.60%	
Grossed -up proposed revenue increase subject to tax	447,097	
times Utility Receipts Tax rate	1.40%	
Attritional Utility Receipts Tax		\$6,259
Plus:		
UT adj to reduce Huet Wage		(\$247)
UT adj to reduce Rate Case Exp		(\$261)
UT adj to reduce Intervention Exp		(\$648)
UT adj to adj UPIS Valuation		\$53
		\$5,156

Joint Schedule 6 Page 1 of 1

\$41,691

\$149,040

\$136,603

12,437

#### Schererville Municipal Utility CAUSE NUMBER 42872

#### Settlement

(1)

<u>Metered Sales</u> To annualize "Metered Sales: for receipts from the additional \$0.29 per 1,000 gallon water tracker put into place in March 2004 for usage beginning January 1, 2004.

Adjustment - Increase/(Decrease)

(2)

#### Metered Sales

To adjust "Metered Sales" for those receipts calculated by annualizing customer growth.

Residential Commercial

(3)

#### Hydrant Rental

To reclassify revenues between from "miscellaneous" and "Public Hydrant Rental" to properly reflect public fire protection revenues.

Public Hydrant Rental	Adjustment - Increase/(Decrease)	\$38,579
Miscellaneous	Adjustment - Increase/(Decrease)	(\$38,579)
	(4)	

Sales Tax Receipts

To adjust "Operating Receipts" to reflect the elimination of test year sales tax receipts.

Adjustment - Increase/(Decrease)

(\$198,145)

Joint Schedule 7 Page 1 of 3

Schererville Municipal Utility CAUSE NUMBER 42872

Settlement

Semement Salaries & Wages To adjust "Other Operation & Maintenance" to reflect pro-forma salaries and wages based upon 2005 wage rates and employees

Pro-forma Salaries and Wages Less: Test Year		\$796,697 (723,113)	
	Adjustment - Increase/(Decrease)		\$ 73,584
To adjust "Other Operation & Maintenance	(2) Intervention Rate Case e: for the removal of Professional Expenses	that are non-r	ecurring.
	Adjustment - Increase/(Decrease)		(\$242,015)
To adjust "Other Operation & Maintenand pro-forma salaries and wages increase.	(3) <u>PERF</u> e: to reflect increase in PERF cost based on		
Pro-forma PERF Less: Test Year	-	\$39,896 (35,935)	
	Adjustment - Increase/(Decrease)		\$3,961
To adjust "Other Operation & Maintenand Capitalized to Utility Plant.	(4) <u>Capitalized Items</u> ce" to remove items from expenses that need	l to be	
	Adjustment - Increase/(Decrease)		(\$84,716)
	(5)		
To adjust "Other Operation & Maintenance	Rate Intervention Tracker e: to allow for the amortization of rate case i	ntervention/tra	cker

To adjust "Other Operation & Maintenance: to allow for the amortization of rate case intervention/tracker costs removed in adjustment 2.

Rate case intervention/tracker cost	\$150,000	
Amortize over same months as Indiana-American rate case expense	60	
Monthly Amortization	2,500	
Times: 12 Month to Annualize	12	
·		

Adjustment - Increase/(Decrease)

\$30,000

Joint Schedule 7 Page 2 of 3

(6) Insurance

To adjust "Other Operation & Maintenance" to allow for the increase in the cost of General Liability Insurance and Health Insurance.

Pro forma Insurance Expense			\$213,340	
Less: Test Year Insurance Expense	<u>%</u>	Test Yr		
Benefits	70.03%	128,063		
Insurance	29.97%	54,813	182,876	
				\$30,464
Adjustment -	Increase/(Decr	ease)		
	Allocation			
	Benefits	70.03%		\$21,333
	Insurance	29.97%		\$9,131

(7)

Customer Growth Receipts.

To adjust "Other Operation & Maintenance: for the added expenses associated with annualizing customer growth receipts.

