

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
GIBSON WATER AUTHORITY FOR) CAUSE NO. 45535
AUTHORITY TO ISSUE LONG-TERM DEBT)
AND ADJUST ITS RATES AND CHARGES) APPROVED: NOV 17 2021

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Jennifer L. Schuster, Administrative Law Judge

On April 26, 2021, Gibson Water Authority (“Gibson Water”) filed its Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause. Also on April 26, 2021, Gibson Water filed the verified direct testimony and exhibits of the following witnesses:

- Steve Jenkins, Gibson Water’s Utility Manager;
- Scott A. Miller, CPA, a partner with the firm of Baker Tilly Municipal Advisors; and
- John W. Wetzel, P.E., President of Midwestern Engineers, Inc.

On July 21, 2021, Gibson Water filed the Mr. Miller’s verified supplemental testimony and exhibits and a corrected version of Petitioner’s Exhibit 7, which was attached to Mr. Jenkins’s testimony.

On August 10, 2021, Gibson Water and the Indiana Office of Utility Consumer Counselor (“OUCC”) (collectively, the “parties”) filed a Notice of Settlement and Filing Schedule, indicating that they had reached a settlement in principle that resolved all disputed issues between them in this Cause. On September 3, 2021, Gibson Water filed a copy of the Parties’ Stipulation and Settlement Agreement (“Settlement Agreement”) and the settlement testimony and exhibits of Messrs. Jenkins and Miller, supporting the Settlement Agreement. Also on September 3, 2021, the OUCC filed the settlement testimony of Carla Sullivan, Utility Analyst in the OUCC’s Water and Wastewater Division.

The Commission held an evidentiary hearing in this Cause at 10 a.m. on October 7, 2021, in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Gibson Water and the OUCC appeared at and participated in the evidentiary hearing, and the parties’ evidence was admitted into the record without objection.

Based on the applicable law and the evidence of record, the Commission finds:

1. Statutory Notice and Commission Jurisdiction. Notice of the public hearing in this Cause was given and published by the Commission as required by law. Gibson Water is a water authority. Under Ind. Code § 13-18-16-16, Gibson Water’s rates and charges are subject to

Commission jurisdiction pursuant to Ind. Code § 8-1.5-3-8. Under Ind. Code §§ 8-1-2-78, 8-1-2-79, and 8-1-2-83, the Commission has authority to authorize Gibson Water to issue long-term indebtedness. Therefore, the Commission has jurisdiction over Gibson Water and the subject matter of this Cause.

2. Petitioner’s Characteristics. Gibson Water is a water authority that supplies treated water within rural and urban areas in Gibson County, Indiana. Gibson Water serves approximately 1,750 retail customers and also provides wholesale water service to the Town of Haubstadt, Indiana (“Haubstadt”) and retail service to the Toyota Manufacturing Facility (“Toyota”) near Princeton, Indiana. Gibson Water purchases its entire supply of water from the City of Evansville, Indiana (“Evansville”) pursuant to a Water Purchase Agreement originally dated July 13, 1977 and subsequently amended. Gibson Water uses transmission facilities, elevated storage tanks, land, land rights, equipment, distribution mains, and other property to provide water service. The Commission most recently established Gibson Water’s existing base rates and charges in its November 21, 2018 Order in Cause No. 45080 and January 2, 2020 Order in Cause No. 45080 S1.

3. Relief Requested. Gibson Water requests authority to issue long-term debt in the total amount of \$5,975,000, specifically to issue \$4,770,000 in debt to the U.S. Department of Agriculture Rural Development Program (“RD”) and \$1,205,000 in debt to the Indiana State Revolving Loan Fund (“SRF”). Gibson Water also seeks authorization to increase its rates and charges for water utility service to reflect an overall pro forma net revenue requirement of \$2,959,994, yielding an annual increase of \$477,164 or 19.40%.

4. Gibson Water’s Direct and Settlement Evidence.

A. Mr. Jenkins’s Direct Testimony. Mr. Jenkins testified about the status of Gibson Water’s existing facilities and its agreements with Evansville and Toyota. Mr. Jenkins provided an update on the status of system improvements discussed in Cause Nos. 45080 and 45080 S1 and then explained the need for additional borrowing authority to complete the improvements. Finally, Mr. Jenkins discussed the terms of Gibson Water’s proposed long-term debt and corresponding rate adjustment.

Mr. Jenkins testified that Gibson Water expedited the bidding, financing, and construction of booster station improvements, a new master meter, and meter vault, which were completed and placed into operation in the first quarter of 2020. Gibson Water needed these improvements primarily to meet Toyota’s demand for additional water supply. Mr. Jenkins testified that in addition to the improvements to meet Toyota’s additional demand, Gibson Water also had to negotiate changes to its water supply agreement with Evansville. Mr. Jenkins attached copies of the amended agreements with Evansville to his testimony.

Mr. Jenkins testified that, since Gibson Water’s most recent base rate case (Cause No. 45080), Evansville requested that Gibson Water convert to a water authority under Ind. Code § 13-18-16-16, and Gibson Water agreed to do so. Because of this change in Gibson Water’s organizational structure, its rates and charges are now subject to Ind. Code § 8-1.5-3-8. Aside from becoming a water authority, all elements of Gibson Water’s management and operation are the

same under the water authority structure as they were under the nonprofit structure, but the change allows Gibson Water to elect to utilize the higher of depreciation or extensions and replacements.

Mr. Jenkins testified that, subsequent to the filing of Gibson Water's rate case in Cause No. 45080, Toyota approached Gibson Water and requested a substantial increase in contractual capacity for water to support growth in production and to operate new chiller or cooling units. Gibson Water and Toyota negotiated a new, longer-term agreement, and Gibson Water accelerated certain already planned system improvements as discussed in Cause Nos. 45080 and 45080 S1. Mr. Jenkins testified that Gibson Water planned to have completed those projects by the time of this filing, but easement acquisition has been more difficult than expected in light of COVID-19 restrictions that prohibited Gibson Water from meeting with affected property owners. Although the restrictions have gradually eased, Gibson Water has continued to have difficulty obtaining easements and, in the fall of 2020, decided to pursue condemnation of the outstanding easements. Mr. Jenkins stated that, although condemnation will certainly increase the overall project costs, it was necessary to complete the project before RD funding expires in 2023. Gibson Water anticipates completing easement acquisition by December 1, 2021, and then advertising for bids, obtaining RD approval, implementing the proposed rate increase, and closing with RD in April 2022, which would allow Gibson Water to complete construction of the RD-financed projects by March 2023.

Mr. Jenkins testified that, with the passage of time, the extra costs associated with easement acquisition, and the large amount of funds available for sewer and water projects as a result of the American Rescue Plan, Gibson Water is concerned that the cost to complete the planned improvements will be higher than what Gibson Water estimated in Cause Nos. 45080 and 45080 S1. As a result, Gibson Water is seeking additional borrowing authority, but it will true up final costs once it has secured bids for the work. Gibson Water has discussed the need for additional funding with RD, and RD has indicated that it is willing to make the additional loan funds available.

Mr. Jenkins testified that RD will require Gibson Water to have rates in effect prior to closing that are sufficient to pay Gibson Water's anticipated operations, maintenance, and debt service expenses while maintaining 125% coverage. He stated that Gibson Water proposes to delay implementation of any rate increase tied directly to the RD debt issuance until Gibson Water has bids in hand and can appropriately size the debt issuance. At that time, Gibson Water would request implementation of the rate increase, which it anticipates will occur in the first quarter of 2022.

