

FILED
February 8, 2019
INDIANA UTILITY
REGULATORY COMMISSION

PETITIONER'S EXHIBIT 27

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE CITY OF BOONVILLE,)
INDIANA, FOR APPROVAL TO ADJUST)
ITS RATES AND CHARGES AND ISSUE)
BONDS**

CAUSE NO.: 45069

SETTLEMENT TESTIMONY AND EXHIBITS

OF

JOHN M. SEEVER, CPA

**ON BEHALF OF PETITIONER,
CITY OF BOONVILLE, INDIANA**

February 8, 2019

PETITIONER, CITY OF BOONVILLE, INDIANA
IURC Cause No. 45069
Settlement Testimony and Exhibits of John M. Seever, CPA

I. Introduction

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1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John M. Seever, and my business address is 8365 Keystone Crossing, Suite 300, Indianapolis, Indiana 46240.

2. Q. ARE YOU THE SAME JOHN M. SEEVER WHO PREVIOUSLY PREFILED TESTIMONY AND EXHIBITS IN THIS CAUSE?

A. Yes, I am.

3. Q. WHAT IS THE PURPOSE OF THIS SETTLEMENT TESTIMONY?

A. The purpose of my testimony is to describe and provide support for the settlement that has been reached between City of Boonville, Indiana ("Boonville"), and the Indiana Office of Utility Consumer Counselor ("OUCC").

4. Q. DOES THE PROPOSED SETTLEMENT RESOLVE ALL OF THE PENDING ISSUES BETWEEN THE PARTIES?

A. Yes, I believe it does. For ease of reference, I am attaching a copy of the Joint Stipulation and Settlement Agreement, including settlement schedules (collectively, "Settlement Agreement"), to my testimony as Petitioner's Exhibit 28.

II. Overview of Financial Terms of Settlement Agreement

5. Q. WOULD YOU BRIEFLY DESCRIBE THE FINANCIAL TERMS OF THE PROPOSED SETTLEMENT?

A. Yes. The parties have reached an agreement that provides for an across-the-board increase in Boonville's existing rates and charges over three phases. (See Exhibit A to Petitioner's Exhibit 28, the Settlement Agreement, pages 7-9.) According to the terms of the Settlement Agreement, the Phase I adjustment would be effective upon issuance of the Commission Order approving the agreed-upon rates and the filing and approval of a tariff reflecting the same. The parties anticipate that the Phase I rates and charges would produce an increase in Boonville's annual revenues of \$590,767 in order to meet its net revenue requirement of \$2,236,665. The Phase I net revenue requirement and resulting increase in annual revenues are composed of the following:

Operating Expenses	\$ 1,458,623
Payment in Lieu of Property Taxes	110,293
Additional Utility Receipts Tax	8,271
Depreciation Expense	272,876
Working Capital	-
Debt Service	436,413
Debt Service Reserve	<u>-</u>
Total Revenue Requirements	2,286,476
Less: Revenue Requirement Offsets	
Miscellaneous Service Revenue	(17,072)
Interest Income	(10,677)
Other Income	<u>(22,062)</u>
Net Revenue Requirements	2,236,665
Less: Revenues at Current Rates Subject to Increase	<u>(1,645,898)</u>
Net Revenue Increase Required	<u>\$ 590,767</u>

1 revenues of \$95,223 after additional receipts from the Phase I and Phase II
2 increases in order to meet its net revenue requirement of \$2,511,544. The Phase
3 III net revenue requirement and resulting increase in annual revenues consists of
4 the following:

Operating Expenses	\$ 1,408,623
Payment in Lieu of Property Taxes	110,293
Additional Utility Receipts Tax	12,119
Depreciation Expense	384,468
Working Capital	-
Debt Service	630,560
Debt Service Reserve	<u>19,415</u>
Total Revenue Requirements	2,565,478
Less: Revenue Requirement Offsets	
Miscellaneous Service Revenue	(17,072)
Interest Income	(14,800)
Other Income	<u>(22,062)</u>
Net Revenue Requirements	2,511,544
Less: Revenues at Phase II Rates Subject to Increase	<u>(2,416,321)</u>
Net Revenue Increase Required	<u>\$ 95,223</u>
Calculated Percentage Increase	<u>3.94%</u>

