

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF JACKSON COUNTY WATER)
 UTILITY, INC., FOR AUTHORITY TO ISSUE) CAUSE NO. 45640
 LONG TERM DEBT AND CHANGES TO ITS)
 RATES, CHARGES AND TARIFF) APPROVED: APR 05 2023**

PHASE 2 ORDER OF THE COMMISSION

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

On November 5, 2021, Jackson County Water Utility, Inc. (“JCWU” or “Petitioner”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking authority to issue long term debt through a Phase 1 proceeding; and to change its rates, charges, and tariff through a Phase 2 proceeding.

On April 27, 2022, the Commission entered its Order in Phase 1 (“Phase 1 Order”) granting Petitioner the authority to issue long-term debt up to the maximum amount of \$4,300,000 for a maximum term of 35 years at an average interest rate not to exceed 4.5%. Petitioner was further authorized to seek a Phase 2 increase in its rates and charges by filing additional evidence based upon a test year of December 31, 2021, as adjusted for fixed, known, and measurable changes that will occur within 12 months of the end of such test year.

Petitioner filed its Phase 2 direct case on September 7, 2022, consisting of the testimony and exhibits of its witnesses Larry W. McIntosh and Earl L. Ridlen III.¹ The Indiana Office of Utility Consumer Counselor (“OUCC”) filed its case-in-chief on December 13, 2022, consisting of the testimony and exhibits of Thomas W. Malan, Ronald M. Perkins, Jr., James T. Parks, and Shawn Dellinger.

On January 27, 2023, Petitioner filed a Stipulation and Settlement Agreement (“Settlement Agreement”) executed by Petitioner and the OUCC (jointly, “Settling Parties”). On that same day supporting testimony, attachments, and a workpaper of Mr. McIntosh and Mr. Malan were also filed.

The Commission held the Phase 2 Evidentiary Hearing on February 7, 2023, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner, and the OUCC appeared by counsel, and Petitioner and the OUCC offered their respective prefiled testimony and exhibits, which were admitted into the record without objection.

The Commission, having considered the evidence of record and the applicable law, now

¹ Petitioner filed revisions to the testimony and attachments of Mr. McIntosh and Mr. Ridlen on November 28, 2022, and December 1, 2022, respectively.

finds as follows:

1. **Notice and Jurisdiction.** Notice of the proceedings in this Cause was given and published by the Commission as required by law. Petitioner is a public utility as defined by Ind. Code § 8-1-2-1 and a not-for-profit utility as defined in Ind. Code § 8-1-2-125. The Commission has jurisdiction to approve a not-for-profit utility's rates and charges for water service under Ind. Code § 8-1-2-125 and the utility's issuance of stocks, bonds, and debt under Ind. Code §§ 8-1-2-76 through 8-1-2-80. Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** JCWU is a not-for-profit utility organized and existing under the laws of the State of Indiana. Petitioner provides water service to customers in both rural and municipal areas in Jackson, Jennings, Bartholomew, Brown, and Lawrence Counties, Indiana.

3. **Existing Rates, Test Year, and Relief Requested.** Petitioner's current rates and charges were approved by the Commission in its Phase II Order issued on April 17, 2019, under Cause No. 44986. In this Phase 2 proceeding, Petitioner requested approval to change its rates and charges to repay the long-term debt authorized in the Phase 1 Order. The test year for this proceeding is the 12 months ending December 31, 2021, adjusted for changes that are fixed, known, measurable, and occurring within 12 months following the end of the test year.

4. **Petitioner's Direct Evidence.** Larry W. McIntosh, Petitioner's General Manager, explained Petitioner's Board of Directors ("Board") is responsible for managing the utility's affairs. He said the Board members are elected by the customers; and are customers of Petitioner themselves. He explained how the Board was involved with the decisions that led to this request and ultimately agreed to the proposed rate increase. Mr. McIntosh stated customers were provided notice of this Cause as part of the Phase 1 proceedings and that Petitioner was also in the process of providing additional notice to customers through bill inserts and legal notices to be published in the *Crothersville Times*, the *Jackson County Banner*, and the *Tribune*, of this Phase 2 filing.

Mr. McIntosh testified that JCWU has experienced price increases on chemicals, parts, fuel, and labor since the test year. He identified and detailed each of the revenue requirement adjustments JCWU was requesting to reflect the cost increases. He stated JCWU is trying to minimize the rate impact on customers while still trying to maintain its water system. He stated JCWU believes a 5% increase in extensions and replacements ("E&R") expense balances both considerations. He stated JCWU currently uses caustic soda, chlorine, carbon dioxide, and fine silica sand in its water softening treatment plant. Because of price increases for these products, he explained JCWU's requested revenue requirement adjustments of \$131,029.83 for caustic soda, \$7,279.79 for chlorine, and \$17,472.58 for carbon dioxide. He also explained JCWU's request for an additional \$16,221.86 for increased fuel expense and how the adjustment was calculated. Regarding purchased water, Mr. McIntosh stated that during the test year Indiana-American Water's meter went bad resulting in four months of incorrect meter reads and that while the vault and meter was replaced, JCWU also had to use its emergency connection to Jennings Water. He said the revenue requirement should be adjusted by \$14,768.79 annually to reflect estimated known costs not included in the test year and described how he calculated the adjustment.

Mr. McIntosh explained the Board has taken steps to close the loan with the State Revolving Fund (“SRF”) and that the new main replacement project will allow JCWU to better utilize the current distribution system, including the water treatment plant. He said that approval of borrowing long-term debt to fund main replacements in portions of Petitioner’s service area, and then adjusting rates for all customers, is an approach Petitioner has previously used. He concluded that based on the needs of JCWU, he believes this proposed rate increase is reasonable.

Earl L. Ridlen III, a certified public accountant with LWG CPA’s and Advisors, testified regarding the status of the long-term debt financing. He stated Petitioner issued \$4,300,000 in long-term debt in two separate series of bonds. Series A was in the amount of \$285,000 at a borrowing rate of 2% payable over a 20-year period. Series B was in the amount of \$4,015,000 at a borrowing rate of 1.6% payable over a 35-year period.

Mr. Ridlen stated that he and his firm performed an audit of Petitioner’s books and records for the calendar year ended December 31, 2021, which served as the starting point for this Phase 2 filing. He provided a rate report with accompanying accounting schedules to support Petitioner’s request for a base rate increase of 9.20%, or an additional \$354,349 in additional revenue. *See* Pet. Ex. 8, Revised Attachment ELR-1. Mr. Ridlen testified that the books and records of Petitioner are kept in accordance with the uniform system of accounts as prescribed by the National Association of Regulatory Utility Commissioners. He explained this uniform system of accounts conforms in all material respects with generally accepted accounting principles as applied to rate regulated utilities. He said the books and records are the representations of the management of Petitioner, and are the starting point for its fixed, known, and measurable accounting adjustments. Mr. Ridlen then described each of the adjustments that he had made to Petitioner’s test-year books and records, including those supported by Mr. McIntosh.