Mr. Jenkins testified that Gibson Water and Toyota have agreed to increase Toyota's contract capacity from 1 million gallons per day ("MGD") to 2 MGD. This, in turn, required Gibson Water to request an increase in capacity from its water supplier, Evansville. Mr. Jenkins stated that, after months of meetings with Evansville and Toyota, Evansville agreed to increase Gibson Water's capacity to 4 MGD in return for a payment of \$3,181,541 to cover Gibson Water's allocated cost of the improvements necessary for Evansville to provide Gibson Water with the increased capacity. Gibson Water and Toyota agreed that Toyota would pay Gibson Water for 67% of the Evansville capacity fee (*i.e.*, \$2,131,632) and a portion of related "soft costs" (*i.e.*, drafting, rate case, and other related costs) of \$231,752. Gibson Water will pay the remainder of

the Evansville capacity fee. In return, Toyota will not be allocated any of the rate increase associated with the debt that Gibson Water issues to fund its portion of the Evansville capacity fee.

Mr. Jenkins testified that Gibson Water requests authority to issue debt through SRF to fund its portion of the Evansville capacity fee and associated costs. He stated that SRF has expressed a willingness to loan the funds to Gibson Water. Gibson Water will also need to adjust its rates and charges to recover the increased debt service costs related to the new long-term debt and to account for other updated pro forma expense adjustments.

B. Mr. Miller's Direct Testimony. Mr. Miller testified about the accounting report that he prepared for Gibson Water to determine the rates necessary to support pro forma revenue requirements, his recommendations regarding changes in Gibson Water's schedule of rates and charges, and the structuring and issuance of long-term debt.

Mr. Miller testified that Gibson Water sources all of its water from Evansville. Although Gibson Water has no treatment plant of its own to maintain and operate, it has extensive transmission and distribution mains throughout its service territory. To continue to provide adequate service to its customers, Gibson Water increased the allowed capacity of its wholesale contract with Evansville. For Evansville to provide the increased level of service, it must construct additional improvements to its system and will charge Gibson Water a capacity fee to cover the allocated cost of constructing those improvements. Mr. Miller testified that Gibson Water believes that incurring long-term debt is the best solution to fund the Evansville capacity fee because Gibson Water lacks sufficient funds on hand to cover the cost of the payment. He stated that the additional capacity will provide service for years, making it appropriate to spread the cost out over the anticipated life of the revised wholesale agreement. According to Mr. Miller, the additional debt service requirement and increased funds for system improvements necessitates an increase in Gibson Water's base rates and charges.

Mr. Miller testified that this case is a continuation of the efforts begun several years ago to expand Gibson Water's ability to provide additional water to meet growing demand from Toyota and the rest of Gibson Water's system. In Cause Nos. 45080 and 45080 S1, the Commission authorized Gibson Water to incur long-term debt from RD to make improvements to its distribution system and to incur long-term debt from SRF to make improvements to its pumping facilities to increase the capacity of water it can provide to Toyota. Gibson Water has encountered obstacles with the RD project that have caused delays and cost increases, requiring Gibson Water to request authority in this case to increase the amount of the RD borrowing. On the other hand, Gibson Water closed the SRF debt (\$994,000) to fund the pumping system improvements, and those improvements have been completed.

According to Mr. Miller, due to the increased costs and delayed timelines, Gibson Water anticipated seeking temporary interim financing of \$2,600,000 from SRF in June 2021. SRF agreed to issue the interim debt for a term of not more than 364 days at an interest rate of 2.00% or less.¹ Mr. Miller testified that Gibson Water will use the proceeds from both the SRF and RD loans to repay the interim SRF debt.

¹ On July 21, 2021, Mr. Miller submitted supplemental testimony that Gibson Water closed on the interim SRF financing on July 2, 2021 in an amount of \$2,460,000 and an interest rate of 2.00%.

Mr. Miller testified that the information supporting his accounting report came from Gibson Water's unaudited accounting and business records, its officers and employees, outside consultants, and other sources. His accounting report is divided into three sections: the accountant's letter, pro forma financial information, and supplemental financial information. The accounting report is based on a test period of 12 months ended September 30, 2020. Mr. Miller testified that the test-period revenues and expenses, combined with appropriate pro forma adjustments, are fairly representative of Gibson Water's current and future water system operations. He stated that his accounting report justifies an overall revenue increase of approximately 20.5%.

Mr. Miller testified that page three of Petitioner's Exhibit 14 summarizes the updated costs for the proposed project to be funded by the RD debt. The schedule shows the estimated project costs and approved financing amounts approved in Cause No. 45080 S1 and the updated cost estimates for the RD project. The project's costs were updated to reflect estimated increases in material costs, increased costs of easement acquisitions, and updated estimates for crop damage. These factors result in a revised project cost estimate of \$4,230,000.

Mr. Miller testified that Gibson Water plans to issue long-term RD notes in multiple series totaling \$4,230,000 to complete the proposed improvement project. Gibson Water would also issue long-term SRF notes in the amount of \$1,205,000, which, when combined with the direct payment from Toyota, satisfies the Evansville capacity fee. He stated that pages 6 and 7 of Petitioner's Exhibit 14 show the amortization of the proposed long-term RD notes, with principal and interest expected to be paid over a 40-year period. Page 8 of Petitioner's Exhibit 14 shows the anticipated amortization schedule for the proposed SRF note, with principal and interest expected to be paid over a 20-year period. Mr. Miller testified that Gibson Water will true up both its initial rate increase and the RD rate increase.

Mr. Miller testified that the current economic environment has caused material shortages and strained logistics and freight services. At the same time, there is an abundance of federal and state funds for water and wastewater infrastructure projects, causing a tight labor and construction market that has driven up the cost of projects. He stated that, in this type of environment, it is extremely difficult to develop good estimates. To address this, Gibson Water is requesting additional conditional borrowing authority that is 20% greater than the current construction estimate for the RD project—approximately \$540,000—resulting in a total RD borrowing authority of \$4,770,000.

Mr. Miller testified that pages 11 to 14 of Petitioner's Exhibit 14 show his pro forma operations and maintenance ("O&M") expense calculations. Regarding expenses for salaries and wages, Mr. Miller adjusted for the 2020 pay rates approved by Gibson Water's Board of Directors, to normalize for the anticipated hours that each employee will work, and to include one new full-time employee based on the need for an additional field person. These adjustments result in a \$50,613 increase over test-year levels. Mr. Miller also made corresponding adjustments to pro forma employee benefits, resulting in an increase of \$19,545 over test-year levels.

Mr. Miller testified that he calculated pro forma purchased water expense by applying Evansville's now-current rates to Gibson Water's wholesale purchases over the test year, resulting in an estimated cost of \$1,399,741, which is an increase of \$116,768 over test-year expenditures. Mr. Miller increased test-year operating expenses by \$87,754 based on the estimated expenses and frequencies obtained from Messrs. Wetzel and Jenkins. Mr. Miller testified that Gibson Water incurred \$24,798 of non-recurring expenses during the test year.

Mr. Miller testified that he normalized test-year revenues to reflect the change in the number of customers billed throughout the test year. He also used the estimated additional revenues from Gibson Water's latest purchased water tracking factor to offset the additional purchased water expenses. He stated that pages 16 and 17 of his accounting report summarize Gibson Water's pro forma annual revenue requirements, including O&M expenses of \$2,310,119, outstanding SRF note debt service of \$50,966, proposed RD debt service of \$115,008 (Series A) and \$68,787 (Series B), proposed SRF debt service of \$78,566, proposed debt service reserve requirements of \$44,639, and depreciation expense of \$318,195, resulting in total annual net revenue requirements of approximately \$2,956,052 after deducting test-year miscellaneous income and interest earnings. Mr. Miller testified that, in order to provide sufficient revenues to meet the annual revenue requirements, the current pro forma revenues of \$2,453,203 need to be increased by \$502,849 or approximately 20.5%.

Mr. Miller testified that, in light of Toyota's upfront capital contribution for the Evansville capacity fee, Gibson Water and Toyota have agreed that Toyota will be excluded from that portion of the rate increase that represents the amount associated with the proposed SRF note and related debt service requirements. The proposed rate increases are summarized on pages 18 and 19 of Mr. Miller's accounting report.

