ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Bennett	√		
Freeman	√		
Veleta	√		
Ziegner	√		

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE CITY OF MARION, INDIANA, FOR APPROVAL TO ISSUE BONDS AND ADJUST ITS RATES AND CHARGES	))))	**CAUSE NO. 45838** **APPROVED: AUG 02 2023**

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On January 10, 2023, the City of Marion, Indiana ("Marion" or "Petitioner"), filed a Petition ("Petition") with the Indiana Utility Regulatory Commission ("Commission") requesting authority to adjust the existing rates and charges of its water utility and issue bonds. Also on January 10, 2023, Marion prefiled its direct testimony and exhibits.

On May 17, 2023, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its Notice of Settlement in Principle and Notice of Intent Not to File Testimony.

On June 9, 2023, Marion filed a Joint Stipulation and Settlement Agreement ("Settlement Agreement") that had been executed by Marion and the OUCC along with its prefiled settlement testimony. Also on June 9, 2023, the OUCC prefiled its settlement testimony.

On June 21, 2023, Marion filed its response to questions by the Presiding Officers issued in a June 2, 2023 Docket Entry.

An evidentiary hearing was held on June 23, 2023, at 9:30 a.m. in Room 222, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Marion and the OUCC offered their respective testimony and exhibits, which were admitted into the record without objection.

Based upon the applicable law and the evidence herein, the Commission now finds:

1. Statutory Notice and Commission Jurisdiction. Notice of the time and place of the hearing conducted by the Commission in this Cause was given as required by law. Marion is a municipally owned utility as defined in Indiana Code § 8-1-2-1(h). Marion seeks approval to change its rates and charges pursuant to Indiana Code § 8-1.5-3-8, and for approval to issue bonds pursuant to Indiana Code § 8-1.5-2-19. Accordingly, the Commission has jurisdiction over Marion and the subject matter of this Cause.

2. Petitioner's Characteristics. Marion furnishes water to the public in and around Marion's municipal limits, and collects rates and charges for the use of, and service rendered by, its municipal water system. Marion serves approximately 11,000 residential, commercial, industrial, wholesale, irrigation, and fire protection customers in and around Marion, Indiana.

3. Existing Rates and Test Year. Marion's existing rates and charges were established in a final order issued by the Commission on March 30, 2005, in Cause No. 42720. Marion seeks approval in this matter to adjust its rates and charges based on a test year ending May 31, 2022, and adjusted for changes that are fixed, known, and measurable, and occurring within 12 months.

4. Marion's Requested Relief. By its Petition, Marion proposed to adjust its rates and charges by 64.44% over five phases. In addition to an adjustment to its rates, Marion requested authority to issue up to $14,200,000 in water utility revenue bonds through the Drinking Water State Revolving Fund Loan Program ("SRF Program") or to be sold on the open market, with one issuance in 2023 and another in 2025. Marion proposed to use the proceeds from the bonds to finance improvements to its water system.

5. Marion's Case-In-Chief Evidence.

A. John Charles ("Chuck") Binkerd. Mr. Binkerd, Director of Marion Municipal Utilities, testified that Marion's existing rates and charges were approved approximately 18 years ago in Cause No. 42720. He explained that significant changes have occurred since that time, such as Marion's steady population decline due to the loss of industrial presence in the community. He testified these changes have resulted in revenue loss for Marion as well as a shift in user base from predominantly industrial to substantially institutional users that consume much lower water volumes, and therefore generate less revenue.

Mr. Binkerd testified that economic factors have not only led to declining demand, but inflation has significantly impacted its remaining revenues. He said Marion needs to raise rates to fund necessary expenses and capital improvements so it can continue to provide safe and reliable service to its customers. Mr. Binkerd testified that Marion proposes to phase in the rate increase over five years to mitigate the impact on its customers. He said Marion also intends to file more regularly for rate adjustments to avoid significant adjustments in the future.

Additionally, Mr. Binkerd testified that Marion has developed a capital improvement plan to be funded by proceeds from the proposed issuance of bonds and through rates. Mr. Binkerd testified that the proposed capital improvements are reasonable and necessary for Marion to continue to provide safe and reliable service to its customers. He also testified that the Common Council of the City of Marion, Indiana ("Council"), adopted two ordinances authorizing and approving the issuance of the bonds and rate adjustment as sought in this Cause. The two Council ordinances were attached to Mr. Binkerd's testimony as Petitioner's Exhibits 4 and 5.

B. Patrick R. Pinkerton. Mr. Pinkerton, Assistant Director for Engineering of Marion Municipal Utilities provided an overview of Marion and its existing water facilities. He said the City of Marion, Indiana, is approximately 13 square miles and is primarily a residential and commercial community. He testified that Marion serves approximately 30,000 people consisting of 11,000 commercial, industrial, and residential users. He testified that Marion's distribution system, which consists of approximately 180 miles of water main, one booster pump to maintain pressure along State Road 18 to Interstate 69, and approximately 1,700 fire hydrants, is an average age of 72 years. He testified that the raw water source consists of groundwater from 12 production wells, and the existing water treatment facility has a maximum treatment capacity of 12,000,000 gallons per day. He also testified that Marion has a water storage capacity of approximately 4,000,000 gallons.

Mr. Pinkerton testified that Marion has identified certain capital improvements that need to be made to its water system, which Petitioner plans to fund in two ways. First, it plans on issuing two series of bonds, one in 2023 in the estimated amount of $8,185,000, and another in 2025 in an estimated amount of $3,515,000. Mr. Pinkerton prepared a preliminary engineering report ("PER") describing the bond-funded projects. *See* Petitioner's Exhibit 8. Second, Marion intends to include an amount in the revenue requirement for extensions and replacements, which will be used to pay for certain capital improvements on a pay as you go basis.

Mr. Pinkerton stated that he estimated the anticipated costs of the capital improvement projects based on projects of a similar nature that were completed by Marion and other similar communities and such estimates are reasonable. However, Mr. Pinkerton testified that over the past several years, construction costs have been volatile, and the availability of materials, supplies, and labor has been unreliable. He testified that although he attempted to account for inflationary factors, the estimated cost of completing the proposed capital improvements will likely exceed what Petitioner's witness, Jennifer Wilson, originally reflected in the August 15, 2022 Final Revenue Requirements Report ("Revenue Report"). Mr. Pinkerton stated Petitioner does not plan on updating the Revenue Report to reflect the higher costs at this time, as the Council has already approved the bond and rate ordinances and is comfortable with the currently proposed rate increase. He testified that Ms. Wilson has prepared a revised capital improvement plan that is consistent with the cost estimates in the PER, which was attached to Ms. Wilson's testimony as Petitioner's Exhibit 11.

Mr. Pinkerton testified that Marion will submit the PER to the Indiana Finance Authority on or before March 1, 2023, with the goal of obtaining a low interest loan or grant from the SRF Program. Mr. Pinkerton also described the capital improvement projects contained in the PER. These include upgrades to Marion's distribution system and infrastructure, such as upgrades to water mains and appurtenances at several locations in and around Marion, performing storage tank rehabilitations, installing advanced metering infrastructure upgrades, and lead service line abatements.

Finally, Mr. Pinkerton testified that the proposed capital improvements are reasonable and necessary for Marion to continue to provide reliable service to its customers as the improvements will serve to protect public health by improving fire protection, reducing the ability for lead from the old service lines to contaminate the water distribution system, and reducing interruptions to service that result from water main breaks.

C. <u>Jennifer Z. Wilson</u>. Ms. Wilson, a certified public accountant and a Consulting Managing Director with Crowe LLP ("Crowe"), presented Marion's revenue requirements based on an analysis of Marion's books, records, and other information in the Revenue Report. *See* Petitioner's Exhibit 10.

Ms. Wilson testified about the proposed increase to Marion's pro forma revenue requirements for a variety of different categories, including the following: operation and maintenance expenses; taxes other than income taxes; annual debt service on the proposed debt to be issued in 2023 and 2025; extensions and replacements; and an amount to increase the current balance of the operation and maintenance fund to meet the industry standard of two months of operation and maintenance expenses.

Ms. Wilson testified the difference between the five proposed rate increase phases is the amount available for the annual debt service on the proposed debt and the amount available for extensions and replacements. For example, in Phase I, Marion will pay interest only on the proposed Waterworks Revenue Bonds, Series 2023 ("2023 Bonds"). In Phase II, Marion will begin to make principle payments on the 2023 Bonds in a smaller amount than required for level debt service. In Phase III, Marion will continue paying principal payments on the 2023 Bonds, but at an amount consistent with level debt service and will begin paying interest only on the proposed Waterworks Revenue Bonds, Series 2025 ("2025 Bonds"). In Phase IV, Marion will continue paying level debt service on the 2023 Bonds and begin making principal payments on the 2025 Bonds. The 2025 Bonds are also structured to phase-in to the full annual debt service at level debt by Phase V. Additionally, Ms. Wilson testified, the extensions and replacements for each Phase represent the calculated extensions and replacements as shown in Marion's capital improvement plan.

Ms. Wilson testified that a five-phase revenue increase allows customers to experience less "rate shock" as compared to a single-phase increase and balances Marion's needs with the challenges of customers absorbing increased rates and charges. Ms. Wilson testified in greater detail about the Revenue Report, specifically that the test year reflects the 12-month period ending on May 31, 2022, which reasonably reflects current operations and is sufficiently reliable for ratemaking purposes. She also explained the applicable adjustments to account for fixed, known, and measurable items. Ms. Wilson also testified regarding the operation and maintenance fund balance in relation to the proposed 2023 Bonds and 2025 Bonds.