5. OUCC’s Direct Evidence. Thomas W. Malan, a Utility Analyst in the Water/Wastewater Division, presented the results of the OUCC’s analysis of JCWU’s requested rate increase and recommended an overall rate increase of 9.20% to produce an additional \$355,812 of operating revenue. He also presented revenue and expense adjustments recommended by the OUCC. Regarding operating revenues, Mr. Malan explained while he accepted Petitioner’s test year residential customer growth adjustment, he recommended a post-test year customer growth adjustment and a normalization of late fees be included. He stated that the OUCC accepts Petitioner’s adjustments to salaries and wages, employee benefits, purchased power expense, purchased water expense, chemical expense, transportation expense, miscellaneous expense, and payroll taxes. He explained, however, the OUCC does not accept the proposed adjustments to regulatory expense (IURC Fees) and rate case expense amortization. He stated the OUCC also recommends additional operating expense adjustments to salary and wage expense, purchased power expense, system delivery expense, contractual services–accounting expense, and contractual services–legal expense and an additional revenue requirement offset for land rental income received during the test year. Finally, Mr. Malan testified that the OUCC recommends JCWU file a 30-Day filing with the Commission to adjust its tap fee and any other nonrecurring charges as needed to recover current costs incurred to provide the service.

Ronald M. Perkins, Jr., a Utility Analyst II in the Water/Wastewater Division, explained the OUCC’s recommended operating expense adjustments to purchased power, chemicals, and periodic maintenance expense. He explained his review of JCWU’s test year purchased power

expense revealed that a December 2021 invoice had not been recorded to the general ledger until January of the next year and therefore, JCWU's test year purchased power expense was understated. He testified he accepted JCWU's revised chemical expense adjustment. As to periodic maintenance expense, he explained that although not proposed by Petitioner, the OUCC recommends a \$47,500 increase to test year operating expense for periodic maintenance costs related to tank painting. He stated while this amount will not fully fund JCWU's tank painting needs, it is the amount available based on JCWU's proposed level of rate increase. He further explained that the OUCC recommends JCWU be required to deposit \$47,500 annually into its restricted tank maintenance fund and that JCWU be required to provide a report as part of its annual report to the Commission that shows the beginning and ending balance of this restricted account and a listing of each deposit and withdrawal. He said each withdrawal should include the name of the vendor and the maintenance performed.

Mr. Perkins also explained although the OUCC disagrees that filter media replacement is a capital expenditure that should be funded through E&R, JCWU has not replaced the filter media at its treatment plant since the plant became operational in 1998. He said given that it's been 25 years since the filter media was replaced, the OUCC accepts Petitioner's proposal to fund filter media replacement with E&R funds.

Mr. Perkins stated generally, not-for-profit entities, including water utilities, are not subject to property taxes. However, he said JCWU paid approximately \$13,500 of property taxes during the test year. He explained in response to OUCC Data Request No. 5-2, JCWU stated its manager met with the Jackson County Assessor to discuss the property tax exemption process and received forms to complete and file by April 1, 2023. Thus, he recommended test year property tax expense of \$13,500 be included in Petitioner's operating expense revenue requirement, but in 2024, when JCWU will no longer be subject to property taxes, JCWU should increase the deposits to its restricted tank maintenance fund by \$13,500.

James T. Parks, a Senior Utility Analyst in the Water/Wastewater Division, explained he identified and corrected a data entry error in JCWU's calculation of its proposed E&R revenue requirement. Mr. Parks explained that he used the corrected \$93,331.30 cost for pickup trucks, and otherwise using the same methodology that JCWU used, calculated JCWU's average E&R amount over the three years to be \$523,081, or \$42,801 higher than the requested \$481,000. He said in response to OUCC discovery, Petitioner reported it does not have a current 3-to-5-year capital improvement plan but will be working with its engineer to develop a new five-year capital improvement plan in 2023. He agreed Petitioner should prepare a new five-year plan as part of its Asset Management Program. He recommended JCWU submit both the new five-year Capital Improvement Plan and its Capital Asset Management Plan to the Commission and the OUCC within 60 days of their completion. He also recommended that JCWU submit these plans in its next rate case.

Regarding periodic maintenance expense, he stated in a 2007 Settlement Agreement under Cause No. 43289, JCWU agreed to establish a restricted account to segregate funds collected through rates for tank painting so that the funds will be available when needed for painting Petitioner's water storage tanks. He explained JCWU was permitted to access those funds for other uses in the event of an emergency. He stated the revenue requirement to fund tank painting should be approximately \$120,000 per year based on a 15-year repainting cycle. He recommended JCWU

continue to fund its restricted tank maintenance fund and develop a tank maintenance program in 2023 based on quotations from tank painting contractors to establish the funding level it needs to include in future rates to fund cleaning, inspections, repairs, and repainting. He said he understands Petitioner wants to limit the rate increase in this Cause to 9.20% and will not be able to fully fund the \$120,000 annual revenue requirement he calculated for tank painting. He recommended that the Commission direct Petitioner to place \$47,500 annually in its tank maintenance fund.

Finally, Mr. Parks recommended Petitioner follow the operation and maintenance best practices for treated water storage facilities as set forth in American National Standards Institute/American Water Works Association's G200, Distribution Systems Operation and Management, more specifically, Section 4.3.1.3, Inspection and Section 4.3.1.4 Maintenance of Treated Water Storage Facilities.

Shawn Dellinger, a Senior Utility Analyst in the Water/Wastewater Division, discussed JCWU's proposed revenue requirement that includes both debt service and debt service reserve for recently issued debt. He described Petitioner's recent debt issuance, which was authorized in the Phase 1 Order, and said he accepts and agrees with JCWU's schedule of annual debt service. However, he disagreed with JCWU's proposal to use the highest annual debt service, which occurs in 2025, as the pro forma revenue requirement. He explained why he believes it is more appropriate to base rates on the average cost of debt over the life of the rates being set in this Cause and recommended a pro forma annual revenue requirement for debt service of \$1,191,522. He also disagreed with Petitioner's proposal to use the maximum annual debt service of the individual bond issuances for calculating the required amount of debt service reserve. He explained in this case, the maximum annual debt service for the SRF loans is \$893,487 and the existing debt service reserve balance is \$654,848.92. Therefore, the balance to be funded during the life of these rates is \$238,638 and the annual amount is \$47,728. He recommended a debt service reserve revenue requirement of \$47,728. He said once the debt service reserve funding requirement has been met, the pro forma revenue associated with the debt service reserve (\$47,728 annually) should be placed in JCWU's restricted tank maintenance fund. He said thereafter, those deposits should be noted in the utility's annual reports to the Commission.

