

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF) CAUSE NO. 45997
EDWARDSVILLE WATER AUTHORITY)
FOR APPROVAL TO ADJUST ITS RATES) APPROVED: JUN 19 2024
AND CHARGES)

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Ann S. Pagonis, Administrative Law Judge

On December 21, 2023, the Edwardsville Water Authority (“Petitioner” or “Edwardsville”) filed a Petition (“Petition”) requesting authority to adjust its rates and charges with the Indiana Utility Regulatory Commission (“Commission”). Included with its Petition, Edwardsville prefiled the Direct Testimony and Exhibits of Lori A. Young, Professional Engineer, and Scott A. Miller, Certified Public Accountant.

On April 4, 2024, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the Public’s Notice of Intent Not to File Testimony and Notice of Settlement.

On April 26, 2024, Edwardsville and the OUCC filed their Joint Stipulation and Settlement Agreement (“Settlement Agreement”) with supporting schedules. On April 26, 2024, Edwardsville filed the Settlement Testimony of Mr. Scott A. Miller and the OUCC filed the Settlement Testimony of Ms. Carla F. Sullivan, a Utility Analyst in the Water/Wastewater Division of the OUCC.¹

The Commission conducted a public evidentiary hearing in this Cause on May 13, 2024, at 10:30 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, Edwardsville and the OUCC offered their respective testimony and exhibits, which were admitted into the record without objection.

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

1. Notice and Jurisdiction. Notice of the time and place of the hearings conducted by the Commission in this Cause was given as required by law. Edwardsville is a “water authority” as authorized by Ind. Code § 13-18-16-16 and is subject to the jurisdiction of the Commission in the manner and extent provided by Ind. Code § 8-1.5-3-8. Accordingly, the Commission has jurisdiction over Petitioner and this matter.

¹ On April 29, 2024, the OUCC filed the Notice of Filing of the Settlement Workpapers of Carla F. Sullivan. The OUCC clarified on the record that this filing was incorrectly marked as “confidential.” The workpapers were not confidential and no confidential filings were made in this Cause.

2. Petitioner’s Characteristics. Edwardsville is a water authority organized and existing under the laws of the State of Indiana. Edwardsville began providing water service in the 1960’s and now serves approximately 4,400 retail and three wholesale customers in Floyd and Harrison Counties. To serve its customers, Edwardsville utilizes wells, a treatment plant, and distribution and storage facilities.

3. Existing Rates, Test Year, and Relief Requested. Edwardsville’s existing rates and charges were established in a Final Order issued by the Commission on December 30, 2015, in Cause No. 44642. In this Cause, Edwardsville seeks approval to adjust its rates and charges based on a test year consisting of the 12 months ending June 30, 2023, and adjusted for changes which are fixed, known, measurable, and occurring within 12 months. Edwardsville proposes in its direct case to increase its rates and charges by 17.37% on an across-the-board basis, resulting in an estimated \$469,382 increase to its revenue requirement.

4. Edwardsville’s Prefiled Direct Testimony and Exhibits. In support of its Petition and requested relief, Edwardsville prefiled the direct testimony of Ms. Lori A. Young, P.E., and Mr. Scott A. Miller, CPA, including supporting attachments, schedules, and workpapers.

A. Direct Testimony of Lori A. Young, P.E. Edwardsville’s professional engineer, Ms. Lori A. Young, the President of Curry & Associates, Inc., testified regarding Edwardsville’s current facilities, as well as Edwardsville’s necessary improvements to ensure safe and reliable service.

Ms. Young testified regarding the status of Edwardsville’s Frank Ott Storage Tank, a 1,000,000 gallon elevated water storage tank and related facilities, the financing of which was approved by the Commission in Cause No. 45617. Ms. Young testified that Edwardsville completed the financing and bidding for the Frank Ott Storage Tank and that the physical construction has largely been completed. She also explained that Edwardsville anticipates the Frank Ott Storage Tank will be operational by May 15, 2024. However, Ms. Young explained Edwardsville was unable to construct the Frank Ott Storage Tank at or below the engineer’s estimates in Ms. Young’s prefiled testimony and exhibits in Cause No. 45617 due to higher than anticipated bids and construction costs during volatile financial conditions in 2022. Ms. Young said that in Cause No. 45617, she estimated the total cost of the Frank Ott Storage Tank would be \$3,798,000. Given that a \$500,000 grant from Floyd County would be applied to this proposed total cost, Edwardsville requested and received borrowing authority of \$3,298,000. However, Ms. Young testified the ultimate total cost for the Frank Ott Storage Tank, including all soft costs, is \$5,317,000, and that Edwardsville previously obtained additional borrowing authority in Cause No. 45617 S1 to complete the Frank Ott Storage Tank.

Ms. Young testified that as part of the financing process for the Frank Ott Storage Tank, she prepared a preliminary engineering report (“2021 PER”), which was included as part of Edwardsville’s prefiled testimony in Cause No. 45617. Ms. Young explained the water improvements included in the 2021 PER were categorized in two phases with the Frank Ott Storage Tank project as Phase I and a 20-inch main project and four service pump replacement projects as Phase II. However, Ms. Young explained Edwardsville did not seek approval for financing of the Phase II improvements as part of Cause No. 45617 because the additional financing costs would have required an additional rate increase that Petitioner’s Board of Director’s was not comfortable

with at that time. Yet, Ms. Young testified Edwardsville still intends to complete these additional improvements. With the passage of time, Ms. Young explained that the cost estimations in the 2021 PER for the Phase II improvements are now outdated, but she has prepared updated cost estimates which she attached to her testimony as Petitioner's Exhibit 4. Ms. Young explained that the current cost estimate to complete the Phase II Improvements is \$8,772,946.

In addition, Ms. Young testified that there are other improvements that Edwardsville will need to make to provide safe and efficient service to its customers, including a West McCarthy Road water main project, an innovation hub main connection project, as well as other water main projects from Edwardsville's water treatment plant. Ms. Young included cost estimates for these additional projects as Petitioner's Exhibit 5. Ms. Young testified about Edwardsville's growing demand for service. She referenced Edwardsville's historical customer growth and explained that Edwardsville currently serves approximately 4,400 retail customers and three wholesale customers. She further testified about the new development in Edwardsville's service territory that has created a steady increase in customers since its last rate case in 2015.

To conclude her testimony, Ms. Young testified that based on the continuing demand for water, Edwardsville needs the improvements outlined in Petitioner's Exhibits 4 and 5.

B. Direct Testimony of Scott A. Miller, CPA. Mr. Scott A. Miller presented testimony and exhibits supporting Edwardsville's proposal to adjust its rates. Mr. Miller reduced his conclusions to writing in the form of a written accounting report that was prefiled with his testimony.

Mr. Miller testified regarding Edwardsville's change of corporate status since its last rate case, Cause No. 45617. He explained that Edwardsville's Board of Directors adopted a resolution reconstituting the Edwardsville Water Corporation as the Edwardsville Water Authority, which was duly filed with the appropriate state agencies.

Mr. Miller further testified that his firm, under his supervision, prepared an Accounting Report, which was included with his testimony as Petitioner's Exhibit 9 ("Report"). He explained the Report revealed that Edwardsville needs an adjustment in its current rates and charges based on Edwardsville's financial condition. Mr. Miller testified the Report is organized in three sections, including an accountant's report, pro forma financial information and analyses, and supplemental data, including historical and test-year financial information. He explained the test period consists of the 12 months ending June 30, 2023.