Additionally, Ms. Wilson described the proposed financing of Marion's capital improvement plan. She testified that Marion is seeking approval to issue up to $14,200,000 in revenue bonds at an interest rate not to exceed 7% per annum. She also testified about the volatility of project cost estimates since she initially presented the capital improvement plan to the Council and led to a revised capital improvement plan. She testified that the par amount requested is $2,500,000 greater than the aggregate par amount of $11,700,000. She explained that this would allow for project contingency in case the project bids come in higher than anticipated, and that this also gives additional leverage for bonding capacity for additional projects if Marion is able to get funding from the SRF Program. She also stated that Marion is willing to file true-up reports with the Commission to reflect the actual costs for the capital improvement projects.

Ms. Wilson also discussed the projected interest rates for the proposed 2023 Bonds and 2025 Bonds, and stated the bonds are to be issued for a term of 20 years. She opined that the issuance of the 2023 Bonds and 2025 Bonds is both reasonable and appropriate, given the necessary improvements to Marion's water system. Additionally, Ms. Wilson described the process for applying to the SRF Program, which Marion intends to follow. She said given the competition and ultimate uncertainty of obtaining SRF Program funds, the 2023 Bonds and 2025 Bonds are proposed as open market transactions in the event Marion is not able to finance with the SRF Program.

Finally, Ms. Wilson identified Marion's proposed revenue requirements for each phase of the rate increase, as detailed in the Revenue Report.

D. Andrew Burnham. Mr. Burnham, a Vice President with Stantec Consulting Services Inc. ("Stantec") and Director of Management & Technology Consulting, testified that he was engaged by Marion to prepare a cost of service and rate design analysis to develop proposed schedules of rates and charges for water service. He testified that the cost of service and rate design analyses were based on a test year of June 2021 to May 2022, and that Stantec developed a five-phase rate increase based on the revenue requirements prepared by Crowe.

Mr. Burnham testified that the purpose of a cost-of-service study is to assist in establishing fair and equitable rates that reflect the cost of providing service to each customer class. He testified the data used to prepare Marion's cost of service study was based on Marion's business records, records and information from Crowe, or was otherwise available to individuals working in the utility rate and financing field. He testified this type of data is consistent with the general industry practice.

Mr. Burnham testified that Stantec followed the American Water Works Association ("AWWA") "Base-Extra Capacity" methodology to allocate costs based on the demand and use of each customer class. He testified that this method has been widely utilized and is a well-accepted methodology used by public service commissions and water systems throughout the United States. Based on this methodology, Mr. Burnham testified how Marion's costs are categorized based on the applicable system function. He testified the functionalized costs are allocated to certain components depending on how they support the water system to meet system demands. Then, he testified, the unit costs are applied to the respective units of service for each customer class to distribute costs proportionally. He cautioned, however, that each utility is different, and that allocations can be tailored to fit a given community.

Mr. Burnham described the schedules in Marion's cost of service study, which was attached to his testimony as Petitioner's Exhibit 14. They include an analysis of the water system's coincident peaking factors and the non-coincident max month, day, and hour demand factors for each customer class. Based on these analyses and the Phase I revenue requirements provided by Crowe, Mr. Burnham testified that there is an overall need to increase revenues by 16% to meet the revenue requirements in Phase I. Mr. Burnham further testified that these results are not surprising given that Marion has not completed a cost-of-service study or adjusted its rates in nearly 20 years. Mr. Burnham also explained the proposed unit costs for each customer class were calculated by subtracting the projected customer charge revenues from the total cost to serve and dividing by the annual water use for each customer class in hundred cubic feet. He further testified that Marion applies a single retail rate structure rather than separate rates for each individual customer class.

Mr. Burnham testified that Marion's present monthly water rates and charges are the same for all customers, and users are charged for each hundred cubic feet of water used through a four-tier declining block structure. Each user also pays a minimum charge based on a quantity of water defined for each meter size. He also explained that customers are charged a separate monthly rate for public fire protection based on the size of their water meter, and that private fire protection charges are assessed annually to customers with private hydrants and sprinkler systems.

Mr. Burnham testified about the schedules in Petitioner's Exhibit 15, which represent the various steps in the rate design process to meet the resulting Phase I through Phase V revenue requirements. He testified that changes in revenue recovery are necessary for all customer classes. Mr. Burnham testified that by Phase V, the revenues collected from each customer class are expected to be closely aligned with the cost to serve each class.

6. Settlement Agreement and Supporting Evidence. The Settlement Agreement presented the parties' resolution of all the issues in this Cause. The witnesses offering settlement testimony described the arm's-length nature of the negotiations and the efforts taken to reach a balanced settlement that fairly resolves the issues.

A. Summary of the Settlement.

1. Revenue Requirement, Rates, and Charges. The parties agreed that Marion should be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of $6,368,819, which yields an annual increase of $2,454,760 or 62.72% over Marion's current revenues at existing rates. The parties attached Exhibit A to the Settlement Agreement, which includes the accounting schedules reflecting the agreed upon revenue requirement, the proposed rates and charges, and an estimated amortization schedule for Marion's outstanding and proposed indebtedness.

2. Five-Phase Rate Increase. The parties agreed that Marion's rate increase will be implemented in five phases. Specifically, the parties agreed that the rate increase would occur pursuant to the following schedule: (i) the first phase in the amount of 16.89% (or $661,176) shall occur upon issuance of a Commission Order approving the Settlement Agreement; (ii) the second phase in the amount of 10.37% (or $474,545) will be implemented on January 1, 2025; (iii) the third phase in the anticipated amount of 9.28% (or $468,494) will be implemented on January 1, 2026; (iv) the fourth phase in the anticipated amount of 8.51% (or $469,595) will be implemented on January 1, 2027; and (v) the fifth phase in the anticipated amount of 6.36% (or $380,950) will be implemented on January 1, 2028.

3. Financing Terms. The parties agreed that the Commission should approve Marion's requested authority to issue bonds in a total amount of $14,200,000. The parties also agreed that Marion may issue its debt in two phases, with the first phase anticipated to be closed in 2023 (i.e., the 2023 Bonds) and the second phase anticipated to be closed in 2025 (i.e., the 2025 Bonds). The parties agreed that until closing on the 2023 Bonds and upon implementation of the Phase I rate increase, Marion will set aside an amount each month that is equal to the monthly portion of its debt service revenue requirement for the applicable phase. They agreed that if the 2023 Bonds are issued within 120 days of the implementation of Phase I rates, Marion may apply the funds collected for utility purposes in its discretion. However, if the 2023 Bonds are not issued within 120 days of implementing Phase I rates, the parties agreed that Marion shall apply the total amount set aside until closing to reduce the amount of borrowing or to fund a portion of the debt service reserve for the 2023 Bond. The parties further agreed to similar safeguards for the 2025

Bonds, only with the safeguard for closing on the 2025 Bonds to be within 90 days of implementing the Phase III rates.

Further, the parties agreed that if Marion is required to fund a debt service reserve, it should do so from the amount currently allowed for the debt service revenue requirement, and that Marion must notify the OUCC once it has fully funded its debt service reserve. The parties also agreed that should this happen, Marion does not need to amend its tariff to remove that portion of the revenue requirement from the rates. Rather, the parties agreed that Marion would reallocate that portion of its revenue requirement to perform additional extensions and replacements (e.g., lead service line replacement).

The parties further agreed that Marion must file a report within 30 days of closing on the 2023 and 2025 Bonds that describes the terms of the respective bonds and includes a revised tariff, amortization schedule, calculation of the rate impact, and the amount of funds secured for lead service line replacements. The parties further agreed that, if necessary, there would be a 21-day challenge period for the OUCC, and then a 21-day response period for Marion. The parties also agreed that any financing authority authorized in this Cause that is not used by Marion should expire at the end of 2026.

4. Storage Tank Painting and Maintenance. The parties agreed Marion's annual pro forma Storage Tank Painting and Periodic Maintenance revenue requirement shall be $100,000, which shall be placed in a restricted account to be used only to fund storage tank painting, tank maintenance, and other periodic maintenance items.

5. Leak Detection Survey. The parties agreed that Marion shall perform a leak detection study, which shall commence within 18 months of this Order and shall be completed no later than when Marion files a petition in its next rate case. The parties also agreed that Marion's agreed rates and revenue requirement should include $20,000 per annum based on an assumed leak detection study expense of up to $100,000. In addition, the parties agreed that Marion shall hold the $20,000 per annum in a restricted account where such funds may only be used only for performing the leak detection study. After completion and payment of a leak detection study, Marion may reallocate and use the funds collected each year to perform storage tank painting and tank maintenance.

6. Rate Case Expense. The parties agreed that an appropriate amount for Marion's rate case expense is $250,000 and such amount should be amortized over a four-year period. The proposed Phase V rates and charges reflect the removal of the annual amortization amount (for rate case expense) from its collected rates.

7. Operational Terms. The parties agreed that beginning with Marion's 2024 IURC Annual Report and then annually until its next rate case or five years after the issuance of this Order (whichever occurs first), Marion shall submit with its IURC Annual Report an extensions and replacements reconciliation with project descriptions and an explanation if actual expenses are less than the amount allocated for extensions and replacements in the Settlement Agreement. Additionally, the parties agreed that starting in 2024 and until its next rate case, Marion should include within its IURC Annual Report a report showing the percentage of unaccounted for water, including year-over-year information and measures taken by Marion to lessen the percentage of unaccounted water. Further, the parties agreed that within nine months of a final order in this Cause, Marion must install meters and meter all municipal departments receiving water. Additionally, within two years of this Order, Marion will complete a water audit using the latest versions of the free AWWA audit software.