6. Settlement Agreement and Evidence in Support of the Settlement. After the parties' pre-filing of their direct testimony, JCWU and the OUCC entered into the Settlement Agreement. The Settling Parties agree that Petitioner's proposal for a 9.2% rate increase as set forth in its Phase 2 case-in-chief (and as modified by the OUCC's testimony and reflected in the OUCC's schedules) should be approved. Further, the Settling Parties agree that once the debt service reserve funding requirement has been met, JCWU shall place the pro forma revenue amount of \$47,728 annually into its restricted tank maintenance fund. But should JCWU believe that exigent circumstances warrant continuing to fund the debt service reserve, Petitioner shall discuss this requirement with the OUCC and provide an update to the Commission through a filing in this Cause. The Settling Parties agree that JCWU shall be permitted to defer recovery of up to \$50,000 of reasonable and prudent external third-party engineering expenses associated with developing the Capital Improvement Plan for recovery in a future rate case. Finally, the Settling Parties agree JCWU shall make a 30-Day filing to update its tap fee and adjust any necessary non-recurring charges within 45 days of a final order in this Cause.

A. JCWU's Settlement Evidence. Mr. McIntosh testified in support of the

Settlement Agreement reached between JCWU and the OUCC. He provided an overview of the Settlement Agreement, discussed the Settlement Agreement terms, and explained why he believes the Settlement Agreement is in the public interest. He testified both JCWU and the OUCC recommended a 9.2% rate increase. He said the remaining issues between the Settling Parties were minor, and the Settlement Agreement resolves all of them. He testified it is his opinion that the Settlement Agreement is in the public interest and reasonably resolves all issues in this docket without further expending the time and resources of the Commission and the Settling Parties in the litigation of these matters.

He explained Section I.a). of the Settlement Agreement recognizes the parties' agreement that JCWU's proposal for a 9.2% rate increase should be approved except as modified by the Settlement Agreement. He said Section I.b). states the Settling Parties agree that once the debt service reserve funding requirement has been met, JCWU shall place the pro forma revenue amount of \$47,728 annually into its restricted tank maintenance fund. He said should JCWU believe that exigent circumstances warrant continuing to fund the debt service reserve, JCWU shall discuss this requirement with the OUCC and provide an update to the Commission through a filing in this Cause. He said while he recognizes and shares the OUCC's goal of ensuring funds are used prudently, he expressed concern about a rigid requirement that the debt service funding immediately stop once the reserve has been met. He said the Settling Parties agreed to resolve this concern by creating a presumption that once the debt reserve requirement has been met, JCWU will begin ear-marking those funds for tank maintenance. He said JCWU has committed to update the Commission as necessary on this matter.

He said Section I.c). of the Settlement Agreement recognizes that a capital improvement plan requires input from a third-party engineer, and the Settling Parties agree that JCWU shall be permitted to defer recovery of reasonable and prudent external third-party engineering expenses associated with developing its capital improvement plan for recovery in a future rate case. He said the amount permitted to be deferred shall not exceed \$50,000. He explained this provision reasonably balances JCWU's interest in ensuring reasonable costs of providing service are recovered in rates, while also providing a reasonable cap on those expenses. He explained Section I.d). requires JCWU to make a 30-day filing to update its tap fee and adjust any necessary non-recurring charges within 45 days of a final order in this Cause. He explained this settlement provision reasonably addresses OUCC witness Malan's recommendation that JCWU adjust its tap fee and any other nonrecurring charges to recover the costs incurred to provide the service.

He testified that other provisions of the Settlement Agreement include the Settlement Agreement is reflective of a negotiated settlement and neither the making of the Settlement Agreement nor any of its provisions shall constitute an admission by any Settling Party in this or any other litigation or proceeding. He said the Settlement Agreement is a package compromise and will be null and void unless approved in its entirety without an unacceptable modification or further condition. He explained the Settling Parties agree that the Settlement Agreement shall not be used as precedent by any person or entity in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce it. He said the Settlement Agreement also includes provisions considering the evidence in the record supporting the approval of the Settlement Agreement, recognizes the confidentiality of settlement communications, and reflects other terms typically found in settlement agreements before the Commission.

Mr. McIntosh testified that he believes the Settlement Agreement is in the public interest because it provides a reasonable means of resolving the issues raised in a manner that is fair and balanced. He said the Settlement Agreement represents the result of extensive, good faith, arm's-length negotiations, with experts and legal counsel involved in the conceptual framework and details of the Settlement Agreement. He said taken as a whole, the Settlement Agreement reasonably addresses the concerns raised in this proceeding and provides a balanced, cooperative outcome of the issues in this Cause. He recommended the Commission issue an order approving the Settlement Agreement in its entirety.

B. OUCC's Settlement Evidence. Mr. Malan also testified in support of the Settlement Agreement. He explained that the OUCC disagreed with some of Petitioner's proposed operating expense adjustments, but the OUCC also identified the need for additional revenues for periodic maintenance and E&R. He testified the Settling Parties ultimately agreed to an across-the-board revenue increase of \$355,813, which is a rate increase of 9.20% over JCWU's existing rates. He provided a table comparing the parties' proposed revenue requirement along with the revenue requirement agreed upon in the Settlement Agreement. He also described the Settling Parties' agreement regarding operating revenues, operating expenses, E&R, revenue requirement, debt service reserve funding, the capital improvement plan, and the 30-day filing for non-recurring charges.

He testified the Settlement Agreement represents a reasonable compromise that the Settling Parties support as fair, reasonable, and beneficial to both Petitioner and its customers. He said the Settlement Agreement is in the public interest because JCWU will have sufficient funds to pay its necessary operating expenses and capital improvements. He explained the Settling Parties also value the certainty and speed of implementing negotiated outcomes such as this.

7. Commission Discussion and Findings. 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)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *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., Inc. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

Both Petitioner and the OUCC submitted testimony in support of the Settlement Agreement and testified as to the benefits of settlement. As testified to by Mr. McIntosh and Mr. Malan, the Settlement Agreement also resolved all the issues between the parties. The evidence shows that

JCWU agreed to the OUCC’s recommended changes to Petitioner’s revenue requirement including E&R, debt service/debt service reserve, revenue adjustments to post-test year customer growth and late fees, taxes other than income, and changes to several O&M expenses. Regarding debt service reserve funding, we find the Settling Parties’ agreement that JCWU will place its pro forma annual debt service reserve amount of \$47,428 into a restricted tank maintenance account once its debt service reserve has been met will ensure JCWU has adequate funding for periodic maintenance. We also find it reasonable to allow Petitioner to defer recovery of reasonable and prudent costs associated with developing a capital improvement plan, which will help ensure the continued provision of safe and reliable service to its customers.