In the Report, Mr. Miller summarized the pro forma operating cash expense adjustments for the test year. He explained the total test year cash operating expenses for the test year equaled \$1,618,795. He further testified that the pro forma cash operating expenses included eight adjustments to the test year for the following: Edwardsville's salaries and wages; pro forma Federal Insurance Contributions Act expenses; increases in Edwardsville's pension expenses; pro forma employee insurance expenses; material and supply expenses; exclusion of non-recurring charges; the pro forma cash operating expenses; and the estimated annual periodic maintenance expenses. Overall, Mr. Miller testified these adjustments result in an increase to Edwardsville's cash operating expenses of \$407,011, resulting in a total pro forma cash operating expense of \$2,025,806.

Mr. Miller testified that Edwardsville's annual operating revenues have been increased by \$13,923 to account for the increase in monthly users for the test year. He explained 364 additional bills are anticipated to be generated due to a growth in Edwardsville's customer base, which was then multiplied by the average user bill. This \$13,923 is added to the test year revenues of \$2,688,393 resulting in total normalized metered sales subject to an increase of \$2,702,316.

Mr. Miller also testified regarding the pro forma annual revenue requirements and annual operating revenues for Edwardsville. Mr. Miller explained that Edwardsville's total annual revenue requirement is \$3,171,698, comprised of annual operation and maintenance expenses, annual debt service payments, and annual depreciation expenses. Mr. Miller explained the pro forma operation and maintenance expenses and operating revenues. He further explained that certain periodic maintenance items, including Edwardsville's tank painting and maintenance contract, are subtracted in the pro forma depreciation expense analysis. After calculating the net annual revenue requirement of \$3,171,698, Mr. Miller testified that the additional revenues required by Edwardsville total \$469,382, which results in an across-the-board rate increase of 17.37%.

Mr. Miller explained that the Report includes Edwardsville's comparative statements of net position, revenues, expenses, changes, and cash flows for the calendar years of 2020, 2021, 2022, and the 12 months ending June 30, 2023. Mr. Miller testified about Edwardsville's periodic maintenance fund and the amortization schedules of Edwardsville's outstanding financing. Mr. Miller also addressed the decrease of the annual debt service due on outstanding notes ending January 1, 2029, and testified that Edwardsville has several significant projects that will need to be addressed in the upcoming years. Accordingly, he explained that although Edwardsville prefers to pay for proposed projects with cash on hand, to the extent it is not available, Edwardsville may need to seek to fund proposed projects through debt issuances. Therefore, Mr. Miller explained Edwardsville would seek Commission approval in a future case to issue debt and would propose to wrap the debt around outstanding notes to create level debt service beginning in 2029.

To conclude his direct testimony, Mr. Miller testified that in his opinion the proposed rate adjustments are fair, just, non-discriminatory, reasonable, and necessary to meet Edwardsville's pro forma revenue requirements.

5. Settlement Agreement. On April 26, 2024, Edwardsville and the OUCC filed a Settlement Agreement that settled all issues between the parties. Pursuant to the Settlement Agreement, the parties agreed Edwardsville should be authorized to increase its rates and charges for water service to reflect a total net revenue requirement in the amount of \$3,115,205, resulting in an increase of \$393,377 in annual revenues and representing a 14.45% increase in current rates. A summary of the Settlement Agreement is explained below:

A. Revenue and Rates. The parties agreed that Edwardsville should be authorized to increase its rates and charges for water service to reflect ongoing net revenue requirements in the amount of \$3,115,205 inclusive of gross-up, resulting in an annual increase of \$393,377 or 14.45% over Edwardsville's current revenues at existing rates.

B. Operation and Maintenance Adjustments. Edwardsville has agreed to the OUCC's proposed operation and maintenance adjustments for: (i) post-test year growth; (ii) salaries and wages; (iii) pension expense; (iv) debt service expense; (v) system delivery expense; (vi) developer reimbursements; (vii) regulatory expense; (viii) bad debt expense; and (ix) a variety of miscellaneous expenses, including telecommunication, non-allowable, and non-recurring expenses.

C. Filter Media Maintenance and Replacement Costs. The parties agreed Petitioner's revenue requirement includes a periodic maintenance expense revenue requirement of \$35,336 per year to address the cost of periodically replacing filter media. Edwardsville agrees it shall retain \$35,336 per year and restrict the use of such funds to maintaining and replacing filter media as needed.

D. Filing of Tariff. The parties agreed Edwardsville may expeditiously file a new tariff after issuance of a Commission Order in this Cause approving an adjustment to Edwardsville's rates.

E. Edwardsville's Next Rate Case. The parties acknowledged that Edwardsville anticipates seeking Commission approval to incur long-term debt to fund certain capital improvements and potentially adjust its rates and charges in the next four years. Edwardsville anticipates it will file a new rate case by March 1, 2028, and have an order from the Commission by January 1, 2029.

F. Rate Case Expense. The parties agreed that Edwardsville's rate case expense revenue requirement is based on an amortization of four years. Once Edwardsville's rate case expense has been fully amortized, Edwardsville shall either revise its rates at the end of four years to remove the expense or thereafter set \$37,500 aside to be used for reasonable rate case expense in its next rate case.

G. Debt Service Expense. The parties agreed to certain adjustments to Edwardsville's revenue requirement for debt service based on Edwardsville's average annual debt service expense for the years 2025-2029 in the amount of \$659,000 per year. The parties also agreed that if Edwardsville does not secure a new rate order by January 1, 2029, the difference in the amount of debt service approved in this case (i.e. \$659,000) and the actual amount of debt service in 2029 (i.e. \$480,328) will be retained and used as an offset against future debt service expense and a future borrowing.

H. Debt Service Reserve. The parties agreed that the debt service revenue requirement as set forth above is based on an estimated average of annual debt service expense during the expected life of rates and was calculated without assuming that already accumulated debt service reserve would be applied to pay off existing debt scheduled to expire during the anticipated life of these agreed rates. In exchange for that calculation, Edwardsville has agreed that, in lieu of applying its debt service reserve to meet the final payments of its existing debt, Edwardsville shall retain the debt service reserve balance to fund its debt service reserve requirements in its next borrowing, the authority for which it anticipates requesting as part of (or before) its next rate case.

6. Settlement Testimony of the Parties. The OUCC and Edwardsville filed testimony for the purpose of supporting the Joint Stipulation and Settlement Agreement.

A. Edwardsville's Settlement Testimony. Edwardsville filed the Settlement Testimony and Exhibits of Mr. Miller to support the Joint Stipulation and Settlement Agreement executed between Edwardsville and the OUCC. As part of his settlement testimony, Mr. Miller included a copy of the Settlement Agreement as Petitioner's Exhibit 11.

Mr. Miller said several adjustments resulted in a reduction to Edwardsville's proposed rate increase from the requested 17.37% to 14.45% in the Settlement Agreement. This included adjustments for post-test year customer growth, salaries and wages, pension expenses, debt service costs, system delivery expenses, developer reimbursements, regulatory expenses, bad debt expenses, as well as other miscellaneous expenses such as telecommunication, nonallowable, and nonrecurring expenses. The parties also agreed that Edwardsville should include an amount of \$35,336 per year in its revenue requirement to address filter media replacement costs, which would be placed in a restricted account for that purpose.