C. Mr. Wetzel's Direct Testimony. Mr. Wetzel testified about updated costs for periodic maintenance expenses, the status of the capital improvement projects approved in Cause Nos. 45080 and 45080 S1, and the updated costs for the pending capital projects.

Mr. Wetzel testified that he reviewed the periodic maintenance items and amounts on page 14 of Mr. Miller's accounting report and that he believes the items and amounts are consistent with the expenses that Gibson Water will incur. He stated that he conducted a review of Gibson Water's utility system to identify the facilities that Gibson Water will have to periodically maintain. He then considered the historical costs to maintain the facilities and evaluated whether the historical costs were still accurate and worked with Mr. Miller and Mr. Jenkins to update and finalize the expenses. Mr. Wetzel summarized some specific periodic maintenance amounts and testified that he believes the total estimated cost of \$193,170 is reasonable.

Mr. Wetzel testified that, while the projects funded from the SRF loan approved in Cause Nos. 45080 and 45080 S1 have been completed and are in service, Gibson Water has not yet closed on the RD loan approved in those Causes. As a result, some of the projects that will be funded by the long-term debt authorized in Cause Nos. 45080 and 45080 S1 are still pending. Mr. Wetzel summarized the remaining RD-financed projects: the County Road 225 West water main extension; the State Road 68 water main extension; the County Roads 350 West and 200 South

water main projects; the State Road 64 water line project; and the parallel booster station transmission main.

Mr. Wetzel testified that the cost of completing water-related projects in southwestern Indiana has increased since the Commission's order in Cause No. 45080 S1. He stated the increases are due to several factors, including volatile (and higher) pipe prices and the large number of projects being completed by other utilities in the area. As a result, Mr. Wetzel anticipates that bids for the pending capital projects will be higher than the original estimates presented in Cause Nos. 45080 and 45080 S1. He also stated that he anticipates that additional funds available for water-related projects will further exacerbate the problem of rising costs.

Mr. Wetzel testified that he calculated updated cost estimates for the pending capital projects in this Cause by comparing the Engineering News Construction Cost Index Value for July 2019 and March 2021. He calculated the inflation factor by dividing the March 2021 Index Value by the July 2019 Value (*i.e.*, 11749.75/11292.80), resulting in an inflation factor of 1.0404. He then multiplied the original cost of the pending capital projects by the inflation factor to arrive at the new updated estimate of completing the remaining projects. Mr. Wetzel noted that, although the concerns that he raised in his testimony could justify even higher construction prices, he relied only on the Index Values, which are a specific, defined standard.

Mr. Wetzel testified that he provided the updated construction cost estimates to Mr. Miller to be included in the accounting report. He stated that there have also been other increased costs associated with completing the pending capital projects, including easement-related costs and crop damage. As a result, Mr. Wetzel now estimates the total cost of all the projects originally presented in Cause Nos. 45080 and 45080 S1 will be \$5,204,000. Deducting the \$994,000 that Gibson Water has already borrowed from SRF and adding the \$540,000 contingency discussed by Mr. Miller results in a total amount of borrowing authority of \$4,770,000.

D. Mr. Miller's Settlement Testimony. Mr. Miller testified in support of the Settlement Agreement and submitted accounting schedules reflecting the agreed-upon revenue and expense adjustments and revenue requirement. The parties agreed that Gibson Water should be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of \$2,959,994, yielding an annual increase of \$477,164 or 19.40% over Gibson Water's current revenues at existing rates. The parties also agreed that the authorized rate increase will be implemented in two phases, with the first phase effective as of the date of the Commission's final order approving the Settlement Agreement and the second phase effective 60 days prior to the estimated closing of financing obtained through RD.

Mr. Miller testified that the parties agreed to revenue and expense adjustments to Gibson Water's case-in-chief proposal, which are summarized in Petitioner's Exhibit 19. Regarding O&M, the parties agreed to remove \$8,373 of miscellaneous expenses identified by the OUCC as non-recurring and disallowed expenses. With respect to depreciation expense, the parties agreed to a revenue requirement of \$301,980. The parties agreed to a \$1,209 decrease in Gibson Water's proposed test-year revenues to remove miscellaneous non-operating income.

Mr. Miller testified that the parties agreed that Gibson Water should be authorized to issue long-term debt in a maximum amount of \$5,975,000 at an interest rate not to exceed 5%. The total debt authority included three components: \$4,230,000 in estimated project costs plus \$540,000 in contingency project costs, totaling \$4,770,000, and \$1,205,000 in capacity costs. He stated that Gibson Water plans to borrow the \$4,770,000 in project costs from RD and the \$1,205,000 in capacity costs from SRF. The parties have also agreed that Gibson Water's revenue requirement will include \$313,439 per year for principal and interest payments plus \$44,639 per year to fund the debt service reserve.

Mr. Miller testified that the parties agreed that, within 30 days after closing on the issuance of debt, Gibson Water will file in this Cause and serve on the OUCC a true-up report describing the final terms of the debt, the amount of debt service reserve, and the amortization schedule for the bonds. The OUCC will have 14 days from the date of service to object to the true-up report. If there is no objection and the annual debt service and debt service reserve differ materially from the original estimates of \$313,439 and \$44,639, respectively, then Gibson Water will file a revised tariff adjusting its rates.

Mr. Miller testified that, if the actual terms of the financing are such that the debt payment is less than \$313,439 per year, the parties agreed that Gibson Water need not file a revised tariff if the parties agree the difference is immaterial. In that case, Gibson Water will file a notice of that consensus, which shall include a written statement by the OUCC agreeing that the difference is immaterial. Alternatively, if the cost of the debt is more than \$313,439 per year, Gibson Water may, in its sole discretion, elect not to file a revised tariff reflecting a higher principal and interest payment for the debt. With respect to the contingency borrowing authority of \$540,000, the parties agree that Gibson Water may only use that amount to finance projects listed in the preliminary engineering report ("PER") attached to Mr. Jenkins's direct testimony in Cause No. 45080. If Gibson Water later wishes to use the \$540,000 contingency authority for projects not included in the PER, the parties agreed that Gibson Water shall file a request for creation of a subdocket in this Cause or a new Cause for approval of such projects and financing.

Mr. Miller opined that the Settlement Agreement is reasonable and in the public interest. He stated that the agreed-upon revenue requirement will provide safe, efficient, and reliable water utility service and reasonable restrictions on the terms of the debt issuance and the use of contingency borrowing authority.

E. Mr. Jenkins's Settlement Testimony. Mr. Jenkins testified in support of the Settlement Agreement. He stated that Gibson Water's Board of Directors discussed the proposed terms of the Settlement Agreement during its August 18, 2021 meeting and approved the settlement terms and conditions by a unanimous vote.

Mr. Jenkins testified that Toyota is Gibson Water's largest retail water customer, and, to increase its operations, Toyota requires Gibson Water to provide increased capacity. To do this, Gibson Water must complete certain system improvements, renegotiate its Water Supply Agreement with Evansville, and pay Evansville a capacity fee.

Mr. Jenkins testified that Gibson Water and its customers benefit from Toyota's contribution through rates to the utility's fixed and variable costs of service. In addition, the local community and the state as a whole benefit from the jobs provided by Toyota and Toyota's overall contributions to the economy. He opined that it is important that Gibson Water have the ability to provide the additional capacity required by Toyota so that Toyota can continue to operate its facilities. Further, the fact that Toyota will fund most of the expenses incurred by Gibson Water to provide the additional capacity mitigates the impact of the costs on Gibson Water's other ratepayers.