Residential	\$56,588
Commercial	5,227

#### Adjustment - Increase/(Decrease)

(8)

Purchased Water To annualize "Purchased Water" for the change in costs from the vendor effective for usage as of November 22, 2004.

Pro Forma Purchased Water Costs	\$1,686,010
Less: Test Year	1,697,540

#### Adjustment - Increase/(Decrease)

(\$11,530)

\$61,815

(9) IDEM Fees

To adjust "Other Operation & Maintenance" for the new IDEM Drinking Water Annual Fees.

Number of Service Connections	\$11,382
Times: Rate per Connection	<u> </u>
Pro forma Annual Fees	10,813
Less: Test Year	3,322
Adjustment - Increase/(Decre	ease) \$7,491

Joint Schedule 7 Page 3 of 3

#### (10) Rate Study Expense

To adjust "Other Operation & Maintenance: for the amortization of the current estimated cost for this rate study.

Attorney	\$25,000
London Witte Group	20,000
Pro Forma Rate Study Costs	45,000
Divided by Amortization Period (in years)	5
Annual Amortization	9,000
Less: Test Year	17,935

#### Adjustment - Increase/(Decrease)

(8,935)

\$6,723

(11)

Sales Tax Elimination To adjust "Taxes Other Than Income" to reflect the elimination of the test year

sales tax remitted.

#### Adjustment - Increase/(Decrease)

(\$198,145)

(12)

FICA Taxes To adjust "Taxes Other Than Income" to reflect the increase in FICA taxes based on the pro-forma salaries and wages increase

Pro-forma Payroll Taxes	\$60,947
Less: Test Year	54,224

#### Adjustment - Increase/(Decrease)

(13) <u>Utility Receipts Tax</u> To adjust "Taxes Other Than Income" to reflect pro-forma Utility Receipts Tax based on pro-forma present rates receipts.

Pro-forma Present Rates Receipts	\$4,250,964
Less: Exemption	(1,000)
Public Hydrant Rental	(542,634)
Taxable Receipts	3,707,330
Times: Utility Receipts Tax	1.40%
Pro-forma Utility Receipts Tax	51,903
Less: Test Year Utility Receipts Tax	53,048

Adjustment - Increase/(Decrease)

(\$1,145)

(14) Payment in Lieu Of Taxes

To adjust "Payment In Lieu Of Taxes" (PILT) based upon the current plant valuation.

\$30,125,745
(8,630,863)
21,494,882
0.5313
114,202
191,662

Adjustment - Increase/(Decrease)

(\$77,460)

#### Joint Schedule 8 Page 1 of 1

## Schererville Municipal Utility CAUSE NUMBER 42872

#### Settlement

Description		
Operation and Maintenance Expense		\$3,572,437
Less: Purchased Power		
Purchased Water		
Sub-Total	0	3,572,437
Times: 45 Day Factor	0	0.125
Working Capital Revenue Requirement	0	446,555
Less: Cash and Cash Equivalents (A/R-A/P City)		577,848
	0	(131,293)
Divided By: Amortization Period of 3 Years	0 0	3.0
Working Capital Revenue Requirement		\$0

Joint Schedule 9 Page 1 of 1

## Schererville Municipal Utility CAUSE NUMBER 42872

## Debt Service Requirement

To reflect the average amount of debt service required over a three year period.

5 6

	2002	2003	2004		Average Annual
Description	P&I	P&I	P&I	Totals	Payments
1993 Refunding Revenue Bond	\$745,441	\$740,800	\$743,863	\$2,230,104	\$743,368
1995 Revenue Bonds	540,593	545,190	543,933	\$1,629,716	\$543,239
2000 SRF Bonds	185,514	316,549	316,491	\$818,554	\$272,851
Combined Average Existing Annual Debt Service (2002 through 2004)					1,559,458
2002 Proposed Bonds	47,193	444,021	758,853	\$1,250,067	\$416,689
	\$1,518,741	\$2,046,560	\$2,363,140	\$5,928,441	\$1,976,147