Mr. Miller also explained the rate case expense of \$37,500 per year that would remain in place for the life of the rates, which is anticipated to be four years. In addition, once Edwardsville's rate case expense has been fully amortized, Edwardsville will either revise its rates at the end of the four years to remove the expense or thereafter set aside \$37,500 per year to be used for reasonable rate case expense in its next rate case. Lastly, Mr. Miller explained the settling parties agreed that Edwardsville will retain its existing debt service reserve balance in lieu of using a portion of the funds for upcoming principal and interest payments on maturing debt. He further noted that the retained debt service reserve balance will be used to fund Edwardsville's expected debt service reserve requirements for its next borrowing, the authority for which is anticipated to be requested as part of (or before) its next rate case.

Mr. Miller concluded his settlement testimony by explaining that he believes the Settlement Agreement is in the best interest of Edwardsville and its customers. He testified the Settlement Agreement allows for an immediate settlement of this case without further time and expense incurred by the settling parties and the Commission. He further explained the settling parties have agreed to Edwardsville's revenue requirements, including specific treatment of rate case expense and filter media replacements, which should be fair to all customers. He also explained these mechanisms should provide security and protection to Edwardsville and its customers by establishing a full opportunity to recover rate case expense or provide a credit against future rate case expense if a new case is not filed within four years, as well as ensuring Edwardsville's ability to maintain its filter media assets. He further testified that the ability to use Edwardsville's existing debt service reserve to fund expected future reserve requirements in lieu of using funds over the next several years should allow for more stable rates at Edwardsville. In conclusion, Mr. Miller explained that the Settlement Agreement provided a reasonable compromise under the circumstances, and that it should allow Edwardsville to operate and maintain its system and provide safe and efficient service to its customers while also reducing the overall rate impact to its customer base.

B. OUCC's Settlement Testimony. The OUCC filed the Settlement Testimony of Carla F. Sullivan in support of the Settlement Agreement.

Ms. Sullivan described Edwardsville's requested revenue requirements and stated that the settling parties agreed to a net annual revenue requirement of \$3,115,205, inclusive of gross-up fees, which the parties anticipate will ensure that Edwardsville will have the financial means to provide safe, reliable water service. As part of Ms. Sullivan's Settlement Testimony, Ms. Sullivan included 11 settlement accounting schedules outlining the various adjustments the parties have agreed to regarding Edwardsville's requested revenue requirements.

Ms. Sullivan explained that the settling parties agreed to an across-the-board rate increase of 14.45% over Edwardsville's current rates, resulting in an ongoing annual revenue requirement of \$3,115,205 inclusive of gross-up fees. Ms. Sullivan further analyzed the revenue requirements that in the 14.45% rate increase and explained the various pro forma operating revenue adjustments from Edwardsville's proposed pro forma revenue requirements. After analyzing the various adjustments to Edwardsville's pro forma operating expenses, Ms. Sullivan testified that the net operating income agreed to in the Settlement Agreement is in the ratepayers' best interest, and the agreed operating and maintenance expense adjustments are required to meet Edwardsville's ongoing annual expense. She further explained that the operating revenue adjustments provide a fair representation of Edwardsville's current annual income, and that the operating revenue and operating expense adjustments provide Edwardsville with the financial means to provide safe and reliable service.

Ms. Sullivan also testified regarding Edwardsville's depreciation expense adjustments, and explained the parties agreed to include \$527,828 of annual depreciation expense in its revenue requirement. She explained this is reasonable, as it represents Edwardsville's investment in a one-million-gallon tower which will be placed in service prior to the completion of this Cause, but after the 12 month adjustment period. Ms. Sullivan explained that although there are time limits set forth in 170 IAC 1-5-5(2)(B), the inclusion of the water tower is in the ratepayers' best interest and is necessary to provide Edwardsville with the financial means to maintain the tower.

Regarding Edwardsville's debt service, Ms. Sullivan explained the settling parties agreed to include \$659,000 of annual debt service in Edwardsville's revenue requirement. Ms. Sullivan testified that because Edwardsville's annual debt service revenue requirement is not being reduced to reflect any withdrawals from the debt service reserve funds, the Settlement Agreement requires that the debt service reserve balance must be retained by Edwardsville and reserved for use in its next borrowing. If Edwardsville does not secure a new rate order by January 1, 2029, the difference in the amount of debt service approved in this case (i.e., \$659,000) and the actual amount of debt service in 2029 (i.e., \$480,328) will be retained and used as an offset against future debt service expense and a future borrowing. Ms. Sullivan also testified about Edwardsville's agreed-upon rate case expense terms, where the settling parties agreed to amortize \$150,000 of rate case expense incurred in this Cause over four years, and once Edwardsville has recouped this expense through rates, it should be removed from the revenue requirement to avoid over collection. To do so, Ms. Sullivan explained the parties agreed that Edwardsville will either remove rate case expense from the approved rates and file a new tariff, or in lieu of reducing rates, Edwardsville may set aside \$37,500 annually to be used for future rate case expenses. Ms. Sullivan also testified about the

Settlement Agreement's restricted account for filter media improvements and maintenance, resulting in an annual revenue requirement of \$35,336 for filter media.

Ms. Sullivan concluded her settlement testimony by explaining the Settlement Agreement presents an appropriate compromise between the settling parties and balances Edwardsville's needs with the interest of the ratepayers.

7. Commission Discussion and Findings. Settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Corp.*, 735 N.E.2d 790, 803 (Ind. 2009). 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 Coalition v. PSI Energy*, 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.

The Commission is not required to accept a settlement simply because the parties have agreed to it, and agreements filed by some or all of the parties must still be supported by probative evidence. *Id.* 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 Coalition v. Public Serv. Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules further 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 conclusion 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.

Upon review of the evidence of record, we find the terms of the Settlement Agreement are supported by the evidence and represent a reasonable resolution of the issues presented to the Commission. The evidence of record reflects that the proposed capital improvements to Edwardsville's system are necessary to maintain Edwardsville's system in good working order and are in the public interest. In addition, the rates and charges agreed upon in the Settlement Agreement will provide sufficient funds for effective utility operation. The Commission further finds that the terms of the Settlement Agreement are reasonable, particularly given that Edwardsville has not increased its rates and charges through a general rate case since 2015. We find the Settlement Agreement represents a just and reasonable resolution of the disputed issues in this case that balances Edwardsville's need to collect sufficient revenues with the interests of its customers for mitigation of the rate impact. Further, the evidence of record demonstrates that the approval of the Settlement Agreement to be in the public interest. Therefore, the Commission finds the Settlement Agreement should be approved in its entirety.

Consistent with the evidence of record and the terms of the Settlement Agreement approved herein, the Commission specifically finds:

A. Edwardsville’s Authorized Rates. Based upon the evidence, the Commission finds that Edwardsville’s current rates and charges are insufficient to satisfy Edwardsville’s annual pro forma net revenue requirement. The Commission further finds that Edwardsville shall be authorized to increase its rates and charges for water service, across-the-board, to produce annual revenues of \$3,115,205 inclusive of gross-up, resulting in an increase of \$393,377 in annual revenues and representing a 14.45% increase in current rates.