III. Specific Terms of Settlement Agreement

22 **6. Q. MR. SEEVER, DID THE OUCC ACCEPT ALL OF BOONVILLE'S**
23 **PROPOSED ADJUSTMENTS IN ARRIVING AT THE AGREED UPON**
24 **REVENUE REQUIREMENT?**

25 A. No, it did not. While OUCC Witness Margaret A. Stull agreed to some of
26 Boonville's proposed adjustments, she objected to others, including Boonville's
27 proposed adjustments for: (i) periodic maintenance expense (she also suggested
28 holding such monies in a restricted account); (ii) the financing and cost of the

1 capital improvement projects and the corresponding adjustments to fund its debt
2 service and debt service reserve; (iii) the normalization of interest income from
3 rate increase revenues; (iv) rate case expense; (v) PERF expense; (vi) test year
4 capital and non-recurring expenses; (vii) depreciation; and (viii) the amount of
5 payment in lieu of taxes. The OUCC also objected to the outside city surcharge
6 that was proposed by Boonville, and requested that Boonville update its tap fee.

7 **7. Q. CAN YOU EXPLAIN HOW BOONVILLE AND THE OUCC HAVE**
8 **RESOLVED THEIR DIFFERENCES?**

9 A. Yes, I can. I will discuss each of the issues raised by the OUCC and how the
10 parties have resolved their differences.

11 **A. Periodic Maintenance and Restricted Account**

12 **8. Q. HAVE THE PARTIES AGREED UPON AN AMOUNT FOR PERIODIC**
13 **MAINTENANCE?**

14 A. Yes. After much discussion, the OUCC has agreed to Boonville's requested
15 amount of \$187,700 per year for periodic maintenance. In return, Boonville has
16 agreed to perform all periodic maintenance, including maintenance on its water
17 tanks, from the \$187,700 per year in periodic maintenance monies. In light of this
18 agreement, Boonville agreed to remove the cost of its proposed water tank
19 painting and rehabilitation project from the total amount of its proposed debt
20 issuance with Rural Development. Boonville will instead use its periodic
21 maintenance monies to make these improvements.

1 9. Q. IS BOONVILLE WILLING TO ACCEPT THE OUCC'S
2 RECOMMENDATION THAT BOONVILLE PLACE ITS PERIODIC
3 MAINTENANCE MONIES IN A DEDICATED MAINTENANCE
4 ACCOUNT?

5 A. Yes. As noted on pages 3-4 in the Settlement Agreement, Boonville agreed to
6 place the full amount of its periodic maintenance expense (i.e. \$187,700 per year)
7 in a restricted account that may only be used to pay periodic maintenance expense
8 items and to fund Boonville's debt service or debt service reserve in the case of
9 emergency. If such an emergency arises, Boonville agrees to notify the OUCC
10 and Commission in writing and explain the need for the emergency, as well as its
11 plans to address the emergency and replenish the account.

12 **B. Capital Improvements, Debt Service,**
13 **and Debt Service Reserve**

14 10. Q. CAN YOU EXPLAIN THE SETTLEMENT AGREEMENT WITH
15 RESPECT TO THE PROPOSED FINANCING OF THE CAPITAL
16 IMPROVEMENTS?

17 A. Yes, I can. The parties have agreed that Boonville should move forward with its
18 proposed issuance of debt to the United States Department of Agriculture - Rural
19 Development ("Rural Development") (including the interim financing through the
20 Indiana Bond Bank as required by Rural Development). The amount of the
21 proposed debt, however, has been reduced due to several project modifications.
22 First, the parties have agreed that: (i) the Jenner Road portion of the main