Mr. Jenkins testified that Gibson Water is seeking to participate in the SRF Pool Program, which requires Gibson Water to close on its SRF financing before the end of 2021. Gibson Water received a Letter of Conditions from RD dated March 18, 2018, which obligates funds to Gibson Water on the condition that it complete its projects and use all loan proceeds by March 18, 2023. In order to meet this deadline, Gibson Water must obtain all RD approvals, solicit bids, award the bids, and initiate construction by approximately April 2022. Based on these deadlines, Mr. Jenkins requested that, if possible, the Commission issue an order approving Gibson Water's requested relief, as modified by the Settlement Agreement, by November 24, 2021, which would allow Gibson Water to close its SRF loan before the end of 2021.

Mr. Jenkins testified that the Settlement Agreement is reasonable because it will provide adequate revenues to allow Gibson Water to provide safe, efficient, and reliable water utility service and provides reasonable restrictions on the terms of the debt issuance and the use of the contingency borrowing authority.

5. OUCC's Settlement Evidence. Ms. Sullivan testified in support of the Settlement Agreement and stated that the parties agree that Gibson Water should be authorized to reflect an overall pro forma net revenue requirement of \$2,959,994, resulting in an overall revenue increase of \$477,164 and a 19.40% rate increase over its current revenues at existing rates.

Ms. Sullivan testified that the parties agreed to a \$224,947 revenue normalization adjustment consisting of a test-year normalization adjustment of \$4,749 and a \$220,198 increase approved in 30-day filing No. 50399. The OUCC accepted Gibson Water's adjustments to salaries and wages, employee benefits, purchased water, insurance, contractual services, and periodic maintenance, and the parties agreed to the OUCC's proposed reduction to miscellaneous expenses to remove non-recurring and non-allowed expenses. She stated that the Settlement Agreement increases test-year O&M expense by \$241,848 to \$2,301,746.

Ms. Sullivan testified that the parties agreed to depreciation expense of \$301,980, calculated using the Commission's composite depreciation rate of 1.70% and \$18,717,359 in Utility Plant in Service ("UPIS"). She stated that Land and Land Rights, equaling \$953,854, were removed from UPIS as non-depreciable. Gibson Water elected to recover depreciation expense instead of a revenue requirement for extensions and replacements. Ms. Sullivan stated that Gibson Water will nonetheless use the revenue generated from depreciation to make extensions and replacements of current UPIS as needed.

Ms. Sullivan testified that the parties agreed that Gibson Water is not required to perform a cost-of-service study (“COSS”) prior to its next rate case. If Gibson Water does perform a COSS, Gibson Water has agreed to provide the results of the study to the OUCC no later than three months in advance of the filing of a rate case.

Ms. Sullivan opined that the Settlement Agreement is a reasonable compromise between the positions of the parties and should be approved. She stated that the Settlement Agreement provides Gibson Water the ability to raise sufficient revenue to pay all lawful expenses incident to the day-to-day operation of the utility. Also, ratepayers will receive the benefit of lower than requested rates. She stated that the Settlement Agreement is not intended to create precedent and that such agreements permit parties to reach reasonable agreements that lower costs and produce good results without fear that they will impair their ability to assert rights or argue positions in other cases. Ms. Sullivan testified that the Settlement Agreement provides bargained-for benefits that are important to each of the parties, while balancing each party’s interests and promoting the public interest, that it resolves all issues in this case, and that it avoids the expense of litigation. Ms. Sullivan stated that she considers the terms of the Settlement Agreement to be in the public interest, and she recommended that the Commission approve the Settlement Agreement.

6. Commission Discussion and Findings.

A. Analysis of the Settlement Agreement. The parties seek approval of their Settlement Agreement, which resolves all issues in this case. Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). Any settlement agreement that is approved by the Commission “loses its status as a strictly private contract and takes on a public interest gloss.” (quoting *Citizens Action Coalition of Indiana, 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 Coalition*, 664 N.E.2d at 406. Any Commission decision, ruling, or order—including the approval of a settlement—must be supported by specific findings of fact and sufficient evidence, as well as a determination that the decision, ruling, or order is not contrary to law. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Indiana, Inc. v. Public Service Co. of Indiana, Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). Therefore, before we 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 consistent with the purpose of applicable law, is not contrary to law, and serves the public interest.

Indiana law strongly favors settlement as a means of resolving contested proceedings. *See, e.g., Georgos v. Jackson*, 790 N.E.2d 448, 453 (Ind. 2003) (“Indiana strongly favors settlement agreements.”); *Mendenhall v. Skinner & Broadbent Co.*, 728 N.E.2d 140, 145 (Ind. 2000) (“The policy of the law generally is to discourage litigation and encourage negotiation and settlement of disputes.”) (citation omitted). A settlement agreement “may be adopted as a resolution *on the merits*, if [the Commission] makes an independent finding supported by substantial evidence on the record as a whole that the proposal will establish just and reasonable rates.” *Mobil Oil Corp. v. Fed. Power Comm’n*, 417 U.S. 283, 314 (1974) (emphasis in original) (internal quotation marks

omitted); *see also, e.g., Indianapolis Power & Light Co.*, Cause No. 39938, at 7 (Aug. 24, 1995) (quoting *Mobil Oil Corp.*, 417 U.S. at 314).

The Commission has before it sufficient evidence to determine whether the Settlement Agreement is reasonable, just, and consistent with the purposes of applicable law and that such agreement serves the public interest. The Settlement Agreement resolves all issues in this Cause between Gibson Water and the OUCC. As discussed further below, the Settlement Agreement provides adequate revenues to allow Gibson Water to provide safe, efficient, and reliable water utility service, while also providing reasonable restrictions on the terms of Gibson Water’s debt issuance and the use of contingency borrowing authority. Therefore, we conclude that the Settlement Agreement is reasonable, just, and consistent with the purposes of applicable law. We further conclude that the Settlement Agreement is in the public interest, and we approve the Settlement Agreement in its entirety.

B. Rates and Revenue Requirement. Based on the evidence presented and the terms of the Settlement Agreement, we find that Gibson Water’s current rates and charges (including other revenues), which provide annual adjusted revenues of \$2,482,830, are insufficient to satisfy Gibson Water’s annual pro forma net revenue requirement of \$2,959,994. Therefore, we find that Gibson Water should be authorized to increase its rates and charges by \$477,164, which is a 19.40% increase, consistent with the Settlement Agreement.

Gibson Water’s net revenue requirements are itemized below:

Operating Expenses	\$2,301,746
Depreciation Expense	301,980
Debt Service	313,439
Debt Service Reserve	<u>44,639</u>
Total Revenue Requirements	\$2,961,804
Less Revenue Requirement Offsets:	
Interest Income	(601)
Other Income	<u>(1,209)</u>
Net Revenue Requirement	\$2,959,994
Less: Revenues at current rates subject to increase	(1,464,229)
Toyota Motor Manufacturing, Indiana	(994,751)
Other revenues not subject to increase	<u>(23,850)</u>
Increase	<u>\$477,164</u>
Recommended Percentage Increase	<u>19.40%</u>

C. **Debt Issuance.** Based on the evidence presented and the terms of the Settlement Agreement, we authorize Gibson Water to issue \$1,115,000 in RD program debt (\$540,000 plus \$575,000) and \$1,205,000 in SRF debt. We do not need to re-authorize the \$3,655,000 in long-term debt that we previously authorized Gibson Water to issue through RD in Cause No. 45080 S1.