Revenue Requirements	Per Settlement
Operating Expenses	\$ 1,956,443
Payroll Taxes	59,045
Depreciation	527,828
Working Capital	-
Debt Service	659,000
Debt Service Reserve	-
Total Revenue Requirements	3,202,316
Less: Interest Income	(35,391)
Other Operating Income	(17,557)
Town of Elizabeth	(34,740)
Net Revenue Requirements	3,114,628
Less: Revenues at current rates subject to increase	(2,705,985)
Late Fees	(15,843)
Net Revenue Increase Required	392,800
Add: Additional IURC Fees	577
Recommended Increase	<u>\$ 393,377</u>
Recommended Percentage Increase	<u>14.45%</u>

The average monthly residential bill with usage of 4,000 gallons will be \$43.78, which is an increase of \$5.52 from the current rates.

B. Use of Settlement Agreement. The 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, regarding future citation of the Settlement Agreement, we find that 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).

C. Alternative Regulatory Program (“ARP”). If Petitioner elects to participate in the Small Utility ARP in accordance with procedures approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied for are \$1,908,686.

This amount excludes \$10,834 approved for purchased water and \$37,500 for rate case expense amortization. Taxes other than income of \$59,045 are also an eligible expense to which the Annual Cost Index will be applied. All other components of Petitioner's revenue requirement will remain unchanged.

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

1. The Joint Stipulation and Settlement Agreement, a copy of which is attached to this Order, is approved and the terms and conditions are incorporated as part of this Order. The parties shall comply with the provisions of the Joint Stipulation and Settlement Agreement.

2. Edwardsville is authorized to adjust and increase its base rates and charges for water utility service to reflect an overall pro forma net revenue requirement of \$3,115,205 inclusive of gross-up, which is an increase of \$393,377 in annual revenues and represents a 14.45% increase from current rates.

3. Within 30 days of this Order, Edwardsville shall file a new schedule of rates and charges, consistent with this Order, with the Commission's Water/Wastewater Division. New rates and charges shall be effective on filing and after approval of the schedules by the Water/Wastewater Division.

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

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

APPROVED: JUN 19 2024

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

**Dana Kosco
Secretary of the Commission**

FILED
April 26, 2024
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF
EDWARDSVILLE WATER AUTHORITY
FOR APPROVAL OF A CHANGE TO ITS
RATES AND CHARGES

CAUSE NO. 45997

SETTLEMENT TESTIMONY AND EXHIBITS
OF SCOTT A. MILLER, CPA

Settlement Testimony of Scott A. Miller, CPA

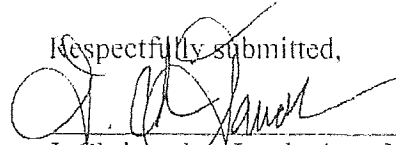
Petitioner's Exhibit 10

Joint Stipulation and Settlement Agreement

Petitioner's Exhibit 11

OFFICIAL
EXHIBITS

Respectfully submitted,



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

Jacob T. Antrim, Atty. No. 36762-49

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

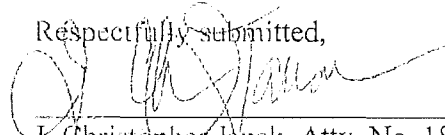
IN THE MATTER OF THE PETITION OF
EDWARDSVILLE WATER AUTHORITY
FOR APPROVAL OF A CHANGE TO ITS
RATES AND CHARGES

CAUSE NO. 45997

SUBMISSION OF JOINT STIPULATION AND SETTLEMENT AGREEMENT

Petitioner, the Edwardsville Water Authority ("Edwardsville"), by counsel, hereby submits the attached Joint Stipulation and Settlement Agreement in the above-referenced Cause.

Respectfully submitted,



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

Jacob T. Antrim, Atty. No. 36762-49

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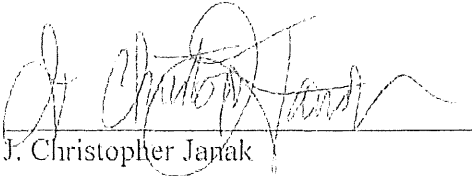
IURC
PETITIONER'S
EXHIBIT NO. _____
5-13-24 _____
DATE REPORTER

OFFICIAL
EXHIBITS

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via electronic mail this 26th day of April, 2024, upon the following:

Indiana Office of Utility Consumer Counselor
infomgt@oucc.in.gov



J. Christopher Janak

Bose McKinney & Evans LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
(317) 684-5000

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF
EDWARDSVILLE WATER AUTHORITY
FOR APPROVAL TO ADJUST ITS RATES
AND CHARGES

CAUSE NO. 45997

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this ____ day of April, 2024, by and between the Edwardsville Water Authority (“Edwardsville”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final order (“Order”) from the Indiana Utility Regulatory Commission (“Commission”) without modification or the addition of further conditions that may be unacceptable to any of the parties. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties (as defined below).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On December 21, 2023, Edwardsville initiated this Cause by filing a Petition with the Commission requesting authority for approval to adjust its rates and charges.

2. **Prefiled Evidence of Parties.** In support of its Petition, Edwardsville filed the Prefiled Testimony and Exhibits of Lori A. Young, P.E., and Scott A. Miller, C.P.A., on December 21, 2023. On April 4, 2024, the OUCC filed its Notice of Intent Not to File Testimony

and Notice of Settlement. On April 26, 2024, Edwardsville filed the Settlement Testimony of Mr. Miller and the OUCC pre-filed the Settlement Testimony and Exhibits of Carla Sullivan.

3. **Settlement.** Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, Edwardsville and the OUCC (“Settling Parties”) agree on the terms and conditions as described herein that resolve all issues between them in this Cause. Attached to the Settlement Agreement as Exhibit A are the accounting schedules (“Schedules”) that reflect the agreed upon revenue requirement and resulting final rates and charges.

4. **Revenue Requirement and Rates.** The Settling Parties agree that Edwardsville should be authorized to increase its rates and charges for water service to reflect ongoing net revenue requirements in the amount of \$3,115,205 inclusive of gross-up, resulting in an annual increase of \$393,377 inclusive of gross-up or 14.45% over Edwardsville’s current revenues at existing rates.

5. **Filter Media Maintenance and Replacement Costs.** The agreed revenue requirement includes a periodic maintenance expense revenue requirement of \$35,336 per year to address the cost of periodically replacing filter media. Edwardsville agrees it shall retain \$35,336 per year and restrict the use of such funds to maintaining and replacing filter media as needed.

6. **Operation and Maintenance Adjustments.** After review and examination, Edwardsville has agreed to the OUCC’s proposed adjustments for: (i) post-test year growth; (ii) salaries and wages; (iii) pension expense; (iv) debt service expense; (v) system delivery expense; (vi) developer reimbursements; (vii) regulatory expense; (viii) bad debt expense; and (ix) a variety of miscellaneous expenses, including telecommunication, non-allowable, and non-recurring expenses.

7. **Filing of Tariff.** The Settling Parties agree that Edwardsville may expeditiously file a new tariff after issuance of a Commission Order in this Cause approving an adjustment to Edwardsville's rates.

8. **Edwardsville's Next Rate Case.** As part of discovery, Edwardsville represented to the OUCC that Edwardsville anticipates seeking Commission approval to incur long-term debt to fund certain capital improvements and potentially adjust its rates and charges in the next four (4) years. Edwardsville anticipates it will file a new rate case by March 1, 2028, and have an order from the Commission by January 1, 2029.