Based on our review of the evidence of record as described above, we find the Settlement Agreement and the proposed increase to revenues is reasonable, in the public interest, and therefore approved.

The Table below summarizes the rate increase as agreed to by the Settling Parties in Joint Exhibit 1, Settlement Schedule 1 and approved by the Commission:

Revenue Requirements	
Operating Expenses (O&M)	\$ 2,417,064
Taxes Other Than Income	68,774
E&R	523,081
Debt Service	1,191,522
Debt Service Reserve	47,728
Total Revenue Requirements	4,248,169
Less: Interest Income	(5,313)
Less: Other Income - Land Rental	(11,500)
Net Revenue Requirements	4,231,356
Less: Revenues at Current Rates Subject to Increase	(3,865,964)
Less: Other Revenues at Current Rates	(9,993)
Net Revenue Increase Required	355,399
Add: Additional IURC Fees	414
Required Revenue Increase	\$ 355,813
Required Percentage Increase	9.20%

Based on the approved revenue requirements, a customer using 5,000 gallons of water per month would experience an increase of \$5.26 per month from \$57.17 to \$62.43.

Finally, the Settling Parties agree that the Settlement Agreement should not 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 agreement, we find our approval herein 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. Petitioner is authorized to increase its rates and charges across the board by 9.20% to produce additional new revenue of \$355,813, resulting in total annual rate revenue of \$4,231,356.
3. Petitioner is authorized to defer recovery of reasonable and prudent external third-party engineering expenses associated with developing a capital improvement plan for recovery in a future rate case. The amount permitted to be deferred shall not exceed \$50,000.
4. Petitioner shall make a compliance tariff filing under this Cause in keeping with our findings above. Such tariff shall become effective upon approval by the Commission's Water/Wastewater Division.
5. This order shall be effective on or after the date of its approval.

HUSTON, FREEMAN, VELETA, AND ZIEGNER CONCUR; KREVDA ABSENT:

APPROVED: APR 05 2023

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

**Dana Kosco
Secretary of the Commission**

OFFICIAL EXHIBITS

FILED
January 27, 2023
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY)
WATER UTILITY, INC., FOR)
AUTHORITY TO ISSUE LONG TERM)
DEBT AND CHANGES TO ITS RATES,)
CHARGES AND TARIFF)

CAUSE NO. 45640 (Phase 2)

IURC
JOINT

EXHIBIT No. /

SUBMISSION OF SETTLEMENT AGREEMENT

DATE

2-7-23

REPORTER
AT

Petitioner, Jackson County Water Utility, Inc. ("JCWU"), by counsel, respectfully files the attached Settlement Agreement on behalf of itself, and the Indiana Office of Utility Consumer Counselor ("OUCC") ("Settling Parties").

Respectfully submitted on behalf of the Settling Parties,



Jeffrey M. Peabody, Atty. No. 28000-53

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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing has been served upon the following counsel of record by electronic mail this 27th day of January, 2023:

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF JACKSON COUNTY)
WATER UTILITY, INC., FOR)
AUTHORITY TO ISSUE LONG TERM) CAUSE NO. 45640 (Phase 2)
DEBT AND CHANGES TO ITS RATES,)
CHARGES AND TARIFF)

STIPULATION AND SETTLEMENT AGREEMENT (PHASE 2)

Jackson County Water Utility, Inc. (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), (collectively the “Settling Parties”), solely for purposes of compromise and settlement, stipulate and agree that the terms and conditions set forth below represent a fair, just and reasonable resolution of the matters set forth below, subject to their incorporation by the Indiana Utility Regulatory Commission (“Commission”) into a final, non-appealable order (“Final Order”) without modification or further condition that may be unacceptable to any Settling Party.¹ If the Commission does not approve this Stipulation and Settlement Agreement (“Settlement Agreement”), in its entirety, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. TERMS AND CONDITIONS.

a) The Settling Parties agree that Petitioner’s proposal for a 9.2% rate increase as set forth in its Phase II case-in-chief (and as modified by the OUCC’s testimony and reflected in the OUCC’s schedules) shall be approved, except as modified herein.

¹ “Final Order” as used herein means an order issued by the Commission as to which no person has filed a Notice of Appeal within the thirty-day period after the date of the Commission order.

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b) Debt Service Reserve – The Settling Parties agree that once the debt service reserve funding requirement has been met, Petitioner shall place the pro forma revenue amount of \$47,728 annually into its restricted tank maintenance fund. Should Petitioner believe that exigent circumstances warrant continuing to fund the debt service reserve, Petitioner shall discuss this requirement with the OUCC and provide an update to the Commission through a filing in this Cause.

c) Capital Improvement Plan – The Settling Parties agree that Petitioner shall be permitted to defer recovery of reasonable and prudent external third-party engineering expenses associated with developing the Capital Improvement Plan for recovery in a future rate case. The amount permitted to be deferred shall not exceed \$50,000.

d) 30-Day Filing – Petitioner agrees it shall make a 30-Day filing to update its tap fee and adjust any necessary non-recurring charges within 45 days of a Final Order in this Cause.

II. PRESENTATION OF THE SETTLEMENT AGREEMENT TO THE COMMISSION.

1. The Settling Parties shall support this Settlement Agreement before the Commission and request that the Commission expeditiously accept and approve the Settlement Agreement.

2. The Settling Parties agree to provide each other with an opportunity to review drafts of testimony supporting the Settlement Agreement to consider the input of the other Settling Party. Such evidence, together with the evidence previously prefiled in this Cause, will be offered into evidence without objection and the Settling Parties hereby waive cross-examination of each other's witnesses. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and that, if the Commission fails to approve this Settlement Agreement in its entirety

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Stipulation and Settlement Agreement

without any change or approves it with condition(s) unacceptable to any Settling Party, the Settlement and supporting evidence shall be withdrawn and the Settling Parties agree that in such event the Commission should continue to hear this matter with the proceedings resuming at the point they were suspended by the filing of this Settlement Agreement. If a Settling party considers the Commission to have issued an order that the Settling Party considers to impose a change or condition that is unacceptable, the Settling Party shall notify the other Settling Party in writing within 14 days.

3. A Commission Order approving this Settlement Agreement shall be effective immediately, and the agreements contained herein shall be unconditional, effective and binding on all Settling Parties as an Order of the Commission.