B. Marion's Settlement Testimony. In support of the Settlement Agreement, Mr. Binkerd testified that the parties agreed to an increase in Marion's existing rates and charges over five phases, resulting in a pro forma net revenue requirement of $6,368,819. He said this results in an annual increase of $2,454,760 or 62.72% over Marion's current revenues and existing rates. He testified that the parties agreed Marion's prospective rates should include additional amounts for tank painting and maintenance and a leak detection survey, and such amounts should be placed in restricted accounts that can only be used for these purposes. Mr. Binkerd also testified that the parties agreed on Marion's rate case expense of $250,000, which will be amortized over four years. He also testified that the parties agreed Marion should be authorized to issue bonds in the amount not to exceed $14,200,000, along with certain terms and conditions further explained in the Settlement Agreement. Additionally, Mr. Binkerd testified that the parties agreed to: (i) annual reporting requirements for extensions and replacements and Marion's percentage of lost water; and (ii) a requirement that Marion meter all municipal departments receiving water from Marion's water utility.

Mr. Binkerd testified the Settlement Agreement is fair, reasonable, and in the public interest. Specifically, he testified that there are several improvements Marion needs to make to its water system. He also testified that the cost of operating Marion's water system has increased since Marion's last rate increase in 2005, while the overall usage has declined. He opined that the proposed rate increase over five years will enable Marion to meet its pro forma costs of operating its water system and make debt service payments on the bonds to complete capital improvements. He further testified that the five-phase increase seeks to minimalize any "rate shock" to its customers. Mr. Binkerd testified that the issuance of debt detailed in the Settlement Agreement will be used to make capital improvements, which are necessary for Marion to continue providing safe, efficient service and meet the potable water and fire protection needs of its users.

C. OUCC's Settlement Testimony. In support of the Settlement Agreement, the OUCC filed the settlement testimony and exhibits of Thomas W. Malan and Shawn Dellinger.

1. Thomas W. Malan. Thomas W. Malan, a Utility Analyst in the OUCC's Water/Wastewater Division, testified that the parties agreed to an overall revenue requirement of $6,368,819, which is an overall increase of $2,454,760 or 62.72% over test year revenues at present rates. Mr. Malan sponsored 12 settlement schedules detailing the settlement in this Cause. Mr. Malan testified that the rate increase will be implemented in five phases, as proposed by Marion. He testified that Phase I of the rate increase will take effect upon issuance of a final order in this Cause. Phase II rates would take effect on January 1, 2025, Phase III rates would take effect on January 1, 2026, Phase IV rates would take effect on January 1, 2027, and Phase V rates would take effect on January 1, 2028.

Mr. Malan testified that Marion proposed a pro forma operating expense of $3,876,192, an increase of $245,177 to test year operating expense of $3,631,015. He also testified that Marion proposed pro forma tax expense of $102,639, which is a decrease of $42,668 to the test year tax expense of $145,307. However, in the settlement, the parties agreed to pro forma operating expense and taxes of $4,019,602, which equals an increase of $243,280 to the test year operating expense. He also testified that the parties agreed to certain other adjustments to Marion's proposed revenue requirement, including the following:

(1) periodic maintenance will be increased by $120,000, including $100,000 for the establishment of a tank painting fund and $20,000 to fund a leak detection study;
(2) rate case expense shall be reduced to $250,000 and amortized over four years;
(3) test year expense would be reduced by $20,009 for an invoice that is capital in nature;
(4) test year well head protection expense of $8,072 would be amortized over five years, resulting in a pro forma annual expense of $1,614;
(5) an asset management plan contract expense of $115,960 would be amortized over four years, resulting in a pro forma revenue requirement of $28,990 that is removed in Phase V; and
(6) a test year expense of $32,102 associated with credit card processing would be removed.

Mr. Malan testified that the parties agreed to Marion's proposed amount for extensions and replacements of $1,580,000. The parties also agreed there would not be working capital included in Marion's revenue requirement. Additionally, the parties agreed to Marion's requested $14,200,000 borrowing authority with a debt service revenue requirement of $932,202.

Mr. Malan testified he believes the settlement is a fair, just, and reasonable resolution of the issues to both Marion and its customers. He testified that the settlement is in the public interest because Marion will have sufficient funds to pay its necessary operating expenses and make capital improvements. He also testified ratepayers will benefit from the parties' settlement because it results in lower rates than initially proposed in this Cause, and the parties value the certainty and speed of implementing negotiated outcomes such as in this Cause.

2. Shawn Dellinger. Shawn Dellinger, a Senior Utility Analyst in the OUCC's Water/Wastewater Division, testified that the parties agreed to Marion's requested debt authority of $14,200,000, which will consist of two borrowings, one in 2023 and one in 2025. He testified the debt service revenue requirement was based on $11,700,000 of debt, using the assumption of an open market debt issuance with no subsidization. He also testified that there is a different debt service revenue requirement in each Phase and that Marion plans on "wrapping" its payments into interest only and reduced principal payment periods in the amortization schedules. Mr. Dellinger identified the revenue requirement amounts for each Phase.

Additionally, Mr. Dellinger testified that if the borrowing takes place from the SRF Program, the debt service reserve funding will be included as part of the debt service revenue requirement, which will be subject to a true-up. However, he testified, a true-up in this case will be more limited than in a typical case. He explained this is because Marion is seeking funds through the SRF Program to obtain the best financing terms possible and, if it does not obtain SRF Program funds or other low-cost or grant funding, it will be able to borrow up to $14,200,000 without increasing its rates to accommodate that level of borrowing. He further testified that the debt service revenue requirement will operate as a de facto cap. However, given the uncertainties in the borrowing, Mr. Dellinger stated that individual phases may have true-up amounts that will increase or decrease the total, except for Phase V, which recovers the total debt service revenue requirement in rates.

Mr. Dellinger testified that the Settlement Agreement is in the ratepayers' interest because it will allow stability in the rate increase and Marion to secure more debt funding if the terms are favorable. He stated the Settlement Agreement ensures that any grants received will benefit ratepayers through the true-up procedures. He also testified there are protections for ratepayers if the bonds are issued later than anticipated. Accordingly, Mr. Dellinger testified, the Settlement Agreement and its terms are in the public interest, as the debt authorization will ensure that Marion will have the resources to fund its capital improvements. He said the debt service revenue requirement will also ensure that more debt may be utilized if conditions are favorable and will ensure that ratepayers may potentially participate in lowered costs either through lower borrowing costs or more funding.

D. Commission Docket Entry Questions. In response to questions by the Presiding Officers, Marion indicated that the parties used the cost-of-service study presented in Marion's direct case when negotiating the proposed settlement, and only updated certain revenue and expenditure line items according to the settlement terms. Marion also provided an explanation of its proposed rate structure in comparison to its existing rate structure.

Marion also explained the type and age of meters currently in its system, as well as Marion's meter replacement program over the last ten years. Marion further explained its plans for meter replacements in the future. Additionally, Marion also indicated how it plans to mitigate the release of lead into service lines as it conducts its lead service line replacements, and that the current lead service lines identified in the PER do not pose an immediate threat to public health or safety.

7. Commission Discussion and Findings. As we have stated on many occasions, settlements presented to the Commission are not ordinary contracts between private parties. *U. S. Gypsum, Inc. v. Ind. Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id*. (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). The Commission "may not accept a settlement merely because the private parties are satisfied; rather it must consider whether the public interest will be served by accepting the settlement agreement." *Citizens Action Coal.*, 664 N.E.2d at 406.

Further, any Commission, decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules also require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before this Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and serves the public interest.

Relevant to this inquiry is Indiana Code § 8-1.5-3-8, which governs the rates of municipal water utilities. Indiana Code § 8-1.5-3-8 requires that a water utility furnish reasonably adequate services and facilities and that the utility's rates and charges be non-discriminatory, reasonable, and just. Section 8(c) specifically identifies the revenue requirements to be considered in establishing the utility's rates and charges including: (1) all legal and other expenses incident to the utility's operation; (2) a sinking fund for the liquidation of bonds or other obligations; (3) debt service reserve; (4) working capital; (5) extensions and replacements to the extent not provided for through depreciation; and (6) taxes. Section 8(e) further provides that the board of the utility may recommend to the municipal legislative body rates and charges sufficient to include a reasonable return on the utility plant of the municipality.

In this Cause, the parties have presented a Settlement Agreement that adjusts Marion's rates and charges to generate sufficient funds to issue bonds, pay for the utility's operation and maintenance expenses, and complete certain capital improvements. In addition, the Settlement Agreement provides important safeguards to Marion's customers to ensure that revenues collected from them are utilized appropriately by Marion. Further, the Settlement Agreement provides much needed additional revenues to Marion so that it can maintain its standards of service and maintenance while mitigating the initial impact of the rate increase and spreading the increase over five phases.

Based on the evidence presented, we find the Settlement Agreement is just, reasonable and in the public interest and should be approved. The evidence of record reflects that the proposed capital improvements to Marion's system are necessary to maintain Marion's system in good working order for the provision of reasonable and adequate water utility service. In addition, the rates and charges agreed upon in the Settlement Agreement will provide sufficient funds for utility operation and payment of the principal and interest on the proposed bonds. Therefore, we find the Settlement Agreement represents a just and reasonable resolution of the disputed issues in this case that balances Marion's need to collect sufficient revenues with the interests of its customers for mitigation of the rate impact.

Pursuant to the Settlement Agreement, we find Marion should be authorized to increase its rates by 62.72% over five Phases. Phase I in the amount of 16.89% (or $661,176) shall occur upon issuance of this Order; Phase II in the amount of 10.37% (or $474,545) will be implemented on January 1, 2025; Phase III in the amount of 9.28% (or $468,494) will be implemented on January 1, 2026; Phase IV in the amount of 8.51% (or $469,595) will be implemented on January 1, 2027; and Phase V in the amount of 6.36% (or $380,950) will be implemented on January 1, 2028. We find this five-phase increase is reasonable, particularly given that Marion has not increased its rates and charges through a general rate case since 2005.