9. **Rate Case Expense.** Petitioner's Rate Case expense revenue requirement is based on an amortization of four years. Once Edwardsville's rate case expense has been fully amortized, Edwardsville shall either revise its rates at the end of four years to remove the expense or thereafter set \$37,500 aside to be used for reasonable rate case expense in its next rate case. The OUCC agrees that should the life of Edwardsville's rates be less than four years any unamortized rate case expense may be recorded in the subsequent rate order.

10. **Debt Service Expense.** The Settling Parties have agreed to adjustment to Edwardsville's revenue requirement for debt service based on Edwardsville's average annual debt service expense for years 2025-2029 in the amount of \$659,000 per year. If Edwardsville does not secure a new rate order by January 1, 2029, the difference in the amount of debt service approved in this case (i.e \$659,000) and the actual amount of debt service in 2029 (i.e \$480,328) will be retained and used as an offset against future debt service expense and a future borrowing.

11. **Retention of Debt Service Reserve.** The debt service revenue requirement as set forth above is based on an estimated average of annual debt service expense during the expected life of rates and was calculated without assuming that already accumulated debt service reserve

would be applied to pay off existing debt scheduled to expire during the anticipated life of these agreed rates. In exchange for that calculation, Edwardsville has agreed that, in lieu of applying its debt service reserve to meet the final payments of its existing debt, Edwardsville shall retain the debt service reserve balance to fund its debt service reserve requirements in its next borrowing, the authority for which it anticipates requesting as part of (or before) its next rate case.

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

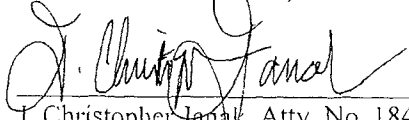
13. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any party may take with respect to any issue in any future regulatory or non-regulatory proceeding.

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

15. Approval of Settlement Agreement in its Entirety. As a condition of this settlement, the Settling Parties specifically agree that if the Commission does not approve this 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, Edwardsville shall have a reasonable period of time to prepare and file rebuttal testimony and exhibits and this matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the Settling Parties in a writing that is filed with the Commission.

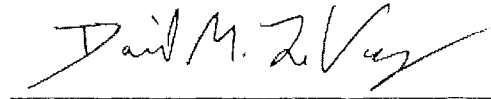
16. Proposed Order. The Settling Parties agree to work together in preparing a mutually acceptable proposed order that the Settling Parties agree to file with the Commission on or before May 10, 2024.

**EDWARDSVILLE WATER AUTHORITY
("EDWARDSVILLE")**



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CAUSE NUMBER 45997
Settlement Schedules

Edwardsville Water Authority
CAUSE NUMBER 45997

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

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 1,968,346	\$ 1,956,443	4	\$ (11,903)
Payroll Taxes	57,465	59,045	4	1,580
Depreciation	527,828	527,828	7	-
Working Capital	-	-	8	-
Debt Service	719,145	659,000	9	(60,145)
Debt Service Reserve	-	-	10	-
Total Revenue Requirements	3,272,784	3,202,316		(70,468)
Less: Interest Income	(35,391)	(35,391)	PET	-
Other Operating Income	(30,950)	(17,557)	4	13,393
Town of Elizabeth	(34,740)	(34,740)		-
Net Revenue Requirements	3,171,703	3,114,628		(57,075)
Less: Revenues at current rates subject to increas	(2,702,316)	(2,705,985)	4	(3,669)
Late Fees	-	(15,843)	4	(15,843)
Net Revenue Increase Required	469,387	392,800		(76,587)
Add: Additional IURC Fees	-	577		577
Recommended Increase	\$ 469,387	\$ 393,377		\$ (76,010)
Recommended Percentage Increase	17.37%	14.45%		-2.92%

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>		<u>Settlement More (Less)</u>
	<u>Petitioner</u>	<u>Settlement</u>	
Current Rate = \$45.89	\$ 53.86	\$ 52.52	\$ (1.34)

Edwardsville Water Authority
CAUSE NUMBER 45997

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			
Water Sales	\$ 13,923	\$ 13,923	\$ -
Post-Test Year Growth	-	6,120	6,120
Total Operating Revenues	13,923	20,043	6,120
O&M Expense			
Salaries and Wages - Employees	65,115	85,778	20,663
Pension	6,759	7,809	1,050
Group Health	6,165	6,165	-
System Delivery Expense	-	1,930	1,930
Materials and Supplies	65,084	65,084	-
Repairs	257,984	257,984	-
Contractual Services			
Legal	(34,804)	(34,804)	-
Developer Reimbursement	-	(30,807)	(30,807)
Regulatory Commission Expense	-	29	29
Rate Case Expense	37,500	37,500	-
Bad Debt Expense	-	31	31
Miscellaneous Expense	-	-	-
Computer Expenses	-	(455)	(455)
Telecommunication Expense	-	72	72
Non-Allowable Expenses	-	(3,846)	(3,846)
Non-Recurring Expenses	-	(570)	(570)
Total O&M Expense	403,803	391,900	(11,903)
Other Operating Expenses			
Depreciation Expense	108,845	108,845	-
Payroll Taxes	3,208	4,788	1,580
Total Other Operating Expense	112,053	113,633	1,580
Total Operating Expenses	515,856	505,533	(10,323)
Net Operating Income	\$ (501,933)	\$ (485,490)	\$ 16,443

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE BALANCE SHEET

As of:

<u>ASSETS</u>	<u>June 30 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Utility Plant:			
Utility Plant in Service	\$ 21,440,757	\$ 21,311,269	\$ 20,652,585
Construction Work in Progress	1,131,373		
Less: Accumulated Depreciation	<u>(8,694,462)</u>	<u>(8,485,575)</u>	<u>(8,077,512)</u>
Net Utility Plant in Service	<u>13,877,668</u>	<u>12,825,694</u>	<u>12,575,073</u>
Current Assets:			
Cash and Cash Equivalents	2,650,732	2,530,441	2,545,536
Restricted Cash	4,004,728	5,808,293	
Restricted Cash - Debt Service	705,679	501,680	
Customer Accounts Receivable	206,782	236,009	247,708
Cash Bond Escrow			1,068,142
Materials and Supplies	166,423	183,851	207,764
Prepayments	21,032	34,519	36,423
Total Current Assets	<u>7,755,376</u>	<u>9,294,793</u>	<u>4,105,573</u>
Deferred Debits			
Unamortized Debt Discount and Expense	<u>11,963</u>	<u>14,355</u>	<u>19,140</u>
Total Deferred Debits	<u>11,963</u>	<u>14,355</u>	<u>19,140</u>
Total Assets	<u><u>\$ 21,645,007</u></u>	<u><u>\$ 22,134,842</u></u>	<u><u>\$ 16,699,786</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE BALANCE SHEET

As of:

<u>LIABILITIES</u>	<u>June 30</u> <u>2023</u>	<u>Dec 31,</u> <u>2022</u>	<u>Dec 31,</u> <u>2021</u>
Equity			
Retained Earnings	\$ 6,544,775	\$ 5,828,476	\$ 5,358,476
Paid in Capital	1,068,142	1,068,142	1,068,142
Total Equity	<u>7,612,917</u>	<u>6,896,618</u>	<u>6,426,618</u>
Contributions in Aid of Construction			
Contributions in Aid of Construction, net	5,134,062	6,074,070	5,387,700
Accumulated Amortization of CIAC			
Net Contributions-in-aid of Construction	<u>5,134,062</u>	<u>6,074,070</u>	<u>5,387,700</u>
Long-term Debt			
Bonds Payable	7,850,284	7,073,114	2,882,732
Other Long-Term Debt	-	1,461,209	1,489,907
Total Long-term Debt	<u>7,850,284</u>	<u>8,534,323</u>	<u>4,372,639</u>
Current Liabilities			
Accounts Payable	24,504	90,271	29,202
Customer Deposits	430,538	425,100	418,628
Current Portion of Long-term Debt	513,270		
Accrued Interest Payable	82,193	88,353	36,608
Miscellaneous Current & Accrued Liabilities	(2,767)	26,107	28,391
Total Current Liabilities	<u>1,047,738</u>	<u>629,831</u>	<u>512,829</u>
Total Liabilities	<u>\$ 21,645,001</u>	<u>\$ 22,134,842</u>	<u>\$ 16,699,786</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE INCOME STATEMENT
Twelve Months Ended:

	<u>June 30, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Operating Revenue			
Residential	\$ 2,141,214	\$ 2,319,178	\$ 2,317,431
Commercial	43,657	41,445	48,351
Public Authority	49,356	43,153	40,211
Sales for Resale	480,714	262,384	267,993
Private Fire Protection	5,741	5,741	5,741
Late Payment Fees	15,843	13,033	10,173
Other Water Revenues	2,450		
Miscellaneous Service Revenues	15,107	1,965	7,849
Total Operating Revenues	<u>2,754,082</u>	<u>2,686,899</u>	<u>2,697,749</u>
Operating Expenses			
Salaries and Wages - Employees	686,057	730,306	664,159
Salaries and Wages - Officers	24,550	24,175	20,925
Pension	30,783	29,324	29,537
HSA Savings	6,720		
Group Health	129,215	147,378	170,296
Purchased Water	10,834	9,887	8,760
Purchased Power	246,289	230,693	189,270
Chemicals	47,508	43,886	36,877
Materials and Supplies	(8,591)	29,306	28,735
Repairs	57,905		
Contractual Services			
Engineer	3,500	20,705	2,000
Accounting	20,705	6,150	35,726
Legal	47,468	25,756	61,840
Auditing	10,500	10,250	
Professional Services-Surveyor	3,100	3,151	
Contracted Svcs - Labor Admin	4,975		
Contract Services - Labor	2,491		
Developer Reimbursement	30,807	19,551	22,603
Rental of Equipment	1,789	2,589	
Transportation Expense	44,453	51,642	39,029

Edwardsville Water Authority
CAUSE NUMBER 45997

COMPARATIVE INCOME STATEMENT
Twelve Months Ended:

	<u>June 30, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Insurance			
Vehicle	7,705	8,159	8,699
General Liability	28,557	25,466	10,386
Workers' Compensation	4,714	4,296	5,083
Regulatory Commission Expense	2,053	2,163	2,193
Bad Debt Expense	1,492	111	2,367
Miscellaneous Expense	118,964	165,891	176,789
Total O&M Expense	<u>1,564,543</u>	<u>1,590,835</u>	<u>1,515,274</u>
Other Operating Expenses			
Depreciation Expense	414,198	408,063	399,225
Amortization Expense	4,785		
Payroll Taxes	54,257	57,729	50,915
Total Other Operating Expense	<u>473,240</u>	<u>465,792</u>	<u>450,140</u>
Total Operating Expenses	<u>2,037,783</u>	<u>2,056,627</u>	<u>1,965,414</u>
Net Operating Income	<u>\$ 716,299</u>	<u>\$ 630,272</u>	<u>\$ 732,335</u>
Other Income (Expense)			
Interest Income	179,953	63,650	2,568
Interest Expense	(273,381)	219,137	130,716
Amortization of Debt Discount		4,785	4,785
Total Other Income (Expense)	<u>(93,428)</u>	<u>287,572</u>	<u>138,069</u>
Net Income	<u>\$ 622,871</u>	<u>\$ 917,844</u>	<u>\$ 870,404</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

Pro Forma Net Operating Income Statement

	Test Year Ended 6/30/2023	Adjustments	Sch Ref	<i>Pro Forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro Forma</i> Proposed Rates
Operating Revenues							
Water Sales	\$ 2,714,941	\$ 13,923	5-1	\$ 2,734,984	\$ 390,297		\$ 3,125,281
Post-Test Year Growth		6,120	5-2		-		
Private Fire Protection	5,741			5,741	819		6,560
Late Payment Fees	15,843			15,843	2,261		18,104
Other Water Revenues	2,450			2,450			2,450
Miscellaneous Service Revenues	15,107			15,107			15,107
Total Operating Revenues	<u>2,754,082</u>	<u>20,043</u>		<u>2,774,125</u>	<u>393,377</u>	1	<u>3,167,502</u>
O&M Expense							
Salaries and Wages - Employees	686,057	85,778	6-1	771,835			771,835
Salaries and Wages - Officers	24,550			24,550			24,550
Pension	30,783	7,809	6-2	38,592			38,592
HSA Savings	6,720			6,720			6,720
Group Health	129,215	6,165	6-4	135,380			135,380
Purchased Water	10,834			10,834			10,834
Purchased Power	246,289			246,289			246,289
Chemicals	47,508			47,508			47,508
System Delivery Expense	-	1,930	6-5	1,930			1,930
Materials and Supplies	(8,591)	65,084	6-6	56,493			56,493
Repairs	57,905	257,984	6-7	315,889			315,889
Contractual Services							
Engineer	3,500			3,500			3,500
Accounting	20,705			20,705			20,705
Legal	47,468	(34,804)	6-8	12,664			12,664
Other Contractual Services	21,066			21,066			21,066
Developer Reimbursement	30,807	(30,807)	6-9	-			-
Rental of Equipment	1,789			1,789			1,789
Transportation Expense	44,453			44,453			44,453
Insurance							
Vehicle	7,705			7,705			7,705
General Liability	28,557			28,557			28,557
Workers' Compensation	4,714			4,714			4,714
Regulatory Commission Expense	2,053	29	6-10	2,082	577		2,659
Rate Case Expense	-	37,500	6-11	37,500			37,500
Bad Debt Expense	1,492	31	6-12	1,523			1,523
Miscellaneous Expense	118,964			118,964			118,964
Computer Expenses		(455)	6-13	(455)			(455)
Telecommunication Expense		72	6-14	72			72
Non-Allowable Expenses		(3,846)	6-15	(3,846)			(3,846)
Non-Recurring Expenses		(570)	6-16	(570)			(570)
Total O&M Expense	<u>1,564,543</u>	<u>391,900</u>		<u>1,956,443</u>	<u>577</u>		<u>1,957,020</u>
Other Operating Expenses							
Depreciation Expense	414,198	108,845	7	523,043			523,043
Amortization Expense	4,785			4,785			4,785
Payroll Taxes	54,257	4,788	6-3	59,045			59,045
Total Other Operating Expense	<u>473,240</u>	<u>113,633</u>		<u>586,873</u>	<u>-</u>		<u>586,873</u>
Total Operating Expenses	<u>2,037,783</u>	<u>505,533</u>		<u>2,543,316</u>	<u>577</u>		<u>2,543,893</u>
Net Operating Income	<u>\$ 716,299</u>	<u>\$ (485,490)</u>		<u>\$ 230,809</u>	<u>\$ 392,800</u>		<u>\$ 623,609</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCR Revenue Adjustments

(1)

Test Year Normalization

To capture revenue from post-test year growth.