4. The Parties acknowledge a significant motivation for Petitioner to enter into this Settlement is the expectation that a final order will be issued promptly by the Commission authorizing increases in its rates and charges as reflected by this Settlement and the accepted positions of the Parties as reflected by the evidence in this Cause.

5. The Parties believe the Parties' direct testimony and exhibits and the Parties' settlement testimony and exhibits, along with this Settlement, constitute substantial evidence sufficient to support this Settlement and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary to issue a final order adopting and approving this Settlement.

III. SETTLEMENT EFFECT, SCOPE, AND APPROVAL

1. The Parties acknowledge and agree as follows:

a) The Settlement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without change or condition that is unacceptable to either Petitioner or the OUCC. Each term of the Settlement is in consideration and support of each and every other term.

b) The Settlement is the result of compromise by the Parties within the settlement process. Neither the making of this Settlement nor any of the individual provisions or stipulations herein shall constitute an admission or waiver by any Party in any other proceeding; nor shall they constitute an admission or waiver in this proceeding if the Settlement is not accepted by the Commission. The Parties hereto shall not use this Stipulation or the Order provided by this Stipulation as precedent or offer the same as an admission in any other proceeding or for any other purpose except to the extent necessary to implement or enforce its terms. In the event this Stipulation or resulting Order is offered for any purpose prohibited by this Agreement, the Parties agree that objections by the non-offering party are proper.

c) The communications and discussions among the Parties, along with the materials produced and exchanged during the negotiation of this Settlement, relate to offers of settlement and compromise, and as such, all are privileged and confidential. Such material cannot be used in this or any other proceeding without the agreement of the Parties herein.

d) The undersigned represent and agree that they are fully authorized to execute this Settlement on behalf of their designated clients who will thereafter be bound by this Settlement.

Cause No. 45640
Stipulation and Settlement Agreement

e) The Parties hereto will either support; or not oppose on rehearing, reconsideration, and/or appeal; an IURC order accepting and approving this Settlement in accordance with its terms.

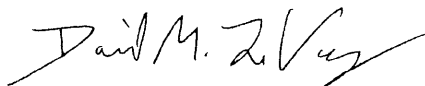
ACCEPTED and AGREED this 27th day of January, 2023

Jackson County Water Utility, Inc.



By: _____
Jeffrey M. Peabody

Indiana Office of Utility Consumer Counselor



By: _____
Daniel M. LeVay

Jackson County Water Utility Inc
CAUSE NUMBER 45640

**Comparison of Petitioner's and OUCC's
Revenue Requirements**

	Per Petitioner		Per OUCC & Settlement	Sch Ref	OUCC & Settlement More (Less)
	9/7/2022	12/1/2022			
Operating Expenses	\$ 2,418,498	\$ 2,434,563	\$ 2,417,064	4	\$ (17,499)
Taxes other than Income	55,252	55,252	68,774	4	13,522
Extensions and Replacements	481,000	481,000	523,081	7	42,081
Debt Service	1,193,079	1,193,079	1,191,522	SD	(1,557)
Debt Service Reserve	47,953	47,953	47,728	SD	(225)
Total Revenue Requirements	4,195,782	4,211,847	4,248,169		36,322
Less: Revenue Requirement Offsets					
Interest Income	(5,313)	(5,313)	(5,313)	3	-
Other Income - Land Rental		-	(11,500)	3	(11,500)
Net Revenue Requirements	4,190,469	4,206,534	4,231,356		24,822
Less: Revenues at current rates subject to increase	(3,852,597)	(3,852,597)	(3,865,964)	4	(13,367)
Other revenues at current rates		-	(9,993)	4	(9,993)
Net Revenue Increase Required	337,872	353,937	355,399		1,462
Add: Additional IURC Fees	394	412	414		2
Recommended Increase	<u>\$ 338,266</u>	<u>\$ 354,349</u>	<u>\$ 355,813</u>		<u>\$ 1,464</u>
Recommended Percentage Increase	<u>8.78%</u>	<u>9.20%</u>	<u>9.20%</u>		<u>0.00%</u>

Current Rate for 5,000 Gallons	Petitioner		Proposed	OUCC More (Less)
	9/7/2022	12/1/2022	OUCC	
Current Rate = \$57.17	\$62.19	\$ 62.43	\$ 62.43	\$ -

Jackson County Water Utility Inc
CAUSE NUMBER 45640

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

	Per Petitioner		Per OUCC & Settlement	Settlement More (Less)
	9/7/2022	12/1/2022		
Operating Revenues				
Residential normalization	\$ 43,165	\$ 43,165	\$ 43,165	\$ -
Residential post-test year growth	-	-	5,269	5,269
Late Payment Fees	-	-	18,091	18,091
				-
Total Operating Revenues	<u>43,165</u>	<u>43,165</u>	<u>66,525</u>	<u>23,360</u>
O&M Expense				
Salaries and Wages	21,275	21,275	21,275	-
Tap Fee Labor	-	-	(36,162)	(36,162)
Employee Benefits	1,064	1,064	1,064	-
Purchased Water	-	14,769	14,769	-
Purchased Power	-	-	2,799	2,799
Chemicals	154,487	155,783	155,783	-
System Delivery	-	-	7,666	7,666
Contractual Services - Accounting	-	-	(5,250)	(5,250)
Contractual Services - Legal	-	-	(24,548)	(24,548)
Transportation Expense	16,222	16,222	16,222	-
IURC Fee	232	232	(136)	(368)
Periodic Maintenance	-	-	47,500	47,500
Miscellaneous Expense	327	327	327	-
Payroll Taxes	1,628	1,628	1,628	-
Rate case expense	32,807	32,807	(8,207)	(41,014)
Total Operating Expenses	<u>228,042</u>	<u>244,107</u>	<u>194,730</u>	<u>(49,377)</u>
Net Operating Income	<u>\$ (184,877)</u>	<u>\$ (200,942)</u>	<u>\$ (128,205)</u>	<u>\$ 72,737</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