Also relevant is Ind. Code § 8-1.5-2-l9(b), which governs the borrowing authority of municipal water utilities. This provision requires that when a municipality, such as Marion, proposes to issue debt, it must show the rates and charges "will provide sufficient funds for the operation, maintenance, and depreciation of the utility, and to pay the principal and interest of the proposed bond issue, together with a surplus or margin of at least ten percent (10%) in excess." Based upon Exhibit A to the Settlement Agreement, the Commission finds Marion has satisfied the requirements of Ind. Code § 8-1.5-2-19(b) and should be authorized to issue waterworks revenue bonds in an amount not to exceed $14,200,000, with one issuance in 2023 and one issuance in 2025.

8. **<u>Effect of the Settlement Agreement</u>.** Consistent with its terms, the Settlement Agreement is not to be used as precedent in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms; consequently, with regard to future citation of the Settlement Agreement or of this Order, we find that our approval should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at *7-8 (IURC March 19, 1997).

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

1. The Settlement Agreement, a copy of which is attached to this Order, is approved.

2. Marion is authorized to adjust and increase its base rates and charges for water utility service in five phases to reflect an overall pro forma net revenue requirement of $6,368,819, which yields an annual increase of $2,454,760, or 62.72% over Marion's current revenues at existing rates. Marion should implement its 62.72% rate increase as follows and more particularly set out in the Settlement Agreement:

   a. Phase I (upon issuance of this Order) 16.89%
   b. Phase II (January 1, 2025) 10.37%
   c. Phase III (January 1, 2026) 9.28%
   d. Phase IV (January 1, 2027) 8.51%
   e. Phase V (January 1, 2028) 6.36%

3. Marion is authorized to issue waterworks revenue bonds through the SRF Program or through an open market transaction in an amount not to exceed $14,200,000 in accordance with the provisions of the Settlement Agreement, with one issuance in 2023 and one issuance in 2025.

4. The reporting requirements detailed in the Settlement Agreement are approved.

5. In accordance with Indiana Code § 8-1-2-70, Marion shall pay the following itemized charges within 20 days from the date of the Order into the Commission public utility fund account described in Indiana Code § 8-1-6-2, through the Secretary of the Commission, as well as any additional costs that were incurred in connection with this Cause:

Commission Charges:	$ 2,765.82
OUCC Charges:	$ 8,412.92
Legal Advertising Charges:	$ 76.34
Total:	$11,255.08

6. In accordance with Indiana Code § 8-1-2-85, Marion shall pay a fee equal to $0.25 for each $100 of water utility revenue bonds issued, to the Secretary of the Commission, within 30 days of the receipt of the financing proceeds authorized herein.

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

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED: AUG 02 2023

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

Dana Kosco Digitally signed by Dana Kosco Date: 2023.08.02 10:12:44 -04'00'

Dana Kosco
Secretary to the Commission

FILED
June 9, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE CITY OF MARION, INDIANA, FOR APPROVAL TO ISSUE BONDS AND ADJUST ITS RATES AND CHARGES	**CAUSE NO. 45838**

SUBMISSION OF JOINT STIPULATION AND SETTLEMENT AGREEMENT

Petitioner, the City of Marion, Indiana ("Marion"), by counsel, hereby submits the attached Joint Stipulation and Settlement Agreement in Cause No. 45838.

Respectfully Submitted,

J. Christopher Janak, No. 18499-49
Jacob T. Antrim, Atty. No. 36762-49
Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000
(317) 684-5173 Fax

Counsel for Petitioner, City of Marion, Indiana

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing "*Submission of Joint Stipulation and Settlement Agreement*" was served upon the following by delivering a copy thereof electronically this 9th day of June, 2023:

Daniel M. Le Vay
Indiana Office of Utility Consumer Counselor
infomgt@oucc.in.gov
dlevay@oucc.IN.gov

Jacob T. Antrim

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111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000
(317) 684-5173 Fax

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF THE CITY OF MARION, INDIANA, FOR APPROVAL TO ISSUE BONDS AND ADJUST ITS RATES AND CHARGES	**CAUSE NO. 45838**

<u>JOINT STIPULATION AND SETTLEMENT AGREEMENT</u>

This Joint Stipulation and Settlement Agreement ("Settlement Agreement") is entered into this 8th day of June, 2023, by and between the City of Marion, Indiana ("Marion"), and the Indiana Office of Utility Consumer Counselor ("OUCC"), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final Order of the Indiana Utility Regulatory Commission ("Commission") without modification or the addition of further conditions that may be unacceptable to either party. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its final Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by Marion and the OUCC ("Settling Parties").

<u>Terms and Conditions of Settlement Agreement</u>

1. **<u>Requested Relief</u>**. On January 10, 2023, Marion initiated this Cause by filing its Petition requesting authority to adjust its rates and charges for water service and issue bonds to fund capital improvements to its water system.

2. **<u>Prefiled Evidence of Parties</u>**. In support of its Petition, Marion filed the Prefiled Testimony and Exhibits of John Charles (Chuck) Binkerd, Patrick R. Pinkerton, P.E., Jennifer Z. Wilson, C.P.A., and Andrew Burnham on January 10, 2023. On June 9, 2023, the OUCC prefiled the Settlement Testimony and Exhibits of Shawn Dellinger and Thomas W. Malan, and Marion filed the Settlement Testimony and Exhibits of John Charles ("Chuck") Binkerd.

3. **Settlement**. Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, the Settling Parties agree on the terms and conditions as described herein that resolve all issues between them in this Cause. Attached to the Settlement Agreement as Exhibit A are accounting schedules ("Schedules") that reflect the agreed upon revenue requirement, the proposed rates and charges, and an estimated amortization schedule for Marion's outstanding and proposed indebtedness.

4. **Revenue Requirement, Rates, and Charges**. The Settling Parties agree that Marion should, subject to the terms and conditions set forth herein, be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of $6,368,819, which yields an annual increase of $2,454,760, or 62.72% over Marion's current revenues at existing rates.

5. **Five-Phase Rate Increase**. The rate increase will be implemented in five phases. The amount and timing of the phases shall be as follows: (i) the first phase in the amount of 16.89% (or $661,176) shall occur upon issuance of a Commission Order approving the Settlement Agreement (ii) the second phase in the amount of 10.37% (or $474,545) will be implemented on January 1, 2025; (iii) the third phase in the anticipated amount of 9.28% (or $468,494) will be implemented on January 1, 2026; (iv) the fourth phase in the anticipated amount of 8.51% (or $469,595) will be implemented on January 1, 2027; and (v) the fifth phase in the anticipated amount of 6.36% (or $380,950) will be implemented on January 1, 2028.

6. **<u>Financing Terms</u>**. The Settling Parties agree that Marion should have its requested debt authority of $14,200,000 as proposed by Marion subject to the following terms and conditions:

a. Marion may issue its debt in two (2) phases with the first phase anticipated to be closed in 2023 ("2023 Bonds") and the second phase anticipated to be closed in 2025 ("2025 Bonds").

b. Until closing on the 2023 Bonds and upon implementation of the Phase 1 rate increase, Marion shall set aside an amount each month that is equal to the monthly portion of its debt service revenue requirement for the applicable phase. If the 2023 Bonds are issued within 120 days of the implementation of Phase 1 rates, Marion may apply the funds collected for utility purposes as it sees fit. If the 2023 Bonds are not issued within 120 days of the implementation of Phase 1 rates, Marion shall apply the total amount set aside until closing to reduce the amount of borrowing or to fund a portion of the debt service reserve for the 2023 Bonds.

c. Until closing on the 2025 Bonds and upon implementation of the Phase 3 rate increase, each month Marion shall set aside an amount equal to the monthly portion of its debt service revenue requirement for the 2025 Bonds for the applicable phase. If the 2025 Bonds are issued within 90 days of the implementation of Phase 3 rates, Marion may apply the funds collected for utility purposes in its discretion. If the 2025 Bonds are not issued within 90 days of the implementation of Phase 3 rates, Marion shall apply the total amount set aside until closing to reduce the amount of borrowing or to fund a portion of the debt service reserve for the 2025 Bonds.

d. If Marion requires the funding of a debt service reserve as an annual revenue requirement, Marion shall do so from the amount currently allowed for the debt service revenue requirement. Marion shall notify the OUCC once it has fully funded its debt service reserve. In lieu of any requirement to amend its tariff to remove that portion of its revenue requirement from rates, Marion shall reallocate that portion of its revenue requirement to perform extensions and replacements.

e. Marion shall file a report within thirty (30) days of closing on the 2023 and 2025 Bonds describing the terms of the respective Bonds, the buyer of the Bonds, the par amount of the Bonds, the amount required for the debt service reserve, bid tabulations for any projects for which these are available at the time of the true-up, and an itemized account of all issuance costs (such as bond counsel and financial advisory fees), including issuance costs actually incurred to that date. The report should include a revised tariff, amortization schedule, and calculation of the rate impact in a manner consistent with the schedules attached hereto. All funds secured for lead service line subsidizations, if any, shall be included in this true-up report. The OUCC shall have no less than twenty-one (21) days after service of the true-up to challenge Marion's proposed true-up. Marion should similarly have twenty-one (21) days to file a response to the OUCC. Thereafter, the Commission should resolve any issue raised through a process it deems appropriate. Any true-up report should state the time frames for objections or responses. If both parties agree that the increase or decrease indicated by the report need not occur because the increase or decrease would be immaterial, or for any other reason, then Marion will not need to true-up its rates.

f. Marion expects to complete its requested borrowing in late 2025. Any financing authority authorized in this Cause not used by Marion should expire at the end of 2026 (allowing approximately one additional year beyond the anticipated issuance date).

g. Subject to section 6(c) of this settlement agreement, the parties agree that Marion will not true-up rates to increase the revenue requirement beyond that which is contemplated in the settlement schedules for Phase 5. Petitioner will endeavor to obtain annual debt service payments or a combination of annual debt service payments and annual funding of the debt service reserve (if not funded by the bond issue) as near to those indicated on the settlement schedule for debt service revenue requirements as reasonably possible. In no case, may Petitioner enter into a borrowing that would result in higher total payments over the life of the bonds than is contemplated in the settlement schedules.