<u>Billing Cycle</u>	<u>Existing Customers Billed Residential</u>	<u>Increase (Decrease) in Users Residential</u>	<u>Times Additional Bills</u>	<u>Additional Monthly Bills</u>
Jul-22	4,503			
Aug-22	4,543	40	1	40
Sep-22	4,531	(12)	2	(24)
Oct-22	4,545	14	3	42
Nov-22	4,553	8	4	32
Dec-22	4,555	2	5	10
Jan-23	4,563	8	6	48
Feb-23	4,569	6	7	42
Mar-23	4,573	4	8	32
Apr-23	4,577	4	9	36
May-23	4,581	4	10	40
Jun-23	4,587	6	11	66
Total Billings	54,680			
Increase In Number of Billings				364
Times residential bill for 4,000 gallons				\$ 38.25
				<u>\$ 13,923</u>

Adjustment Increase (Decrease)

(2)

Post-Test Year Growth

To capture revenue from post-test year growth.

No. of Bills at Feb - 2024	4,652			
Number of Months	<u>8</u>			
Total Number of Billings		37,216		
Actual Number of Billings		<u>37,056</u>		
Additional Bills			160	
Bill for 4,000 gallons			<u>\$ 38.25</u>	
				<u>\$ 6,120</u>

Adjustment Increase (Decrease)

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(1)

Salary and Wages

To increase salary and wages to current expense level.

<u>Emp No.</u>	<u>Rate</u>	<u>Employment Note</u>	<u>Annual Salary</u>	
1	\$20.31		\$ 42,245	
2	41.85		87,050	
3	23.28		48,422	
4	28.61		59,509	
5	24.58		51,126	
6	21.22		44,138	
7	31.25		65,000	
8	18.00	Temp Employee		
9	34.67		72,120	
10	21.42	Hired 4/24/2023	44,554	
11	27.80		57,824	
12	26.46		55,037	
13	21.63		44,990	
14	26.45	Retired 1/05/2024	-	
15	27.64	Hired 9/05/2023	57,500	
			<hr/>	
Regular Salary			\$ 729,515	
Overtime Salary			33,558	
Other Pay			8,762	
			<hr/>	
Pro forma Salary and Wages				\$ 771,835
Less: Test Year Salary Expense				<hr/> 686,057
		Adjustment Increase (Decrease)		\$ 85,778

(2)

Pension Expense

To increase pension expense stemming from the increase in salary and wages.

Pro forma Salary Expense	\$ 771,835	
Pension Contribution	<hr/> 5%	
Pro forma Pension Expense		\$ 38,592
Less: Test Year Pension Expense		<hr/> 30,783
	Adjustment Increase (Decrease)	\$ 7,809

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCC Expense Adjustments

(3)

Payroll Tax Expense

To increase payroll expense stemming from the increase in salary and wages.

Pro forma Salary Expense	\$ 771,835	
Payroll Tax Percentage	<u>7.65%</u>	
Pro forma Payroll Tax		\$ 59,045
Less: Test Year Payroll Tax Expense		<u>54,257</u>
Adjustment Increase (Decrease)		<u>\$ 4,788</u>

(4)

Employee Insurance and HAS

To adjust test year employee insurance and HSA to reflect the most recent premium renewal information provided by utility management.

Year to date monthly premium cost (six months)	\$ 71,050	
Times 2	<u>2</u>	
Pro forma 2023 total employee insurance and HSA expense		\$ 142,100
Less test year insurance and HSA expense		<u>(135,935)</u>
Adjustment Increase (Decrease)		<u>\$ 6,165</u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCG Expense Adjustments

(5)

System Delivery Expense

To increase purchased water, purchased power, and chemical expenses related to customer growth.

PURCHASE WATER	\$	10,834	
Purchased Power - REMC		246,289	
Chemicals - Chlorine		47,508	
System Delivery Expenses	\$	304,631	
Test Year Consumption		<u>367,703,900</u>	
System Delivery Cost per Gallon		0.000828	
Additional Gallons Consumed*		<u>2,096,000</u>	
			\$ 1,736
Postage	\$	0.37	
Increase No. of Bills		<u>524</u>	
			<u>194</u>
Adjustment Increase (Decrease)			<u><u>\$ 1,930</u></u>

*Additional Gallons Consumed	
Additional Bills - Normalization	364
Additional Bills - Growth	<u>160</u>
Total Increase No. of Bills	524
Average Consumption per Bill	<u>4,000</u>
Additional Gallons Consumed	<u>2,096,000</u>

(6)

Materials and Supplies

To adjust materials and supplies (Act. No. 620-001) to normalize for an entry made in December of 2022 to reclassify items to capital assets and the assumed 2023 adjustment based on activity through June 30, 2023.

Materials and Supplies - December 2022 adjustment	\$	65,231	
Materials and Supplies - Assumed 2023 adjustment		<u>(147)</u>	
Adjustment Increase (Decrease)			<u><u>\$ 65,084</u></u>

Edwardsville Water Authority
CAUSE NUMBER 45997

OUCG Expense Adjustments

(7)

Periodic Maintenance Expense

To adjust the test year expenses for pro forma well, treatment plant, tanks, pump and distribution system periodic maintenance.

	Description	Frequency	Annual
Wells:			
Well Cleaning	\$30,000 per well, 4 wells	8 years	\$ 15,000
Well services/ flow test	\$4,950 every year	yearly	4,950
Well Painting	\$8,000 per well, 4 wells	10 years	3,200
Well starter maintenance	\$4,500 per well, 4 wells	10 years	1,800
Treatment Plant:			
Filter Media testing: 4 filters	\$5,000	2 years	2,500
Filter Media maintenance: 4 filters	\$88,339 per filter	10 years	35,336
Backwash waste tank clean out	\$5,764	3 years	1,921
Pump services	\$4,950	yearly	4,950
Meter testing at the plant	\$2,000	yearly	2,000
Chlorine and chemical services	\$6,393	yearly	6,393
Building Maintenance/generator	\$1,512	yearly	1,512
Chemical feed equipment maintenance	\$1,715 2 pumps	2 years	1,715
Lab testing equipment maintenance	\$1,570	yearly	1,570
SCADA Maintenance - Plant	\$1,950	yearly	1,950
Tanks:			
Suez Contracted Tanks	\$203,039	yearly	203,039
SCADA maintenance - Tanks	\$2,600 each tank site, 6 tanks	5 years	3,120
Pumps and Distribution			
SCADA Maintenance	\$1,300	yearly	1,300
Hickman Hill/EBS VFD maintenance	2-20hp & 1-40hp \$11,500	15 years	767
Hickman Hill/well generator maintenance	\$1,693.00	yearly	1,693
Transfer Pump Maintenance	\$14,230, 2- Transfer Pumps	15 years	1,897
High Service Pump Maintenance	\$9,475, 4-high service pumps	15 years	2,527
200 hp motor (wells)	\$29,332, 4-wells	15 years	7,822
Building Maintenance			5,433
Sub-total			312,394
Less test year periodic maintenance expense			(54,410)
Adjustment Increase (Decrease)			\$ 257,984

Edwardsville Water Authority
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OUCC Expense Adjustments

(8)

Non-recurring Charges

To adjust the test year to exclude non-recurring charges.