Within 30 days after closing on the issuance of its authorized debt, Gibson Water shall file in this Cause, and serve on the OUCC, a true-up report describing the final terms of the debt, the amount of debt service reserve, and the amortization schedule for the debt. The true-up report shall note that the OUCC shall have 14 days from the date of service to object to the true-up report. If there is no objection to the true-up report and the annual debt service and debt service reserve materially differs from the originally estimated total of \$313,439 and \$44,639, respectively, then Gibson Water shall file with the Commission a revised tariff adjusting its rates to include the final amount of annual principal and interest on the debt and the annual debt service reserve. However, if the actual terms of the financing are such that the debt payment is less than \$313,439 per year, Gibson Water need not file a revised tariff if the parties agree the difference is immaterial for purposes of determining whether Gibson Water's rates should be revised. In lieu of a revised tariff, Gibson Water shall file a notice of that consensus, which shall include a written statement by the OUCC to that effect. If the cost of the debt is more than \$313,439 per year, Gibson Water may, in its sole discretion, elect not to file a revised tariff reflecting a higher principal and interest payment for the debt.

D. **Use of Contingency Funds.** Although we find that Gibson Water should be authorized to include a contingency amount of \$540,000 in its total RD loan amount, Gibson Water may only use such funds for the projects listed in the PER. If Gibson Water wishes to use the \$540,000 contingency amount to fund projects not included in the PER, then it must file a request for the creation of a subdocket under this Cause Number.

E. **Use of the Settlement.** The parties have agreed that the Settlement Agreement will not constitute nor be cited as precedent by any person or deemed an admission by any settling party in any other proceeding, except as necessary to enforce the terms of the Settlement Agreement. The parties also agreed that the Settlement Agreement is solely the result of compromise in the settlement process and is without prejudice to and will not constitute a waiver of any position that either settling party may take with respect to any issue in any future regulatory or non-regulatory proceeding. With regard to future citation of the Settlement Agreement, we find that the Settlement Agreement and our approval of it should be treated in a manner consistent with our order in *Richmond Power & Light*, Cause No. 40434 (March 19, 1997).

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

1. The Joint Stipulation and Settlement Agreement, which is attached to and incorporated into this Order by reference, is approved.
2. Gibson Water is authorized to increase its rates and charges for water service as provided herein.

3. Prior to implementing the rates approved in this Order, Gibson Water shall file an updated tariff and applicable rate schedules under this Cause for approval by the Commission's Water/Wastewater Division. Such rates and charges shall be effective on or after the Order date subject to the Division's review and agreement with the amounts reflected.

4. Gibson Water is authorized to issue \$1,115,000 in RD program debt and \$1,205,000 in SRF debt.

5. Gibson Water's issuance of the approved long-term debt is subject to all of the reporting and other conditions set forth herein.

6. This Order shall be effective on or after the date of its approval.

HUSTON, FREEMAN, KREVDA, OBER, AND ZIEGNER CONCUR:

APPROVED: NOV 17 2021

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

Dana Kosco
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF
GIBSON WATER AUTHORITY FOR
AUTHORITY TO ISSUE LONG-TERM DEBT
AND ADJUST ITS RATES AND CHARGES

CAUSE NO. 45535

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 23rd day of August, 2021, by and between Gibson Water Authority (“Gibson Water”) and the Indiana Office of Utility Consumer Counselor (“OUCC”) (collectively, “Settling Parties”), who stipulate and agree for the 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 into a final Indiana Utility Regulatory Commission (“Commission”) order 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 Gibson Water and the OUCC.

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On April 26, 2021, Gibson Water filed its *Verified Petition* (“Petition”) initiating this Cause and requesting authority to issue long-term debt and to adjust its rates and charges for water utility service.
2. **Prefiled Evidence of the Parties.** On April 26, 2021, in support of its Petition, Gibson Water prefiled the Verified Direct Testimony and Exhibits of Steve Jenkins, Scott A. Miller, CPA, and John W. Wetzel, P.E. On July 21, 2021, Gibson Water filed the Verified Supplemental

Testimony and Exhibits of Scott A. Miller and a corrected version of Petitioner's Exhibit 7. In support of the Settlement Agreement, Gibson Water will file the Verified Settlement Testimony of Steve Jenkins and Scott Miller, and the OUCC will file the Verified Settlement Testimony of Carla Sullivan. The Settling Parties have also attached accounting schedules ("Schedules") to this Settlement Agreement as Attachment A that reflect the agreed-upon revenue requirement, financing authority, and the proposed rates and charges.

3. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree for the purposes of settlement only that Gibson Water should, subject to the terms and conditions of this Settlement Agreement, be authorized to increase its rates and charges for water service to reflect an overall *pro forma* net revenue requirement of \$2,959,994, yielding an annual increase of \$477,164 or 19.40% over Gibson Water's current revenues at existing rates. The Settling Parties further agree that the authorized rate increase shall be implemented in two phases with the first phase increase effective as of the date of the Commission's final order approving this Settlement Agreement and Gibson Water's revised tariff and the second phase effective 60 days prior to the estimated closing of financing obtained through the U.S. Department of Agriculture's Rural Development Program ("RD Program").
4. **Operating and Maintenance Expense Adjustments.** The Settling Parties agree for purposes of settlement only to remove from Gibson Water's proposed revenue requirement \$8,373 of miscellaneous expenses identified by the OUCC as non-recurring and disallowed expenses. The specific disallowed expenses are summarized on Schedule 6(2) in Attachment A.
5. **Depreciation Expense.** The Settling Parties agree for purposes of settlement only to a depreciation expense revenue requirement of \$301,980, which is an increase of \$188,920

over Gibson Water's test-year extensions and replacements expense (in this case Gibson Water has elected to utilize depreciation rather than extensions and replacements as allowed by Ind. Code § 8-1.5-3-8). The calculation of the depreciation expense revenue requirement is summarized on Schedule 6(1) in Attachment A.

6. **Revenues**. The Settling Parties agree for purposes of settlement only to a \$1,209 decrease in Gibson Water's proposed test-year revenues to remove miscellaneous non-operating income. The revenue adjustments are summarized on Schedule 5 in Attachment A.
7. **Cost of Service Study**. The Settling Parties agree for purposes of settlement only that if prior to its next base rates case, Gibson Water performs a cost of service study, it shall provide to the OUCC the results of its study and any resulting recommended changes to the allocation of costs between customer classes. The study and any results shall be provided to the OUCC no later than three months in advance of the filing of its rate case. Gibson is not required by this agreement to perform a cost of service study.
8. **Borrowing Authority Contingency**. The Settling Parties agree for purposes of settlement only that Gibson Water may include additional contingency borrowing authority in the amount of \$540,000 to allow for the possibility of higher than estimated project costs as discussed by Mr. Miller in his direct testimony on pages 20-21. The Settling Parties agree that such additional contingency borrowing authority may only be used to finance the projects listed in the Preliminary Engineering Report ("PER") that was attached to Mr. Jenkins's direct testimony in Cause No. 45080 as Petitioner's Exhibit 4. In the event that Gibson Water wishes to use the \$540,000 additional contingency borrowing authority to fund projects not included in the PER, the Settling Parties agree that Gibson Water shall file a

request for creation of a subdocket in this Cause or a new Cause for approval of such projects and financing.

9. **Amount of, and Interest on, Debt.** The Settling Parties agree for purposes of settlement only that Gibson Water should be authorized to issue long-term debt in a maximum amount of \$5,975,000 at an interest rate not to exceed five percent (5%). The total debt authority comprises the following: \$3,655,000 that the Commission authorized Gibson Water to issue to the RD program in Cause No. 45080 S1 plus \$575,000 for increased estimated project costs plus \$540,000 in contingency project costs, totaling \$4,770,000 that will be funded through the RD Program; and \$1,205,000 for capacity costs that will be funded through the Indiana State Revolving Loan Fund (“SRF Program”).

The Settling Parties further agree that Gibson Water’s revenue requirement shall include an amount of \$313,439 per year for principal and interest payments and \$44,639 per year to fund the debt service reserve. The Settling Parties agree that Gibson Water shall close on the authorized debt within one year of the date of the Commission’s final order approving this Settlement Agreement.