7. **Storage Tank Painting and Maintenance**. The parties agree Marion's annual pro forma Storage Tank Painting and Periodic Maintenance revenue requirement shall be $100,000, which shall be placed in a restricted account to be used only to fund storage tank painting, tank maintenance, and other periodic maintenance items.

8. **Leak Detection Survey.** The Settling Parties agree Marion shall perform a leak detection study, which shall commence within 18 months of the final order in this Cause and which shall be completed no later than when Marion files a petition in its next rate case. The Settling Parties agree and acknowledge that Petitioner's agreed rates and revenue requirement includes $20,000 per annum based on an assumed leak detection study expense of up to $100,000. The Settling Parties agree that in addition to the $100,000 for periodic maintenance, Marion shall hold the $20,000 per annum in a restricted account provided such funds may only be used only for performing the leak detection study. After completion and payment of a leak detection study, Marion may reallocate and use the funds collected each year to perform storage tank painting and tank maintenance.

9. **Rate Case Expense**. The Settling Parties agree that Marion's rate case expense shall be $250,000 and amortized over a four-year period. Phase 5 rates and charges reflect the removal the annual amortization amount from its collected rates.

10. **Operational Terms**.

a. Marion's Revenue Requirement includes an amount for extensions and replacements. Beginning with the Year End 2024 IURC Annual Report and then annually until its next rate case or five years after the issuance of the Final Order in this case, whichever shall first occur, Marion shall submit with its IURC Annual Report an extensions and replacements reconciliation that includes project descriptions and an explanation if its actual expense for extensions and replacements is less than the amount(s) included for extensions and replacements as part of this Settlement Agreement.

b. Beginning with the Year End 2024 IURC Annual Report and annually until its next rate case, Marion shall submit with its IURC Annual Report a report showing the percentage of unaccounted for water, the year-over-year change to the unaccounted water percentage, and the measures being taken to address and lessen the percentage of unaccounted water.

c. Within nine (9) months of the final order in this Cause, Marion shall install meters and meter all municipal departments receiving water to determine the amount of water used by each department. Thereafter, and within two years of the final order in this Cause, Marion shall complete a water audit using the AWWA free water audit software (V6.0 now available). Marion shall provide a copy of the water audit to the OUCC.

11. **Filing of Tariff**. The Settling Parties agree that Marion may expeditiously file a new tariff after issuance of a Commission Order in this Cause approving an adjustment to Marion's rates that is consistent with Settlement Agreement (and attached schedules).

12. **Admissibility and Sufficiency of Evidence**. The Settling Parties hereby stipulate that the prefiled testimony and exhibits of Marion and the OUCC should be admitted into the record without objection or cross examination by either party. The Settling Parties agree that such evidence constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

13. **Non-Precedential Effect of Settlement**. The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute 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 any court of competent jurisdiction. This Settlement 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 party may take with respect to any issue in any future regulatory or other legal proceeding.

14. **Authority to Execute**. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of the designated parties, who will thereafter be bound thereby.

15. **Approval of Settlement Agreement in its Entirety**. As a condition of this settlement, the Settling Parties specifically agree that if the Commission does not approve this Settlement Agreement in its entirety and incorporate it into the Final Order as provided above, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties. The Settling Parties further agree that if the Commission does not issue a Final Order in the form that reflects the Agreement described herein, the matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed by the Settling Parties in a writing that is filed with the Commission.

16. **Proposed Order**. The Settling Parties agree to cooperate in the preparation, presentation, and issuance by the Commission of a proposed order.

CITY OF MARION, INDIANA

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Jacob T. Antrim, Atty. No. 36762-49
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INDIANA OFFICE OF THE UTILITY CONSUMER COUNSELOR ("OUCC")

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EXHIBIT A

Schedule 16 Phase Rate Plan

Customer Charge, Monthly	Phase I	Phase II	Phase III	Phase IV	Phase V
Meter Size					
5/8"	$4.13	$4.61	$5.08	$5.56	$5.96
3/4"	$4.13	$4.61	$5.08	$5.56	$5.96
1"	$4.13	$4.61	$5.08	$5.56	$5.96
1 1/2"	$4.13	$4.61	$5.08	$5.56	$5.96
2"	$4.13	$4.61	$5.08	$5.56	$5.96
3"	$4.13	$4.61	$5.08	$5.56	$5.96
4"	$4.13	$4.61	$5.08	$5.56	$5.96
6"	$4.13	$4.61	$5.08	$5.56	$5.96
8"	$4.13	$4.61	$5.08	$5.56	$5.96

Usage Rate (per CCF)	Phase I	Phase II	Phase III	Phase IV	Phase V
Tier 1 - 0 - 1.33	$4.00	$4.12	$4.24	$4.32	$4.40
Tier 2 - 1.34 - 6.67	$3.55	$3.85	$4.04	$4.24	$4.40
Tier 3 - 6.67 - 100	$3.02	$3.48	$4.00	$4.20	$4.40
Tier 4 - Over 100	$2.02	$2.50	$3.10	$3.70	$4.40

Public Fire Protection	Phase I	Phase II	Phase III	Phase IV	Phase V
by Meter Size, Monthly					
5/8"	$3.27	$3.39	$3.48	$3.81	$4.08
3/4"	$3.27	$3.39	$3.48	$3.81	$4.08
1"	$8.38	$8.67	$8.89	$9.73	$10.43
1 1/2"	$18.86	$19.52	$20.03	$21.92	$23.50
2"	$33.52	$34.70	$35.60	$38.95	$41.76
3"	$75.44	$78.08	$80.10	$87.63	$93.94
4"	$134.11	$138.81	$142.40	$155.79	$167.01
6"	$301.75	$312.31	$320.40	$350.52	$375.75
8"	$536.44	$555.22	$569.59	$623.13	$668.00
Private Fire Protection					
Per Hydrantl, Annually	$413.06	$413.06	$413.06	$413.06	$413.06
Per Sprinkler Head, Annually	$0.43	$0.43	$0.43	$0.43	$0.44

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Comparison of Petitioner's and Settlement's Overall Revenue Requirement

	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	$ 3,876,192	$ 3,825,473	4	$ (50,719)
Taxes other than Income	102,639	102,639	4	-
Extensions and Replacements	1,580,000	1,580,000	PET	-
Debt Service	932,202	932,202	PET	-
Working Capital	7,248	-	9	(7,248)
Total Revenue Requirements	6,498,281	6,440,314		(57,967)
Revenue Requirement Offsets				
Interest Income	-	(3,031)	3	(3,031)
Late Fees (See footnote 2)	(25,127)	-		25,127
Misc. Operating Revenues (See footnote 1)	(78,326)	(68,464)	5	9,862
Net Revenue Requirements	6,394,828	6,368,819		(26,009)
Less: Revenues at current rates subject to increase (See footnote 2)	(3,888,932)	(3,914,059)	4	(25,127)
Recommended Increase	$ 2,505,896	$ 2,454,760		$ (51,136)
Recommended Percentage Increase	64.44%	62.72%		-1.72%

Footnotes:

(1) Miscellaneous Operating Revenues include credit card fee revenues. The OUCC recommends adjustments to remove test year credit card fee revenue and expense because this should be a revenue neutral transaction for Petitioner. See Schedule 5, Adjustment No. 1 and Schedule 6, Adjustment No. 3.

(2) The OUCC classified $25,127 of Late Fee revenue as revenues subject to increase.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Comparison of Petitioner's and Settlement's Phased Revenue Requirement

	Phase I				Phase II				Phase III			
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	$ 3,876,192	$ 3,916,963	4	$ 40,771	$ 3,876,192	$ 3,916,963	4	$ 40,771	$ 3,876,192	$ 3,916,963	4	$ 40,771
Taxes Other than Income	102,639	102,639	4	-	102,639	102,639	4	-	102,639	102,639	4	-
Extensions and Replacements	320,000	320,000	PET	-	725,000	725,000	PET	-	915,000	915,000	PET	-
Debt Service	307,128	307,128	PET	-	376,673	376,673	PET	-	655,167	655,167	PET	-
Working Capital	7,248	-	9	(7,248)	7,248	-	9	(7,248)	7,248	-	9	(7,248)
Total Revenue Requirements	4,613,207	4,646,730		33,523	5,087,752	5,121,275		33,523	5,556,246	5,589,769		33,523
Less Revenue Requirement Offsets:												
Interest Income	-	(3,031)	3	(3,031)	-	(3,031)	3	(3,031)	-	(3,031)	3	(3,031)
Late Fees (See footnote 2)	(25,127)	-		25,127	(25,127)	-		25,127	(25,127)	-		25,127
Misc. Revenues (See footnote 1)	(78,326)	(68,464)	5	9,862	(78,326)	(68,464)	5	9,862	(78,326)	(68,464)	5	9,862
Net Revenue Requirements	4,509,754	4,575,235		65,481	4,984,299	5,049,780		65,481	5,452,793	5,518,274		65,481
Less: Rev at current rates subj to increase (See footnote 2)	(3,888,932)	(3,914,059)	4	(25,127)	(4,511,161)	(4,575,235)	4	(64,074)	(4,984,833)	(5,049,780)	4	(64,947)
Recommended Increase	$ 620,822	$ 661,176		$ 40,354	$ 473,138	$ 474,545		$ 1,407	$ 467,960	$ 468,494		$ 534
Recommended Percentage Increase	16.00%	16.89%		0.89%	10.50%	10.37%		-0.13%	9.40%	9.28%		-0.12%

Footnotes:

(1) Miscellaneous Operating Revenues include credit card fee revenues. The OUCC recommends adjustments to remove test year credit card fee revenue and expense because this should be a revenue neutral transaction for Petitioner. See Schedule 5, Adjustment No. 1 and Schedule 6, Adjustment No. 3.