#####	577BTMA16611/30DAYFILINGNON-RECURRINGCHARGES	\$ (6,410.00)
8/31/22	138832075/LEGAL(AUG2022)-30DAYDAY	(2,529.25)
9/30/22	138834080/LEGAL(SEPT2022)-WATERAUTHORITYAUTHORITY	(2,439.50)
#####	138837034/LEGAL(OCT2022)-WATERAUTHORITY/RATEAUTHORITY/RATE	(476.00)
1/1/23	138849087/LEGAL(MARCH2023)-ARROWOODRESEARCHRESEARCH	(1,177.00)
1/31/23	138843454/LEGAL(JANUARY2023)-MEMBERVOTING/IURCVOTING/IURC	(2,799.00)
3/31/23	138INV849087/LEGAL(MARCH2023)-ARROWOODARROWOOD	(1,177.00)
3/31/23	138849086/LEGAL(MARCH2023)-IURC/AUDIT/ARROW/ANNUALMTGMTG	(9,083.20)
5/31/23	138854875/LEGAL#2(MAY2023)-RAMSEY/RATERAMSEY/RATE	(1,841.50)
6/30/23	138856089/LEGAL(JULY2023)-RATECASE/WATERCASE/WATER	(5,207.00)
6/30/23	138856088/LEGAL(JUNE2023)-WATERAUTHORITYAUTHORITY	(1,664.50)
	Adjustment Increase (Decrease)	\$ (34,804)

(9)

Developer Reimbursements

To remove main extension refunds from expenses.

Developer Reimbursements	\$ 30,807
Adjustment Increase (Decrease)	\$ (30,807)

(10)

Regulatory Expense

To increase IURC Fee stemming from customer grow.

Normalization increase	13,923	
Growth increase	<u>6,120</u>	
Total Revenue Adjustments		20,043
Multiply by IURC fee		<u>0.1467603%</u>
Adjustment Increase (Decrease)		\$ 29

Edwardsville Water Authority
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OUCC Expense Adjustments

(11)

Rate Case Expense

To adjust the test year to provide an annual allowance for current rate case fees.

Estimated Rate Case Fees			
Legal Fees	\$	75,000	
Financial and Rate Fees		<u>75,000</u>	
			\$ 150,000
			<u>4</u>
Adjustment Increase (Decrease)			<u><u>\$ 37,500</u></u>

(12)

Bad Debt Expense

To increase bad debt expense stemming from customer grow.

Test Year Revenue	\$	2,754,082	
Normalization Adjustment		13,923	
Growth Adjustment		<u>6,120</u>	
Present Rate Revenue	\$	2,774,125	
Bad Debt Expense Ratio		<u>0.05490%</u>	
Present Rate Bad Debt Expense			\$ 1,522.99
Less: Test Year Bad Debt Expense			<u>(1,492.00)</u>
Adjustment Increase (Decrease)			<u><u>\$ 31</u></u>

(13)

Computer Expenses

To remove non-recurring computer expenses.

Normalize GSUITE EMAIL Expense	\$	72.58	
		<u>2</u>	
			\$ 145.16
Less: Non-recurring SERVER INSTALL			<u>(600.00)</u>
Adjustment Increase (Decrease)			<u><u>\$ (455)</u></u>

Edwardsville Water Authority
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OUCC Expense Adjustments

(14)

Telecommunication Expense

To normalize telecommunication expense.

Normalize METRO ANSWERING SERVICE	\$ (170.00)
Normalize BEACON HOSTING	<u>241.85</u>

Adjustment Increase (Decrease) \$ 72

(15)

Non-allowable Expenses

To remove non-allowable expenses.

XMAS PARTY DEPOSIT	\$ 200.00
TABLECLOTHS (XMAS PARTY)	99.90
XMAS GIFTS FOR BOARD	119.95
XMAS PARTY	1,452.50
GIFT CARD FOR XMAS PARTY	<u>361.90</u>
	\$ 2,234

SUBS FOR BOARD MEETING	110.41
PIZZA FOR AUGUST BOARD MEETING	82.94
SUBS FOR BOARD MEETING	105.19
PIZZA & CHICKEN FOR BOARD MEETING	121.79
SUBS FOR BOARD MEETING	100.86
CHICKEN FOR BOARD MEETING	82.39
FOOD FOR FEB BOARD MEETING	123.42
SUBS FOR APRIL BOARD MEETING	83.81
PIZZA FOR MAY BOARD MEETING	110.57
SUBS FOR BOARD MEETING	<u>87.34</u>

1,009

LUNCHEON (BJ LILLPOP) - LAST DAY	169.48
MANAGERS' LUNCH	252.73
LUNCH FOR FIELD CREW (LEAK - PLANT)	<u>181.23</u>

603

Adjustment Increase (Decrease) \$ (3,846)

Edwardsville Water Authority
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OUCC Expense Adjustments

(16)

Non-recurring Expense

To re-move non-recurring expense.

PLUMBER REIMB

\$ 570.00

Adjustment Increase (Decrease)

\$ (570)

Edwardsville Water Authority
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Depreciation

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Capital assets as of June 30, 2023	\$21,440,757	\$21,440,757	\$ -
Plus construction work in progress as of June 30, 2023	1,131,373	1,131,373	-
Plus construction cash on hand as of June 30, 2023	3,609,716	3,609,716	-
Plus developer installed lines not included in capital assets at June 30, 2023	763,295	763,295	-
Less historical capitalized periodic maintenance*	<u>(553,735)</u>	<u>(553,735)</u>	<u>-</u>
Sub-total	\$26,391,406	\$26,391,406	
Times composite 2% depreciation rate	<u>2%</u>	<u>2%</u>	
	\$527,828	\$527,828	\$ -
Test year depreciation	418,983	418,983	-
Depreciation Adjustment	\$108,845	\$108,845	\$ -

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Working Capital

Working Capital is not required.

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Debt Service

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

	<u>2025</u> <u>Year 1</u>	<u>2026</u> <u>Year 2</u>	<u>2027</u> <u>Year 3</u>	<u>2028</u> <u>Year 4</u>	<u>Total</u>
Annual Payments	\$718,487	\$719,145	\$716,530	\$481,021	\$ 2,635,183
					<u>4</u>
Annual Debt Service					\$ 658,796
Rounding Factor					<u>204</u>
			Annual Debt Service		<u>\$ 659,000</u>

Edwardsville Water Authority
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Debt Service Reserve

Debt Service Reserve is not required.

Edwardsville Water Authority
CAUSE NUMBER 45997

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
<u>Metered Consumption</u>				
First 15,000 Gallons	\$ 7.63	\$ 8.96	\$ 8.73	\$ (0.23)
Next 110,000 Gallons	7.57	8.88	8.66	(0.22)
Over 125,000 Gallons	6.97	8.18	7.98	(0.20)
<u>Meter Size</u>				
5/8" & 3/4"	7.74	9.08	8.86	(0.22)
1"	17.00	19.95	19.46	(0.49)
1 1/2"	32.44	38.07	37.13	(0.94)
2"	50.96	59.81	58.33	(1.48)
3"	94.19	110.55	107.80	(2.75)
4"	155.94	183.03	178.48	(4.55)
6"	310.31	364.21	355.16	(9.05)
8"	495.56	581.64	567.18	(14.46)