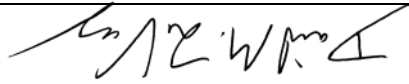
10. **Filing of True-Up Report and Revision of Tariff.** Within 30 days after closing on the issuance of debt, Gibson Water shall file in this Cause, and serve on the OUCC, a true-up report describing the final terms of the debt, the amount of debt service reserve, and the amortization schedule for the debt. The true-up report shall note that the OUCC shall have 14 days from the date of service to object to the true-up report. If there is no objection to the true-up report and the annual debt service and debt service reserve materially differs from the originally estimated total of \$313,439 and \$44,639, respectively, then Gibson Water shall file with the Commission a revised tariff adjusting its rates to include the final amount of

annual principal and interest on the debt and the annual debt service reserve. However, if the actual terms of the financing are such that the debt payment is less than \$313,439 per year, Gibson Water need not file a revised tariff if the Settling Parties agree the difference is immaterial for purposes of determining whether Gibson Water's rates should be revised. In lieu of a revised tariff, Gibson Water shall file a notice of that consensus, which shall include a written statement by the OUCC to that effect. If the cost of the debt is *more* than \$313,439 per year, Gibson Water may, in its sole discretion, elect not to file a revised tariff reflecting a higher principal and interest payment for the debt.

11. **Settlement.** Through analysis and arms' length discussion and negotiation, as aided by their respective staff and experts, the Settling Parties have agreed on the terms and conditions described in this Settlement Agreement that resolve all issues between them in this Cause.
12. **Admissibility and Sufficiency of Evidence.** The Settling Parties stipulate and agree that the prefiled testimony and exhibits of Gibson Water and the OUCC should be admitted into the record of this Cause without objection or cross-examination by either party. The Settling Parties further agree that such evidence, combined with this Settlement Agreement and supporting Schedules, constitute substantial evidence sufficient to support the Settlement Agreement and provide 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. **Agreement is Binding on Gibson Water's Successors and Assigns.** The Settling Parties stipulate and agree that Gibson Water's rights and obligations under the terms of this Settlement Agreement shall be binding upon its successors, heirs, and assigns unless or until otherwise ordered by the Commission.

14. **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.
15. **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.
16. **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 Joint Stipulation and 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.
17. **Proposed Order.** The Settling Parties respectfully request that the Commission issue an Order in this Cause consistent with the form and substance of the Settling Parties' agreed Joint Proposed Order, once it has been filed.

**INDIANA OFFICE OF THE UTILITY
CONSUMER COUNSELOR ("OUCC")**



Daniel M. Le Vay, Atty. No. 22184-49

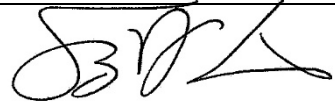
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street, Suite 1500 South

Indianapolis, IN 46204

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GIBSON WATER AUTHORITY



J. Christopher Janak, Atty. No. 18499-49

Jeffery A. Earl, Atty. No. 27821-64
BOSE MCKINNEY & EVANS LLP

111 Monument Circle, Suite 2700

Indianapolis, IN 46204

Phone: (317) 684-5000

Fax: (317) 684-5173

Petitioner's Exhibit 19

Gibson Water Authority
CAUSE NUMBER 45535

Comparison of Petitioner's and OUCC's
Revenue Requirements

	Overall			Settlement More (Less)
	Per Petitioner	Per Settlement	Sch Ref	
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	313,327	313,439	6	112
Debt Service Reserve	44,639	44,639	7	-
Total Revenue Requirements	2,986,280	2,961,804		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)	PET	-
Other Income	-	(1,209)	1	(1,209)
Net Revenue Requirement	2,985,679	2,959,994		(25,685)
Less: Revenues at current rates subject to increase	(1,550,517)	(1,464,229)	4	86,288
Toyota Motor Manufacturing, Indiana	(902,686)	(994,751)	4	(92,065)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	<u>\$ 502,849</u>	<u>\$ 477,164</u>		<u>\$ (25,685)</u>
Recommended Percentage Increase	<u>20.50%</u>	<u>19.40%</u>		<u>-1.09%</u>

Gibson Water Authority
CAUSE NUMBER 45535

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

Phase One				
Part 1 - All Users				
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	50,966	50,966	6	-
Debt Service Reserve	10,200	10,200	7	-
Total Revenue Requirements	2,689,480	2,664,892		(24,588)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)	PET	-
Other Income	-	(1,209)	1	(1,209)
Net Revenue Requirement	2,688,879	2,663,082		(25,797)
Less: Revenues at current rates subject to increase	(2,453,203)	(1,464,229)	4	988,974
Toyota Motor Manufacturing, Indiana	-	(994,751)	4	(994,751)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	<u>\$ 206,049</u>	<u>\$ 180,252</u>		<u>\$ (25,797)</u>
Recommended Percentage Increase	<u>8.40%</u>	<u>7.33%</u>		<u>-1.07%</u>

Gibson Water Authority
CAUSE NUMBER 45535

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

Phase One				
Part 2				
No Increase for Toyota Motor Manufacturing, Indiana				
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	129,532	129,644	6	112
Debt Service Reserve	26,259	26,259	7	-
Total Revenue Requirements	2,784,105	2,759,629		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)	PET	-
Other Income	-	(1,209)	1	(1,209)
Net Revenue Requirement	2,783,504	2,757,819		(25,685)
Less: Revenues at current rates subject to increase	(1,682,597)	(1,571,562)	4	111,035
Toyota Motor Manufacturing, Indiana	(979,581)	(1,067,670)	4	(88,089)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	\$ 91,699	\$ 94,737		\$ 3,038
Recommended Percentage Increase	5.45%	6.03%		0.58%

Gibson Water Authority
CAUSE NUMBER 45535

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

	Phase Two			
	All Users			
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	313,327	313,439	6	112
Debt Service Reserve	44,639	44,639	7	-
Total Revenue Requirements	2,986,280	2,961,804		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)	PET	-
Other Income	-	(1,209)	1	(1,209)
Net Revenue Requirement	2,985,679	2,959,994		(25,685)
Less: Revenues at current rates subject to increase	(2,755,179)	(1,666,298)	4	1,088,881
Toyota Motor Manufacturing, Indiana		(1,067,670)	4	(1,067,670)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	<u>\$ 200,873</u>	<u>\$ 202,176</u>		<u>\$ 1,303</u>
Recommended Percentage Increase	<u>7.29%</u>	<u>7.39%</u>		<u>0.10%</u>

Gibson Water Authority
CAUSE NUMBER 45535

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

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Revenues			
Metered Sales	\$ 224,947	\$ 132,882	\$ (92,065)
Toyota Motor Manufacturing, Ind.	-	-	-
Fire Protection Service Charge	-	92,065	92,065
Miscellaneous Income	-	-	-
Total Operating Revenues	<u>224,947</u>	<u>224,947</u>	<u>-</u>
O&M Expense			
Salaries and Wages	50,613	50,613	-
Employee Benefits	19,545	19,545	-
Purchased Water	116,768	116,768	-
Insurance	339	339	-
Contractual Services	(24,798)	(24,798)	-
Periodic Maintenance	87,754	87,754	-
Miscellaneous Expense	-	(8,373)	(8,373)
Total O&M	<u>250,221</u>	<u>241,848</u>	<u>(8,373)</u>
Depreciation Expense	205,135	188,920	(16,215)
Total Operating Expenses	<u>455,356</u>	<u>430,768</u>	<u>(24,588)</u>
Net Operating Income	<u>\$ (230,409)</u>	<u>\$ (205,821)</u>	<u>\$ 24,588</u>

Gibson Water Authority
CAUSE NUMBER 45535

Revenue Offset Adjustment

	Amount
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(100.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(8.82)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
421.1 Miscellaneous Non-Operating Income	(50.00)
Adjustment Increase (Decrease)	<u>\$ (1,209)</u>