(2) The OUCC classified $25,127 of Late Fee revenue as revenues subject to increase.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES

CAUSE NUMBER 45838

Comparison of Petitioner's and Settlement's Phased Revenue Requirement

	Phase IV				Phase V			
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	$ 3,876,192	$ 3,916,963	4	$ 40,771	$ 3,876,192	$ 3,825,473	4	$ (50,719)
Taxes Other than Income	102,639	102,639	4	-	102,639	102,639	4	-
Extensions and Replacements	1,400,000	1,400,000	PET	-	1,580,000	1,580,000	PET	-
Debt Service	639,762	639,762	PET	-	932,202	932,202	PET	-
Operation & Maintenance Fund Balance	7,248	-	9	(7,248)	7,248	-	9	(7,248)
Total Revenue Requirements	6,025,841	6,059,364		33,523	6,498,281	6,440,314		(57,967)
Less Revenue Requirement Offsets:								
Interest Income	-	(3,031)	3	(3,031)	-	(3,031)	3	(3,031)
Late Fees (See footnote 2)	(25,127)	-		25,127	(25,127)	-		25,127
Misc. Revenues (See footnote 1)	(78,326)	(68,464)	5	9,862	(78,326)	(68,464)	5	9,862
Net Revenue Requirements	5,922,388	5,987,869		65,481	6,394,828	6,368,819		(26,009)
Less: Rev at current rates subj to increase (See footnote 2)	(5,453,407)	(5,518,274)	4	(64,867)	(5,922,400)	(5,987,869)	4	(65,469)
Recommended Increase	$ 468,981	$ 469,595		$ 614	$ 472,428	$ 380,950		$ (91,478)
Recommended Percentage Increase	8.60%	8.51%		-0.09%	8.00%	6.36%		-1.64%

Footnotes:

(1) Miscellaneous Operating Revenues include credit card fee revenues. The OUCC recommends adjustments to remove test year credit card fee revenue and expense because this should be a revenue neutral transaction for Petitioner. See Schedule 5, Adjustment No. 1 and Schedule 6, Adjustment No. 3.

(2) The OUCC classified $25,127 of Late Fee revenue as revenues subject to increase.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates - Phase I

	Per Petitioner	Per Settlement	Settlement More (Less)
Operating Revenues			
Metered Water Sales			
Residential	$ (28,234)	$ (28,234)	$ -
Commercial	(8,304)	(8,304)	-
Industrial	(2,570)	(2,570)	-
Institutional	(6,044)	(6,044)	-
Fire Protection			
Public	(8,025)	(8,025)	-
Private	(2,842)	(2,842)	-
Late Fees	-	-	-
Miscellaneous Revenues	10,442	580	(9,862)
	(45,577)	(55,439)	(9,862)
O&M Expense			
Salaries & Wages	53,370	53,370	-
Employee Pensions & Benefits	(6,797)	(6,797)	-
Chemicals	145,572	145,572	-
Materials & Supplies	18,799	18,799	-
Contractual Services			
Legal	(8,747)	(8,747)	-
Testing	20,000	20,000	-
Other			-
Removal of invoices	(19,145)	(19,145)	-
Meter reading 12th month	3,545	3,545	-
Wellhead Protection	6,458	(6,458)	(12,916)
Tank Painting Fund	-	120,000	120,000
Rate Case Expense	82,500	62,500	(20,000)
Remove capital invoice	-	(20,009)	(20,009)
Asset Management Plan	-	(44,580)	(44,580)
Credit Card Processing	-	(32,102)	(32,102)
Taxes Other than Income			
Payroll Taxes	7,332	7,332	-
Utility Receipts Tax	(50,000)	(50,000)	-
	252,887	243,280	(9,607)
Net Operating Income	$ (298,464)	$ (298,719)	$ (255)

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

COMPARATIVE BALANCE SHEET
As of

	May 31, 2022	Dec 31, 2021	Dec 31, 2020
ASSETS			
Utility Plant:			
Utility Plant in Service	$ 55,192,639	$ 55,192,639	$ 55,117,915
Less: Accumulated Depreciation	(33,585,777)	(33,585,777)	(32,678,698)
Net Utility Plant in Service	21,606,862	21,606,862	22,439,217
Add: Construction Work in Progress	670,752	69,298	-
Net Utility Plant	22,277,614	21,676,160	22,439,217
Restricted Assets:			
Customer Deposit	227,857	224,536	229,236
Equipment and Replacement Fund	674,692	690,230	685,077
Fire Protection Quail Hollow Fund	21,700	21,700	21,700
Depreciation Reserve	216,701	739,521	843,425
Total Restricted Assets	1,140,950	1,675,987	1,779,438
Current Assets:			
Cash - Operation and Maintenance Fund	626,900	626,900	626,960
Accounts Receivable	564,941	564,769	539,816
Prepaid Expenses	52,608	26,391	28,765
Materials and Supplies Inventory	135,186	130,426	139,032
Other Current Assets	-	-	6,960
Total Current Assets	1,379,635	1,348,486	1,341,533
Total Assets	$ 24,798,199	$ 24,700,633	$ 25,560,188
LIABILITIES & EQUITY			
Equity			
Retained Earnings	$ 19,558,433	$ 20,304,154	$ 20,685,071
Current Year Earnings	70,862	(745,721)	(377,198)
Total Equity Capital	19,629,295	19,558,433	20,307,873
Contributions in Aid of Construction	4,710,148	4,710,148	4,710,148
Long-term Debt			
Accounts Payable	-	-	378
Customer Deposits	231,174	225,745	232,496
Other Current Liabilities	227,582	206,307	309,293
Total Long-term Debt	458,756	432,052	542,167
Total Liabilities and Equity	$ 24,798,199	$ 24,700,633	$ 25,560,188

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

COMPARATIVE INCOME STATEMENT
For the Twelve Months Ended

	May 31, 2022	December 31, 2021	December 31, 2020
Operating Revenues:			
Metered Water Sales			
Residential	$ 1,988,311	$ 1,974,659	$ 2,013,275
Commercial	584,756	579,831	548,024
Industrial	180,979	178,575	175,552
Institutional	425,661	424,254	418,744
Fire Protection			
Public	565,166	560,769	559,419
Private	200,078	199,973	198,403
Late Fees	25,127	22,712	5,028
Miscellaneous Revenues	67,884	149,292	60,454
Total Operating Revenues	4,037,962	4,090,065	3,978,899
Operating Expenses:			
Salaries & Wages	1,292,056	1,254,848	1,146,901
Employee Pensions & Benefits	641,369	644,654	605,129
Purchased Power	284,726	258,147	271,113
Chemicals	458,288	376,358	383,142
Materials & Supplies	258,615	246,885	200,378
Contractual Services	538,933	600,371	451,995
Transportation	79,345	76,115	57,207
Insurance - General Liability	67,325	72,003	72,375
Miscellaneous	10,358	9,765	12,733
Total O&M Expense	$ 3,631,015	$ 3,539,146	$ 3,200,973

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

COMPARATIVE INCOME STATEMENT
For the Twelve Months Ended

	May 31, 2022	December 31, 2021	December 31, 2020
Operating Expenses (continued)			
Depreciation Expense	$ 907,489	$ 907,489	$ 909,096
Taxes Other than Income			
Payroll Taxes	95,307	92,670	79,584
Utility Receipts Tax	50,000	47,400	41,602
Total Operating Expenses	4,683,811	4,586,705	4,231,255
Net Operating Income	(645,849)	(496,640)	(252,356)
Other Income (Expense)			
Interest Income	3,031	-	7,040
Gain (Loss) on Sale of Assets	-		15,630
Other Income	10,000	-	-
Interest Expense	-	(27,889)	
Non-Utility Income	-	-	23,550
Non-Operating Expenses	(23,550)	-	(1,707)
Total Other Income (Expense)	(10,519)	(27,889)	44,513
			28,883
Net Income	$ (656,368)	$ (524,529)	$ (207,843)

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Phase I
Pro-forma Net Operating Income Statement