COMPARATIVE BALANCE SHEET
As of December 31,

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Utility Plant:			
Utility Plant in Service	\$ 37,941,883	\$ 37,136,511	\$ 35,793,786
Less: Accumulated Depreciation	<u>14,054,756</u>	<u>13,187,710</u>	<u>11,822,982</u>
Net Utility Plant in Service	<u>23,887,127</u>	<u>23,948,801</u>	<u>23,970,804</u>
Other Property & Investments			
Nonutility Property	140,056	140,056	140,056
Less: Accumulated Depreciated	<u>68,283</u>	<u>68,283</u>	<u>68,283</u>
Total Other Property & Investments	<u>71,773</u>	<u>71,773</u>	<u>71,773</u>
Restricted Assets:			
USDA	315,486	315,398	315,010
IFA (Note to DSR)	617,346	543,174	466,755
Series 2013 Bonds	519,725	519,725	519,725
Task Maintenance, IURC	609,966	558,466	437,214
2018 SRF Construction Fund	<u>907,048</u>	<u>-</u>	<u>-</u>
Total Restricted Assets	<u>2,969,571</u>	<u>1,936,763</u>	<u>1,738,704</u>
Current Assets:			
Cash and Cash Equivalents	373,459	675,072	683,479
Temporary Cash Investments	858,746	860,655	856,144
Customer Accounts Receivable	334,388	325,608	329,066
Provision for Uncollectible Accounts	(20,000)	(30,500)	(30,500)
Materials and Supplies	261,275	154,561	156,627
Prepayments	<u>45,035</u>	<u>48,823</u>	<u>34,969</u>
Total Current Assets	<u>1,852,903</u>	<u>2,034,219</u>	<u>2,029,785</u>
Deferred Debits			
Unamortized Debt Discount and Expense	454,495	504,879	559,646
Deferred Rate Case Expense	<u>109,718</u>	<u>155,118</u>	<u>228,739</u>
Total Deferred Debits	<u>564,213</u>	<u>659,997</u>	<u>788,385</u>
Total Assets	<u><u>\$ 29,345,587</u></u>	<u><u>\$ 28,651,553</u></u>	<u><u>\$ 28,599,451</u></u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

COMPARATIVE BALANCE SHEET

As of December 31,

<u>LIABILITIES</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Equity			
Paid in Capital	\$ 843,283	\$ 819,906	\$ 790,906
Retained Earnings	7,204,206	6,918,261	6,649,289
Total Equity	<u>8,047,489</u>	<u>7,738,167</u>	<u>7,440,195</u>
Contributions in Aid of Construction			
Contributions in Aid of Construction, net	5,714,735	5,542,356	5,378,593
Accumulated Amortization of CIAC	-	-	-
Net Contributions-in-aid of Construction	<u>5,714,735</u>	<u>5,542,356</u>	<u>5,378,593</u>
Long-term Debt			
Bonds Payable - Series 2013	235,000	360,000	485,000
RD Note 2003	4,009,474	4,120,841	4,227,156
SRF Note Payable	814,001	902,001	987,001
2018 SRF Payable	6,413,000	5,680,061	4,294,936
2014 SRF Payable	<u>3,829,936</u>	<u>4,064,936</u>	<u>5,518,657</u>
Total Long-term Debt	<u>15,301,411</u>	<u>15,127,839</u>	<u>15,512,750</u>
Current Liabilities			
Accounts Payable	85,193	42,985	53,800
Customer Deposits	5,025	5,025	5,025
Accrued Taxes	52,964	48,736	55,115
Accrued Interest	<u>138,770</u>	<u>146,445</u>	<u>153,973</u>
Other Current Liabilities	<u>281,952</u>	<u>243,191</u>	<u>267,913</u>
Total Liabilities	<u><u>\$ 29,345,587</u></u>	<u><u>\$ 28,651,553</u></u>	<u><u>\$ 28,599,451</u></u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Water Sales			
Unmetered	\$ 87,153	\$ 24,963	\$ 23,680
Residential	2,842,562	2,800,396	2,662,589
Commercial	543,064	590,091	663,463
Industrial	11,132	12,367	10,837
Public Authority	14,882	65,783	77,393
Sales for Resale	146,086	156,981	152,049
Church	34,163	32,261	33,541
School	35,494	31,181	36,755
Fire Protection			
Public	62,595	62,595	61,029
Private	22,017	20,487	22,104
Late Payment Fees	291	3,490	19,283
Miscellaneous Service Revenue	9,993	24,438	27,922
Total Operating Revenues	<u>3,809,432</u>	<u>3,825,033</u>	<u>3,790,645</u>
Operating Expenses			
Salaries and Wages	717,775	642,505	666,844
Officers	14,625	13,875	14,875
Employee Benefits	279,122	269,382	247,879
Purchased Water	61,651	87,771	74,328
Purchased Power	210,191	202,303	204,827
Chemicals	245,843	214,824	196,710
Materials and Supplies	143,780	136,315	172,890
Contractual Services			
Accounting	34,874	29,646	28,908
Engineering	4,517	-	5,810
Legal	38,140	16,720	5,992
Testing	213,894	257,028	209,512
Transportation Expense	70,521	48,277	46,526
Insurance	63,780	50,593	57,105
Regulatory	4,645	4,485	4,291
Bad Debt Expense	7,051	308	383
Miscellaneous Expense	(a) 68,153	68,548	95,787
Total O&M Expense	<u>2,178,562</u>	<u>2,042,580</u>	<u>2,032,667</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Depreciation Expense	\$ 860,219	\$ 900,474	\$ 879,488
Amortization of Utility Plant Acquisition Adjus	6,828	6,828	6,827
Rate Case Amortization	45,400	73,636	54,706
Taxes Other than Income:			
Property Taxes	(b) 13,522		
Payroll Taxes	53,624	47,672	48,098
Total Operating Expenses	<u>3,158,155</u>	<u>3,071,190</u>	<u>3,021,786</u>
Net Operating Income	651,277	753,843	768,859
Other Income (Expense)			
Interest & Dividend Income	5,313	17,773	34,729
Gain (Loss) on Sale of Assets	5,799	-	-
Non-Utility Income	13,140	-	11,500
Miscellaneous Non-Utility Expenses	-	25,296	3,882
Total Other Income (Expenses)	<u>24,252</u>	<u>43,069</u>	<u>50,111</u>
Interest Expense			
Interest Expense	447,235	467,112	479,857
Debt Issuance Cost Amortization	(c) 50,371	54,767	59,137
Total Interest Expense	<u>497,606</u>	<u>521,879</u>	<u>538,994</u>
Net Income	<u>\$ 177,923</u>	<u>\$ 275,033</u>	<u>\$ 279,976</u>

- (a) Petitioner's 2019 IURC Annual Report, page W-2(a) does not tie to total operating expenses reflected on page F-3. The \$42,443 difference was added to Miscellaneous Expense.
- (b) Because Petitioner has not properly recorded its property tax expense, prior year expense is not available from the financial information provided in either this case or its IURC annual reports.
- (c) Petitioner included \$50,371 of Debt issuance cost combined with rate case expense

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Pro Forma Net Operating Income Statement