Gibson Water Authority
CAUSE NUMBER 45535

COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	As of September 30, <u>2020</u>	As of December 31st		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Utility Plant:				
Utility Plant in Service	\$ 18,717,359	\$ 18,608,726	\$ 17,113,030	\$ 16,907,079
Construction Work in Progress	828,601	826,819	449,182	45,860
Less: Accumulated Depreciation	<u>(6,702,779)</u>	<u>(6,465,485)</u>	<u>(6,149,095)</u>	<u>(5,858,174)</u>
Net Utility Plant in Service	<u>12,843,181</u>	<u>12,970,060</u>	<u>11,413,117</u>	<u>11,094,765</u>
Current Assets:				
Cash and Cash Equivalents	621,232	692,523	670,256	616,494
Restricted Cash				
Bond and Interest	81,180	42,480	-	-
Debt Service Reserve	17,936	10,286	-	-
Customer Deposits	100	700	100	100
Accounts Receivable Customer (net)	142,076	128,558	161,069	132,108
Accounts Receivable - Other	-	-	28	-
Inventory - Materials and Supplies	40,698	38,107	32,580	12,893
Prepays	<u>9,566</u>	<u>22,474</u>	<u>19,460</u>	<u>16,978</u>
Total Current Assets	<u>912,788</u>	<u>935,128</u>	<u>883,493</u>	<u>778,573</u>
Deferred Debits				
Deferred Tank Painting				
Net of Amortization	<u>924,066</u>	<u>924,066</u>	<u>1,009,262</u>	<u>1,106,100</u>
Total Assets	<u>\$ 14,680,035</u>	<u>\$ 14,829,254</u>	<u>\$ 13,305,872</u>	<u>\$ 12,979,438</u>

Gibson Water Authority
CAUSE NUMBER 45535

COMPARATIVE BALANCE SHEET

<u>LIABILITIES</u>	As of September 30, <u>2020</u>	As of December 31st		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Equity				
Unrestricted	\$ 13,617,239	\$ 13,454,005	\$ 12,656,395	\$ 12,507,201
Temporarily Restricted	99,216	53,466	100	100
Total Equity	<u>13,716,455</u>	<u>13,507,471</u>	<u>12,656,495</u>	<u>12,507,301</u>
Contributions in Aid of Construction				
Long-term Debt				
Current Portion of Contracts Payable	75,688	137,650	218,534	299,418
Long-term Debt	860,626	860,626	-	-
Total Long-term Debt	<u>936,314</u>	<u>998,276</u>	<u>218,534</u>	<u>299,418</u>
Current Liabilities				
Accounts Payable	-	276,133	412,265	156,763
Payroll Liabilities	1,168	10,604	9,327	7,601
Accrued Interest Payable	-	10,459	-	-
Sales Tax Payable	5,847	6,060	5,051	4,974
Customer Deposits	100	100	100	100
Unclaimed Membership Funds	4,332	4,332	4,100	3,281
Current Portion of Long-term Debt	15,819	15,819	-	-
Other Current Liabilities	<u>27,266</u>	<u>323,507</u>	<u>430,843</u>	<u>172,719</u>
Total Liabilities	<u>\$ 14,680,035</u>	<u>\$ 14,829,254</u>	<u>\$ 13,305,872</u>	<u>\$ 12,979,438</u>

Gibson Water Authority
CAUSE NUMBER 45535

COMPARATIVE INCOME STATEMENT
Twelve Months Ended,

	September 30,	December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Metered Sales				
Residential	\$ 838,668	\$ 791,949	\$ 668,873	\$ 651,387
Commercial	237,280	252,556	199,090	185,562
Industrial	22,939	1,028,877	878,996	727,218
Public Authorities	14,601	8,368	8,700	13,023
Agricultural	36,141	32,510	25,096	32,537
Sales for Resale	153,261	147,470	118,810	128,659
Toyota Motor Manufacturing, Indiana	902,686	-	-	-
Fire Protection Service Charge	22,680	22,680	22,680	22,680
Late Fees	5,777	8,877	5,376	6,515
Miscellaneous Income	23,850	26,047	6,805	2,437
Total Operating Revenues	<u>2,257,883</u>	<u>2,319,334</u>	<u>1,934,426</u>	<u>1,770,018</u>
Operating Expenses				
Salaries and Wages	341,423	339,718	331,676	318,418
Employee Benefits	168,262	168,489	149,542	139,094
Purchased Water	1,282,973	1,212,727	1,063,804	828,961
Purchased Power	39,554	41,192	47,324	41,247
Insurance	31,035	28,562	35,751	27,563
Contractual Services	33,390	51,718	56,180	67,112
Materials and Supplies	26,487	24,411	24,414	30,758
Transportation Expense	8,601	14,799	14,294	14,198
Periodic Maintenance	105,416	105,416	117,057	131,390
Bad Debt Expense	1,345	1,345	1,136	2,579
Miscellaneous Expense	21,412	26,568	29,941	29,232
Total O&M Expense	<u>2,059,898</u>	<u>2,014,945</u>	<u>1,871,119</u>	<u>1,630,552</u>
Depreciation Expense	113,060	93,958	83,524	81,689
Amortization Expense	-	-	-	-
Taxes Other than Income	-	-	-	-
Total Operating Expenses	<u>2,172,958</u>	<u>2,108,903</u>	<u>1,954,643</u>	<u>1,712,241</u>
Net Operating Income	84,925	210,431	(20,217)	57,777
Non-Operating Revenues				
Non-utility Income	(60,436)	3,288	824	2,008
Interest Income	601	617	206	211
Membership Issued	3,404	2,102	12,600	14,300
Contributions in aid of Construction	107,574	870,275	373,680	77,802
Total Non-Operating Revenue	<u>51,143</u>	<u>876,282</u>	<u>387,310</u>	<u>94,321</u>
Non-Operating Expenses				
Interest Expense	2,846	13,305	1	-
Membership Redeemed	-	-	10,500	12,489
Amortization of Grants	33,333	33,333	33,333	33,333
Amortization of CIAC	189,099	189,099	174,065	172,398
Total Other Income (Expense)	<u>225,278</u>	<u>235,737</u>	<u>217,899</u>	<u>218,220</u>
Net Income	<u>\$ (89,210)</u>	<u>\$ 850,976</u>	<u>\$ 149,194</u>	<u>\$ (66,122)</u>

Gibson Water Authority
CAUSE NUMBER 45535

Pro-forma Net Operating Income Statement

	<u>Phase One, Part 1 - All Users</u>						
	Year Ended 9/30/2020	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
Operating Revenues							
Metered Sales	\$ 1,302,890	\$ 132,882	PET	\$ 1,435,772	\$ 105,247	1	\$ 1,541,019
Toyota Motor Manufacturing, Ind.	902,686	92,065	PET	994,751	72,919	1	1,067,670
Fire Protection Service Charge	22,680			22,680	1,663	1	24,343
Late Fees	5,777			5,777	423	1	6,200
Miscellaneous Income	23,850			23,850	-		23,850
Total Operating Revenues	<u>2,257,883</u>	<u>224,947</u>		<u>2,482,830</u>	<u>180,252</u>	1	<u>2,663,082</u>
O&M Expense							
Salaries and Wages	341,423	50,613	PET	392,036	-		392,036
Employee Benefits	168,262	19,545	PET	187,807	-		187,807
Purchased Water	1,282,973	116,768	PET	1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,035	339	PET	31,374	-		31,374
Contractual Services	33,390	(24,798)	PET	8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	105,416	87,754	PET	193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	21,412	(8,373)	5-2	13,039	-		13,039
Total O&M Expenses	<u>2,059,898</u>	<u>241,848</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	113,060	188,920	5-1	301,980	-		301,980
Total Operating Expenses	<u>2,172,958</u>	<u>430,768</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 84,925</u>	<u>\$ (205,821)</u>		<u>\$ (120,896)</u>	<u>\$ 180,252</u>		<u>\$ 59,356</u>

Gibson Water Authority
CAUSE NUMBER 45535

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

Phase One, Part 2 - No Increase Assigned to Toyota Motor Manufacturing, Ind.