	Test Year Ended 5/31/2022	Adjustments	Sch Ref	*Pro forma* Present Rates	Adjustments	Sch Ref	Phase I *Pro forma* Proposed Rates
Operating Revenues							
Metered Water Sales							
Residential	$ 1,988,311	$ (28,234)	PET	$ 1,960,077			
Commercial	584,756	(8,304)	PET	576,452			
Industrial	180,979	(2,570)	PET	178,409			
Institutional	425,661	(6,044)	PET	419,617			
Fire Protection							
Public	565,166	(8,025)	PET	557,141			
Private	200,078	(2,842)	PET	197,236			
Late Fees	25,127	-		25,127			
Miscellaneous Revenues	67,884	580	5-1	68,464			
Total Water Revenues	4,037,962	(55,439)		3,982,523	661,176		4,643,699
O&M Expense							
Salaries & Wages	1,292,056	53,370	PET	1,345,426			1,345,426
Employee Pensions & Benefits	641,369	(6,797)	PET	634,572			634,572
Purchased Power	284,726	-		284,726			284,726
Chemicals	458,288	145,572	PET	603,860			603,860
Materials & Supplies	258,615	18,799	PET	277,414			277,414
Contractual Services							
Legal	82,769	(8,747)	PET	74,022			74,022
Testing	11,861	20,000	PET	31,861			31,861
Other	444,303			508,054			508,054
Removal Capital Costs		(19,145)	PET				
Meter reading 12th month		3,545	PET				
Tank Painting Fund		120,000	6-1				
Rate Case Expense		62,500	6-2				
Remove capital invoice		(20,009)	6-3				
Wellhead Protection		(6,458)	6-4				
Asset Management Plan		(44,580)	6-5				
Credit Card Processing		(32,102)	6-6				
Transportation	79,345			79,345			79,345
Insurance - General Liability	67,325			67,325			67,325
Miscellaneous	10,358	-		10,358			10,358
Depreciation Expense	907,489			907,489			907,489
Taxes Other than Income							
Payroll Taxes	95,307	7,332	PET	102,639			102,639
Utility Receipts Tax	50,000	(50,000)	PET	-	-		-
Total Operating Expenses	4,683,811	243,280		4,927,091	-		4,927,091
Net Operating Income	$ (645,849)	$ (298,719)		$ (944,568)	$ 661,176		$ (283,392)

Footnote: Petitioner conducted a Cost-of-service study in conjunction with this case, therefore the recommended increase is not broken down by revenue class. See Cost of Service Study for breakdown by customer class.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Phase II
***Pro-forma* Net Operating Income Statement**

	Phase I *Pro forma* Proposed Rates	Adjustments	Sch Ref	*Pro forma* Present Rates	Adjustments	Sch Ref	Phase II *Pro forma* Proposed Rates
Operating Revenues	$ 4,643,699	$ -		$ 4,643,699	$ 474,545		$ 5,118,244
O&M Expense							
Salaries & Wages	1,345,426			1,345,426			1,345,426
Employee Pensions & Benefits	634,572	-		634,572			634,572
Purchased Power	284,726			284,726			284,726
Chemicals	603,860			603,860			603,860
Materials & Supplies	277,414			277,414			277,414
Contractual Services							
Legal	74,022			74,022			74,022
Testing	31,861			31,861			31,861
Other	508,054			508,054			508,054
Transportation	79,345			79,345			79,345
Insurance - General Liability	67,325			67,325			67,325
Miscellaneous	10,358			10,358			10,358
Depreciation Expense	907,489			907,489			907,489
Taxes Other than Income							
Payroll Taxes	102,639			102,639			102,639
Utility Receipts Tax	-			-			-
Total Operating Expenses	4,927,091	-		4,927,091	-		4,927,091
Net Operating Income	$ (283,392)	$ -		$ (283,392)	$ 474,545		$ 191,153

Footnote: Petitioner conducted a Cost-of-service study in conjunction with this case, therefore the recommended increase is not broken down by revenue class. See Cost of Service Study for breakdown by customer class.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Phase III
Pro-forma Net Operating Income Statement

	Phase II *Pro forma* Proposed Rates	Adjustments	Sch Ref	*Pro forma* Present Rates	Adjustments	Sch Ref	Phase III *Pro forma* Proposed Rates
Operating Revenues	5,118,244	-		5,118,244	468,494		5,586,738
O&M Expense							
Salaries & Wages	1,345,426			1,345,426			1,345,426
Employee Pensions & Benefits	634,572			634,572			634,572
Purchased Power	284,726			284,726			284,726
Chemicals	603,860			603,860			603,860
Materials & Supplies	277,414			277,414			277,414
Contractual Services							
Legal	74,022			74,022			74,022
Testing	31,861			31,861			31,861
Other	508,054			508,054			508,054
Transportation	79,345			79,345			79,345
Insurance - General Liability	67,325			67,325			67,325
Miscellaneous	10,358			10,358			10,358
Depreciation Expense	907,489			907,489			907,489
Taxes Other than Income							
Payroll Taxes	102,639			102,639			102,639
Utility Receipts Tax	-			-			-
Total Operating Expenses	4,927,091	-		4,927,091	-		4,927,091
Net Operating Income	$ 191,153	$ -		$ 191,153	$ 468,494		$ 659,647

Footnote: Petitioner conducted a Cost-of-service study in conjunction with this case, therefore the recommended increase is not broken down by revenue class. See Cost of Service Study for breakdown by customer class.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Phase IV
Pro-forma Net Operating Income Statement

	Phase III *Pro forma* Proposed Rates	Adjustments	Sch Ref	*Pro forma* Present Rates	Adjustments	Sch Ref	Phase IV *Pro forma* Proposed Rates
Operating Revenues	5,586,738	-		5,586,738	469,595		6,056,333
O&M Expense							
Salaries & Wages	1,345,426			1,345,426			1,345,426
Employee Pensions & Benefits	634,572			634,572			634,572
Purchased Power	284,726			284,726			284,726
Chemicals	603,860			603,860			603,860
Materials & Supplies	277,414			277,414			277,414
Contractual Services	-			-			-
Legal	74,022			74,022			74,022
Testing	31,861			31,861			31,861
Other	508,054			508,054			508,054
Transportation	79,345			79,345			79,345
Insurance - General Liability	67,325			67,325			67,325
Miscellaneous	10,358			10,358			10,358
Depreciation Expense	907,489			907,489			907,489
Taxes Other than Income	-			-			-
Payroll Taxes	102,639			102,639			102,639
Utility Receipts Tax	-			-			-
Total Operating Expenses	4,927,091	-		4,927,091	-		4,927,091
Net Operating Income	$ 659,647	$ -		$ 659,647	$ 469,595		$ 1,129,242

Footnote: Petitioner conducted a Cost-of-service study in conjunction with this case, therefore the recommended increase is not broken down by revenue class. See Cost of Service Study for breakdown by customer class.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Phase V
Pro-forma Net Operating Income Statement

	Phase IV *Pro forma* Proposed Rates	Adjustments	Sch Ref	*Pro forma* Present Rates	Adjustments	Sch Ref	Phase V *Pro forma* Proposed Rates
Operating Revenues	6,056,333	-		6,056,333	380,950		6,437,283
O&M Expense							
Salaries & Wages	1,345,426			1,345,426			1,345,426
Employee Pensions & Benefits	634,572			634,572			634,572
Purchased Power	284,726			284,726			284,726
Chemicals	603,860			603,860			603,860
Materials & Supplies	277,414			277,414			277,414
Contractual Services							
Legal	74,022			74,022			74,022
Testing	31,861			31,861			31,861
Other	508,054			416,564			416,564
Asset Management Plan		(28,990)	6-7				
Rate Case Expense		(62,500)	6-8				
Transportation	79,345			79,345			79,345
Insurance - General Liability	67,325			67,325			67,325
Miscellaneous	10,358			10,358			10,358
Depreciation Expense	907,489			907,489			907,489
Taxes Other than Income	-			-			-
Payroll Taxes	102,639			102,639			102,639
Utility Receipts Tax	-			-			-
Total Operating Expenses	4,927,091	(91,490)		4,835,601	-		4,835,601
Net Operating Income	$ 1,129,242	$ 91,490		$ 1,220,732	$ 380,950		$ 1,601,682

Footnote: Petitioner conducted a Cost-of-service study in conjunction with this case, therefore the recommended increase is not broken down by revenue class. See Cost of Service Study for breakdown by customer class.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Settlement Revenue Adjustments

(1)

Miscellaneous Revenue - Credit Card Fee

To remove revenue associated with credit card fees. This adjustment is made in conjunction with expense adjustment 6-4. The recovery of credit card fees from customers should be revenue neutral for Petitioner.'

Credit card Convenience Fee Revenue	$	(580)	
Adjustment Increase (Decrease)			**$ 580**

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Settlement Operating Expense Adjustments

(1)
Periodic Maintenance (Phase 1)

Adjustment to add additional funds to Petitioner's revenue requirement for a restricted tank painting account

Periodic Maintenance - Tank Painting	$ 100,000	
Leak Detection Study	20,000	
	$ 120,000	
Adjustment Increase (Decrease)		**$ 120,000**

(2)
Amortize Rate Case Expense (Phase 1)

Adjustment to reduce the total rate case expense from $330,000 to $250,000, to be recovered over four (4) years.

Total rate case expense for this cause	$ 250,000	
Divide by Amortization Period	4	
	$ 62,500	
Adjustment Increase (Decrease)		**$ 62,500**

(3)
Remove Capital Expenditure (Phase 1)

Remove Best Equipment invoice that is capital in nature (new pump for vac truck)

Vendor	**Inv #**	**Account**	**Amount**	
Best Equipment	PSI005325	101.06.650.01.30	$ 20,009	
		Adjustment Increase (Decrease)		**$ (20,009)**

(4)
Wellhead Protection (Phase 1)

Amortize wellhead protection study costs incurred during the test year over five years.

PEERLESS MIDWEST INC - Inv 63714 Well Head Protection Update - 5 Year	$ 8,072		
Divide by Amortization Period	5		
Pro Forma Annual Expense		$ 1,614	
Less: Test Year Expense		(8,072)	
Adjustment Increase (Decrease)			**$ (6,458)**

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
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(5)
Asset Management Plan (Phase 1)

Amortize asset management plan contract expense over four years.