	Test Year Ended 12/31/2021	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Pro Forma Proposed Rates
Operating Revenues							
Water Sales							
Unmetered	\$ 87,153	\$ -		\$ 87,153	\$ 8,021		\$ 95,174
Residential	2,842,562	43,165	PET	2,890,996	266,080		3,157,076
		5,269	5-1		-		
Commercial	543,064	-		543,064	49,982		593,046
Industrial	11,132	-		11,132	1,025		12,157
Public Authority	14,882	-		14,882	1,370		16,252
Sales for Resale	146,086	-		146,086	13,445		159,531
Church	34,163	-		34,163	3,144		37,307
School	35,494	-		35,494	3,267		38,761
Fire Protection							
Public	62,595	-		62,595	5,761		68,356
Private	22,017	-		22,017	2,026		24,043
Late Payment Fees	291	18,091	5-2	18,382	1,692		20,074
Miscellaneous Service Revenue	9,993	-		9,993			9,993
Total Operating Revenues	<u>3,809,432</u>	<u>66,525</u>		<u>3,875,957</u>	<u>355,813</u>	1	<u>4,231,770</u>
O&M Expense							
Salaries and Wages	717,775	21,275	PET	702,888			702,888
		(36,162)	6-1				
Officers	14,625	-		14,625			14,625
Employee Benefits	279,122	1,064	PET	280,186			280,186
Purchased Water	61,651	14,769	PET	76,420			76,420
Purchased Power	210,191	2,799	6-2	212,990			212,990
Chemicals	245,843	155,783	PET	401,626			401,626
System Delivery	-	7,666	6-3	7,666			7,666
Materials and Supplies	143,780	-		143,780			143,780
Contractual Services							
Accounting	34,874	(5,250)	6-4	29,624			29,624
Engineering	4,517	-		4,517			4,517
Legal	38,140	(24,548)	6-5	13,592			13,592
Testing	213,894	-		213,894			213,894
Transportation Expense	70,521	16,222	PET	86,743			86,743
Insurance	63,780	-		63,780			63,780
Regulatory	4,645	(136)	6-6	4,509	414	1	4,923
Bad Debt Expense	7,051	-		7,051			7,051
Periodic Maintenance	-	47,500	6-8	47,500			47,500
Miscellaneous Expense	68,153	327	PET	68,480			68,480
Depreciation Expense	860,219	-		860,219			860,219
Amortization of Acquisition Adj.	6,828	-		6,828			6,828
Rate case expense	45,400	(8,207)	6-7	37,193			37,193
Taxes Other than Income							
Property Taxes	13,522	-		13,522			13,522
Payroll Taxes	53,624	1,628	PET	55,252			55,252
Total Operating Expenses	<u>3,158,155</u>	<u>194,730</u>		<u>3,352,885</u>	<u>414</u>		<u>3,353,299</u>
Net Operating Income	<u>\$ 651,277</u>	<u>\$ (128,205)</u>		<u>\$ 523,072</u>	<u>\$ 355,399</u>		<u>\$ 878,471</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Revenue Adjustments

(1)

Post Test Year Customer Growth

To adjust Petitioner's operating revenue for the growth in residential customers post test year.

# of Billings last month of the adjustment period	5,531
Months in adjustment period	<u>12</u>
# of Full Year Expected Billings	66,372
# of Test Year Billings Adjusted for Test Year Growth	<u>66,252</u>
Additional Adjustment Period Billings	120
Average bill	\$ <u>43.91</u>
Adjustment	\$ <u>5,269</u>

Adjustment Increase (Decrease)

\$ 5,269

Average Bill Calculation

Post test year sales	\$ 2,175,924
# of post test year billings	<u>49,551</u>
	<u>\$ 43.91</u>

(2)

Late Fee Revenues

To normalize late fee revenues, which were understated during the test year due to COVID-19 pandemic. Petitioner resumed charging late fees in 2022.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Average</u>
Operating Revenues	3,124,750	3,587,155	3,438,823	3,527,722	3,790,645	\$ 3,493,819
Late Fee Rev	17,776	19,210	11,989	23,653	19,283	18,382
% of Operating Reven	0.57%	0.54%	0.35%	0.67%	0.51%	0.53%

Pro Forma Late Fee Revenue (5-Year Average - 2015 - 2019)	\$ 18,382
Less: Test year revenue	<u>291</u>

Adjustment Increase (Decrease)

\$ 18,091

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(1)

Salaries and Wages

Adjustment to remove test year salaries that were collected through tap fees based on Petitioner's response to DR 4-5 & 4-7 (a)

	Total Tap Fee	Tap Fee Labor
Line side	1,313.73	309.12
Line side with pressure regulator	1,520.64	309.12
Road boar 60 ft	1,761.60	506.34
Road boar with pressure regulator 60 ft	1,968.51	506.34
Road boar >60 ft	2,559.00	506.34
Road boar with pressure regulator >60 ft	<u>2,765.91</u>	<u>506.34</u>
Average cost for a tap	\$ 1,982	
Average amount of labor for a tap		\$ 441
Test Year Taps		<u>82</u>
Amount of Labor included in Tapping fees		\$ 36,162
Adjustment Increase (Decrease)		<u>\$ (36,162)</u>

(2)

Purchased Power

Adjustment to include test year electric invoice that was recorded in January 2022.

Purchased Power invoice for December 2021 in the amount of \$2,799.34 (Duke Energy, Account #2940-2913-01-9, Meter located at 1121 Spring Street)

(Duke Energy, Account #2940-2913-01-9, Meter located at 1121 Spring Street)

December 2021 invoice recorded in 2022	2,799.00
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Adjustment Increase (Decrease)	<u>\$ 2,799</u>
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Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(3)

System Delivery Adjustment

To account for increased system delivery costs due to customer growth.

Purchased Water	76,420		
Purchased Power	212,990		
Chemical Expense	<u>401,626</u>		
Total Variable Cost		691,036	
Gallons Sold (000's Omitted)		<u>385,188</u>	
Cost per 1,000 Gallons			\$ 1.794023
Residential Cost per Bill			
Cost per 1,000 gallons		1.794023	
Average Consumption (000's Omitted)		<u>3.54</u>	
Variable Cost per Residential Bill			6.35
Add: Postage			<u>0.55</u>
Cost per Residential Bill			6.90
Increase in number of Residential Bills			<u>1,111</u>
Increased System Deliver Cost			7,666
Adjustment Increase (Decrease)			<u>\$ 7,666</u>

(4)

Contractual Services - Accounting

To remove test year rate case expense recorded during the test year per Petitioner's response to DR 6-1.

London Witte Group

Rate case filing and testimony	12.31.2021	\$ 5,250.00	
Adjustment Increase (Decrease)			<u>\$ (5,250)</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(5)

Contractual Services - Legal

Adjustment to remove rate case expense that was recorded during the test year per Petitioner's response to DR 6-1.