	Year			Pro-forma			Pro-Forma
	Ended		Sch	Present		Sch	Proposed
	9/30/2020	Adjustments	Ref	Rates	Adjustments	Ref	Rates
Operating Revenues							
Metered Sales	\$ 1,541,019	\$ -		\$ 1,541,019	\$ 92,895	1	\$ 1,633,914
Toyota Motor Manufacturing, Ind.	1,067,670	-		1,067,670	-		1,067,670
Fire Protection Service Charge	24,343	-		24,343	1,467	1	25,810
Late Fees	6,200	-		6,200	374	1	6,574
Miscellaneous Income	23,850	-		23,850	-		23,850
Total Operating Revenues	<u>2,663,082</u>	<u>-</u>		<u>2,663,082</u>	<u>94,737</u>	<u>1</u>	<u>2,757,818</u>
O&M Expense							
Salaries and Wages	392,036	-		392,036	-		392,036
Employee Benefits	187,807	-		187,807	-		187,807
Purchased Water	1,399,741	-		1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,374	-		31,374	-		31,374
Contractual Services	8,592	-		8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	193,170	-		193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	13,039	-		13,039	-		13,039
Total O&M Expenses	<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	<u>301,980</u>	<u>-</u>		<u>301,980</u>	<u>-</u>		<u>301,980</u>
Total Operating Expenses	<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 59,356</u>	<u>\$ -</u>		<u>\$ 59,356</u>	<u>\$ 94,737</u>		<u>\$ 154,092</u>

Gibson Water Authority
CAUSE NUMBER 45535

Pro-forma Net Operating Income Statement

	Year Ended 9/30/2020	Phase Two - All Users		<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
		Adjustments	Sch Ref				
Operating Revenues							
Metered Sales	\$ 1,633,914	\$ -		\$ 1,633,914	\$ 120,827	1	\$ 1,754,741
Toyota Motor Manufacturing, Ind.	1,067,670	-		1,067,670	78,954	1	1,146,624
Fire Protection Service Charge	25,810	-		25,810	1,909	1	27,719
Late Fees	6,574	-		6,574	486	1	7,060
Miscellaneous Income	23,850	-		23,850	-		23,850
Total Operating Revenues	<u>2,757,818</u>	<u>-</u>		<u>2,757,818</u>	<u>202,176</u>	1	<u>2,959,994</u>
O&M Expense							
Salaries and Wages	392,036	-		392,036	-		392,036
Employee Benefits	187,807	-		187,807	-		187,807
Purchased Water	1,399,741	-		1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,374	-		31,374	-		31,374
Contractual Services	8,592	-		8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	193,170	-		193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	13,039	-		13,039	-		13,039
Total O&M Expenses	<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	<u>301,980</u>	<u>-</u>		<u>301,980</u>	<u>-</u>		<u>301,980</u>
Total Operating Expenses	<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 154,092</u>	<u>\$ -</u>		<u>\$ 154,092</u>	<u>\$ 202,176</u>		<u>\$ 356,268</u>

Gibson Water Authority
CAUSE NUMBER 45535

Expense Adjustments

(1)

Depreciation Expense

To adjust annual depreciation expense.

Utility Plant in Service as of 09/30/2020		\$18,717,359
Land and Land rights/SoS/Pumping Plant	\$ 26,881	
Land and Land rights/Water Treatment Plant	202,521	
Land and Land rights/Trans/Distrib Plant	606,484	
Land and Land rights/General Plant	<u>117,968</u>	
Less: Total Land and Land rights		953,854
Depreciable UPIS		<u>17,763,505</u>
Times IURC approved depreciation rate for purchasing Utility		1.70%
Depreciation Expense Revenue Requirement		<u>301,980</u>
Less: Test Year Depreciation expense		<u>113,060</u>

Adjustment Increase (Decrease)

\$ 188,920

(2)

Non-recurring Expenses

To removed non-recurring and disallowed expenses.

Vendor Name	Amount	Date	Description
Utility Supply Company	858.42	6/10/2020	INSTALLATION MATERIALS
Utility Supply Company	160.31	6/10/2020	INSTALLATION MATERIALS
Utility Supply Company	55.39	6/10/2020	INSTALLATION MATERIALS
BOSE MCKINNEY & EVANS L L P	4,235.00	12/16/2019	2018 WATER PROJECT
VAN HAAFTEN & FARRAR L L C	270.00	12/16/2019	LINE EXPANSION PROJECT - OCT
VAN HAAFTEN & FARRAR L L C	40.00	3/2/2020	LINE EXTENSION PROJECT
Business Card	145.37	12/31/2019	TO RECORD ONLINE PAYMENT
Business Card	1,217.74	1/31/2020	CHRISTMAS PARTY HAUBS
Business Card	492.61	1/31/2020	CONFERENCE EXPENSES
Business Card	302.50	3/1/2020	TO RECORD ONLINE PAYMENT
Log Inn	452.80	3/25/2020	OFFICERS DINNER
Indiana Department of Revenue	143.28	5/31/2020	TO RECORD STATE W/H TAX PAYABLE

Adjustment Increase (Decrease)

(8,373.00)

Gibson Water Authority
CAUSE NUMBER 45535

Debt Service

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	Average Annual Payment
Outstanding						
Taxable Secured Notes, Series 2018	\$ 50,966	\$ 50,966	\$ 50,967	\$ 50,967	\$ 50,966	\$ 50,966
Proposed						
SRF, 2021, Series A	78,556	78,250	78,916	78,541	79,125	78,678
RD, 2022, Series A	115,008	115,008	115,008	115,008	115,008	115,008
RD, 2022, Series B	68,787	68,787	68,787	68,787	68,787	68,787
	<u>\$313,317</u>	<u>\$313,011</u>	<u>\$313,678</u>	<u>\$313,303</u>	<u>\$313,886</u>	<u>\$313,439</u>

Phase I, Part One, All Users

Taxable Secured Notes, Series 2018	<u>\$ 50,966</u>
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Phase I Part Two, Non TMMI Users

Taxable Secured Notes, Series 2018	\$ 50,966
SRF, 2021, Series A	78,678
	<u>\$129,644</u>

Phase II, All Users

Taxable Secured Notes, Series 2018	\$ 50,966
SRF, 2021, Series A	78,678
RD, 2022, Series A	115,008
RD, 2022, Series B	68,787
	<u>\$313,439</u>

**Gibson Water Authority
 CAUSE NUMBER 45535**

Debt Service Reserve

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

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Average Annual Requirement</u>
Outstanding						
Taxable Secured Notes, Series 2018	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200
Proposed						
SRF, 2021, Series A	16,059	16,059	16,059	16,059	16,059	16,059
RD, 2022, Series A and B	18,380	18,380	18,380	18,380	18,380	18,380
	<u>\$ 44,639</u>	<u>\$ 44,639</u>	<u>\$ 44,639</u>	<u>\$ 44,639</u>	<u>\$ 44,639</u>	<u>\$ 44,639</u>
<u>Phase I, Part One, All Users</u>						
Taxable Secured Notes, Series 2018						<u>\$ 10,200</u>
<u>Phase I Part Two, Non TMMI Users</u>						
Taxable Secured Notes, Series 2018						\$ 10,200
SRF, 2021, Series A						16,059
						<u>\$ 26,259</u>
<u>Phase II, All Users</u>						
Taxable Secured Notes, Series 2018						\$ 10,200
SRF, 2021, Series A						16,059
RD, 2022, Series A and B						18,380
						<u>\$ 44,639</u>