Contract Amount	$ 115,960		
Divide by Amortization Period	4		
Pro Forma Annual Expense		$ 28,990	
Less: Test Year Expense		(73,570)	
Adjustment Increase (Decrease)			**$ (44,580)**

(6)
Credit Card Processing Expense (Phase 1)

To remove credit card processing expense from the test year. This adjustment is made in conjunction with revenue adjustment 5-1 that removes associated revenue. Recovery of credit card fees from customers should be revenue neutral to Petitioner.

Total test year BLUEFIN Payment Systems expense	$ 32,102	
Adjustment Increase (Decrease)		**$ (32,102)**

(7)
Asset Management Plan (Phase 5)

To remove asset management plan expense in the Phase 5 after costs have been fully recovered in Phases 1 through 4.

Pro Forma Annual Expense	$ 28,990	
Adjustment Increase (Decrease)		**$ (28,990)**

(8)
Rate Case Expense (Phase 5)

To remove rate case expense in Phase 5 after costs have been fully recovered in Phases 1 through 4.

Adjustment Increase (Decrease)	$ (62,500)

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Extensions and Replacements

The Settling Parties accepts Petitioner's proposed E&R.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Payment in Lieu of Property Taxes

Petitioner did not request PILT as a component of its revenue requirement in this case.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Working Capital

			Petitioner	OUCC	OUCC More (Less)
1	Operation & Maintenance Expense		$ 3,876,192	$ 3,916,963	$ 40,771
2	Plus:	Payroll Taxes	102,639	102,639	-
3	Less:	Purchased Water	-	-	-
4		Purchased Power	-	(284,726)	(284,726)
5					
6	Adjusted Operation & Maintenance Expense		3,978,831	3,734,876	(243,955)
7	Times:	45 Day Factor	0.167	0.125	(0.04167)
8	Working Capital Revenue Requirement		663,138	466,860	10,165
9	Less:	Cash on Hand	626,900	626,900	-
10	Net Working Capital Revenue Requirement		36,238	-	10,165
11	Divide by:	Amortization Period (Years)	5	5	-
12	Annual Working Capital Revenue Requirement		$ 7,248	$ -	$ (7,248)

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Debt Service

The Settling Parties accepts Petitioner's proposed debt service revenue requirement.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Debt Service Reserve

Petitioner proposes to finance its debt service reserve in this case and, therefore, did not request debt service reserve as a component of its revenue requirement.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Schedule of Rates and Charges

Petitioner proposed rates be implemented according to a cost-of-service study.

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

Revenue Requirement Comparison

	Cause 42720	Cause 45838	45838 More (Less)
Operating Expenses	$ 2,228,585	$ 3,876,192	$ 1,647,607
Taxes other than Income	111,577	102,639	(8,938)
Extensions and Replacements	1,721,380	1,580,000	(141,380)
Payment in Lieu of Taxes			-
Working Capital			-
Debt Service	857,875	932,202	74,327
Debt Service Reserve		7,248	7,248
Total Revenue Requirements	4,919,417	6,498,281	1,578,864
Less Revenue Requirement Offsets:			
Interest Income	(81,602)	-	81,602
Other Income	-		-
Net Revenue Requirement	$ 4,837,815	$ 6,498,281.0	$ 1,660,466
Revenues at current rates subject to increase		3,914,059	
Other revenues not subject to increase		-	
Total Revenues	-	3,914,059	
Less: Revenue Requirement in Last Rate Case		4,919,417	
Revenue Over (Under)		$ (1,005,358)	

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

OPERATING EXPENSE MATRIX

May 31, 2022 Operating Expenses		Wells Expense	Wells Maintenance Expense	Treatment Plant Expense	Treatment Plant Maintenance Expense	Distribution Expense	Distribution Maintenance Expense	Customer Accounts	Admin & General	Total Operating Expenses
Salaries & Wages - Employees	601	$ -	$ -	$ 195,376	$ 313,180		$ 274,565	$ 55,196	$ 453,739	$ 1,292,056
Employee Pensions & Benefits	604			112,002	167,346		94,312	25,632	242,077	641,369
Purchased Power	615	124,157		160,569						284,726
Chemicals	618			458,288						458,288
Materials and Supplies	620	176	2,303	50,486	33,834	565	149,708	1,318	20,225	258,615
Contractual Services		551	2,934	50,765	82,477		155,966	112,372	133,868	538,933
Engineering	631									-
Legal	633									-
Other	636									-
Rents - Equipment	642									-
Transportation Expense	650			10,213	17,982		48,534	2,601	15	79,345
Insurance - General Liability	655	1,152	1,152	17,427	10,530	2,303	18,232	10,297	6,232	67,325
Bad Debt Expense	670									-
Miscellaneous Expense	675							1,302	9,056	10,358
Total 5/31/2022 Operating Expenses		126,036	6,389	1,055,126	625,349	2,868	741,317	208,718	865,212	3,631,015
Payroll Tax Expense										$ (95,307)

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

OPERATING EXPENSE MATRIX

2021 Operating Expenses		Wells Expense	Wells Maintenance Expense	Treatment Plant Expense	Treatment Plant Maintenance Expense	Distribution Expense	Distribution Maintenance Expense	Customer Accounts	Admin & General	Total Operating Expenses
Salaries & Wages - Employees	601	$ -	$ -	$ 189,830	$ 308,569	$ -	$ 268,661	$ 55,288	$ 432,500	$ 1,254,848
Employee Pensions & Benefits	604			106,819	188,453		100,972	27,954	220,456	644,654
Purchased Power	615	108,144		150,003						258,147
Chemicals	618			376,358						376,358
Materials and Supplies	620	324	3,120	43,255	38,030	(1,285)	140,794	1,202	21,445	246,885
Contractual Services		638	3,399	51,806	117,632		179,204	111,676	136,016	600,371
Engineering	631									-
Legal	633									-
Other	636									-
Rents - Equipment	642									-
Transportation Expense	650			7,917	15,620		50,465	1,873	240	76,115
Insurance - General Liability	655	973	973	21,579	11,364	1,894	19,119	9,844	6,257	72,003
Bad Debt Expense	670									-
Miscellaneous Expense	675							1,282	8,483	9,765
Total 2021 Operating Expenses		110,079	7,492	947,567	679,668	609	759,215	209,119	825,397	3,539,146

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

OPERATING EXPENSE MATRIX

2020 Operating Expenses		Wells Expense	Wells Maintenance Expense	Treatment Plant Expense	Treatment Plant Maintenance Expense	Distribution Expense	Distribution Maintenance Expense	Customer Accounts	Admin & General	Total Operating Expenses
Salaries & Wages - Employees	601	$ -	$ -	$ 158,036	$ 292,949	$ -	$ 241,835	$ 53,518	$ 400,563	$ 1,146,901
Employee Pensions & Benefits	604			102,988	175,103	500	105,877	37,016	183,645	605,129
Purchased Power	615	110,844		160,269						271,113
Chemicals	618			383,142						383,142
Materials and Supplies	620	-	3,071	25,403	34,111		107,555	979	29,259	200,378
Contractual Services	631	3,231	3,583	55,158	45,525	1,013	149,323	102,242	91,920	451,995
Engineering	633									-
Legal	636									-
Other	642									-
Rents - Equipment	650									-
Transportation Expense	655			7,045	21,990		25,571	2,525	298	57,429
Insurance - General Liability	670	938	938	20,616	11,248	1,927	19,159	10,062	7,487	72,375
Bad Debt Expense										
Miscellaneous Expense	675							8,374	6,992	15,366
Total 2020 Operating Expenses		115,013	7,592	912,657	580,926	3,440	649,320	214,716	720,164	3,203,828

FOR SETTLEMENT PURPOSES ONLY

MARION MUNICIPAL UTILITIES
CAUSE NUMBER 45838

OPERATING EXPENSE MATRIX

May 31, 2022 Operating Expenses Adjustments		Wells Expense	Wells Maintenance Expense	Treatment Plant Expense	Treatment Plant Maintenance Expense	Distribution Expense	Distribution Maintenance Expense	Customer Accounts	Admin & General	Total Operating Expenses Adjustments
(4) Salaries & Wages - Employees	601	$ -	$ -	$ 8,094	$ 12,974	$ -	$ 11,374	$ 2,287	$ 18,641	$ 53,370
(5) Employee Pensions & Benefits	604			(2,577)	(4,022)		(1,572)	(584)	(5,084)	(13,839)
(6) PERF				1,085	1,669		1,502	309	2,477	7,042
Purchased Power	615									-
(7) Chemicals	618			139,372						139,372
(8) Chlorine expense increase				6,200						6,200
(3) Materials and Supplies	620	106	528	6,842	6,970	340	3,201	198	614	18,799
(9) Asset Management Plan Contractual Services					(50,378)					(50,378)
(10) Increase Lime Exp for new lagoon					20,000					20,000
(11) Remove three invoices							(19,145)			(19,145)
(12) Meter reading 12th month of Expense								3,545		3,545
(13) I&M Rate case									(8,747)	(8,747)
(14) Wellhead Protection									6,458	6,458
(15) Rate case expense (45838)									82,500	82,500
Engineering	631									-
Legal	633									-
Other	636									-
Rents - Equipment	642									-
Transportation Expense	650									-
Insurance - General Liability	655									-
Bad Debt Expense	670									-
Miscellaneous Expense	675									-
Total 5/31/2022 Operating Expenses Adj.		106	528	159,016	(12,787)	340	(4,640)	5,755	96,859	245,177
(16) FICA Taxes										7,332
(17) Utility Receipts Tax										(50,000)
Payroll Tax Expense										$ 202,509