Barnes & Thronburg:

Discussions on new IURC Filing	07.30.2021	\$ 4,137.50
Work related to debt/rate filing	08.31.2021	214
Work on IURC petition, easement work	09.30.2021	3,638.00
Work on IURC petition	10.25.2021	4,113.00
work on IURC petition, testimony	11.19.2021	5,136.00
work on IURC Phase I	12.29.2021	7,309.50
		<u>\$ 24,548</u>

Adjustment Increase (Decrease)

\$ (24,548)

(6)

IURC Fee

To adjust test year IURC fee to reflect amount of fees for pro forma operating revenues.

Pro forma Operating Revenue	\$ 3,875,957	
Less: Bad Debt Expense	<u>(7,051)</u>	
	\$ 3,868,906	
Multiply by: 2022/2023 IURC Rate	<u>0.1163372%</u>	
Pro Forma IURC Fee		4,509
Less: Test year Expense		<u>4,645</u>

Adjustment Increase (Decrease)

\$ (136)

(7)

Rate Case Expense

Adjustment to add the rate case amortization to test year expense. Petitioner miscalculated unamortized rate case expense

Phase I rate case expenses	\$ 212,091
Phase II rate case expenses	125,000
Unamortized rate case expense at 2/28/2023	56,752
Less: Amounts funded by debt	<u>(207,877)</u>
Rate Case Expense to be Amortized	\$ 185,966
Divide by: 5- Year Amortization period	<u>5</u>
Pro Forma Annual Rate Case Amortization Expense	37,193
Less: Test year Rate Case Amortization Expense	<u>(45,400)</u>

Adjustment Increase (Decrease)

\$ (8,207)

Unamortized Rate Case Expense at 12	\$ 109,719
Less: Additional Amortization Expens	<u>(52,967)</u>
Unamortized Rate Case Expense at 02	<u>\$ 56,752</u>

Additional Amortization Expense:

Annual Amortization	\$ 45,400
Divide by 12 months	<u>12</u>
Monthly Amortization	3,783.33
Multiply by 14 months	<u>14</u>
Additional Amortization Expense	<u>\$ 52,967</u>

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Settlement Expense Adjustments

(8)

Periodic Maintenance - Tank Painting Expense

To include annual tank painting expenditures.

Estimated Annual Tank Painting Costs per Jim Parks' Testimony	\$	120,000
Amount Available Per Petitioner's Proposed 9.2% Rate Increase	\$	47,500

Adjustment Increase (Decrease)	\$	<u>47,500</u>
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Jackson County Water Utility Inc
CAUSE NUMBER 45640

Extensions and Replacements

To reflect the average amount of extensions and replacements required over a three year period.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
Office, Billing, Security				
Office remodel, new roof on office/plant			\$233,162	\$ 233,162
Windows and front door replacement in office		10,505		10,505
Office desks after remodel of office			11,792	11,792
Replace bad security cameras & door access systems	14,655			14,655
Replace security camera system			13,709	13,709
New copier	6,743			6,743
Replacement of server		15,215		15,215
UMS Billing Software upgrade	16,174			16,174
Upgrade cell phones	2,606			2,606
Vehicles & Equipment				-
New Pipe locator (2)			8,650	8,650
Valve box locator			1,122	1,122
Valve exercising equipment	9,050			9,050
Concrete saw		2,335		2,335
Traded for new Bobcat E50 Excavator			18,846	18,846
New Bobcat E85 Excavator			85,250	85,250
Brush cutter for Bobcat skid loader	5,422			5,422
Bobcat breaker (for breaking concrete)	8,575			8,575
New International dump truck	102,866			102,866
Three new pickup trucks		93,331		93,331
Truck safety lighting			3,626	3,626
Well Field				-
Three test wells to determine new well site			22,500	22,500
Well #8 bowls and column pipe repair			20,316	20,316
Well #4 motor replacement		5,516		5,516
Water Treatment Plant				-
5 New hanging heaters in plant		18,719		18,719
High service #3 motor replacement			7,850	7,850
Install disconnect switches in High Service Room			6,260	6,260
Replace transfer switch on generator			17,261	17,261
Replace bottom sections of Catalytic reactors #3 & #4	23,105			23,105
Change out meters on reactors in plant	9,157			9,157
Sample stations	1,704			1,704
Water Distribution System				-
Total water main install	93,714	172,812	110,290	376,817
Hydrant replacement/install	19,200	16,129	12,430	47,759
Service line bores in addition to tap fee	85,186	94,233	64,782	244,201
Residential meters to finish meter change out	85,680			85,680
Large meter change out	4,633	11,081	3,049	18,764
	<u>\$ 488,469</u>	<u>\$ 439,877</u>	<u>\$ 640,896</u>	<u>\$ 1,569,242</u>

Divide by 3 Years

3

Pro Forma Annual Extensions and Replacements

\$ 523,081

Jackson County Water Utility Inc
CAUSE NUMBER 45640

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Proposed</u>	<u>OUC & Settlement Proposed</u>	<u>OUC & Settlement More (Less)</u>
Metered Rates				
First 3,000 Gallons	\$ 11.71	\$ 12.79	\$ 12.79	\$ 0.00
Next 7,000	11.02	12.03	12.03	0.00
Next 15,000	8.37	9.14	9.14	0.00
Next 75,000	6.72	7.34	7.34	0.00
Next 100,000	5.11	5.58	5.58	0.00
Over 200,000	4.10	4.48	4.48	0.00
Minimum Charge				
5/8" (2,000)	23.42	25.57	25.57	0.00
3/4" (3,000)	35.14	38.37	38.37	0.00
1" (5,000)	57.19	62.45	62.45	0.00
1-1/2 (12,000)	129.04	140.91	140.91	0.00
2" (20,000)	196.03	214.06	214.06	0.00
3" (30,000)	271.51	296.48	296.49	0.01
4" (50,000)	405.99	443.33	443.34	0.01
6" (100,000)	742.19	810.45	810.47	0.02
Industrial Rate				
Cost Per 1,000 gallons	2.29	2.50	2.50	0.00
Monthly Customer Charge	15.87	17.33	17.33	0.00
Fire- Protection Services				
Public Fire Hydrants	962.96	1,051.53	1,051.55	0.02
Private Fire Hydrants	962.96	1,051.53	1,051.55	0.02
Private Fire Service				
2" Service	144.38	157.66	157.66	0.00
3"	325.04	354.94	354.94	0.01
4"	577.88	631.03	631.05	0.01
6"	1,300.10	1,419.68	1,419.71	0.03
8"	2,311.08	2,523.65	2,523.70	0.05
10"	3,611.17	3,943.31	3,943.40	0.08
12"	5,200.02	5,678.30	5,678.42	0.12