1 extension project should be eliminated (a reduction of \$220,000); and (ii) only
2 20% of the State Road 261 and State Road 61 projects ("Main Extension
3 Projects") should be funded from the proceeds of the Rural Development debt.
4 The parties agreed that the remaining cost of the Main Extension Projects would
5 either be covered through grants or other non-ratepayer funds of Boonville. If
6 Boonville is unable to obtain the remaining funds to pay for completion of the
7 Main Extension Projects, then the cost of the Main Extension Projects will be
8 removed from Boonville's proposed financing prior to implementation of the
9 Phase II rates and the Phase II rates will be lowered accordingly. As I stated
10 above, the OUCC and Boonville also agreed that the cost of the requisite water
11 tower improvements should be removed from the proposed debt issue and instead
12 be paid for out of the periodic maintenance monies (that will be set aside in the
13 dedicated account). Finally, the parties agreed to reduce the amount of the
14 proposed meter replacement project from \$1,978,020 to \$1,593,020, including
15 construction contingencies. After considering these adjustments, the total amount
16 of the proposed borrowing has been reduced from \$6,910,000 to \$4,317,000.

17 **11. Q. WHY DID THE PARTIES AGREE THAT ONLY 20% OF THE MAIN**
18 **EXTENSION PROJECTS SHOULD BE FUNDED WITH DEBT?**

19 A. After much negotiation between the parties, it was generally agreed that 20% of
20 the Main Extension Projects should be funded with the Rural Development loan
21 (and the debt service on such loan will be included in rates). The 20% number
22 was a negotiated compromise, given the Settling Parties' differences on a number

1 of issues resolved herein. It was generally agreed that the existing customers
2 should pay for 20% of the Main Extension Projects and the remaining costs would
3 be funded through other non-ratepayer sources such as grants or other non-
4 ratepayer funds. If for some reason Boonville is unable to obtain non-ratepayer
5 funds to complete the Main Extension Projects, then the debt service associated
6 with these projects will be eliminated and Phase II rates will be decreased
7 accordingly.

8 **12. Q. HAS THE REDUCTION IN THE TOTAL AMOUNT OF THE PROPOSED**
9 **BORROWING REDUCED THE ANNUAL DEBT SERVICE AND DEBT**
10 **SERVICE RESERVE REQUIREMENTS FOR BOONVILLE?**

11 A. Yes, it has. Boonville initially proposed a total project cost of \$6,910,000, and
12 the OUCC countered with a proposed financing (through Rural Development) of
13 only \$2,600,000. By eliminating some of the projects from the proposed
14 financing, Boonville has agreed to a proposed borrowing of \$4,317,000. An
15 additional \$1,425,156 is estimated to come from grants and other non-ratepayer
16 funds. The total project costs are \$5,742,156. With the reduction in the proposed
17 financing, the amount of annual principal and interest payments has been reduced
18 from \$315,894 to \$194,147 and the debt service reserve requirements have been
19 reduced from \$63,156 to \$19,415. This reduction in the annual debt service and
20 debt service reserve requirement is reflected in Exhibit A to Petitioners Exhibit
21 28, the Settlement Agreement, pages 8 and 9.

1

2 **13. Q. DID THE PARTIES AGREE UPON A MAXIMUM INTEREST RATE ON**
3 **THIS NEW DEBT?**

4 A. Yes. The parties agreed that the maximum interest rate should be 6%, which is
5 consistent with Boonville's prefiled testimony and exhibits. However, Boonville
6 will true-up the actual interest rate prior to implementation of the Phase II rates.
7 The Settlement Agreement explains whether and how the required true-up could
8 impact utility rates.

9 **14. Q. HAVE THE PARTIES AGREED UPON COMPLETION OF THE**
10 **PROPOSED SOLAR FIELD PROJECT?**

11 A. Yes, the parties have reached a settlement on this issue. After much discussion,
12 the parties have agreed that the solar field project could be an economically
13 feasible project that could move forward if the following conditions are met.
14 Boonville is eligible for a grant from Rural Development which Boonville
15 believes will be more likely if the solar field project is included within the
16 proposed project funding. In the event the City is able to obtain a grant for at
17 least \$100,000, then the parties have agreed that the solar field project could move
18 forward. If no grant is received, then Boonville has agreed to remove the cost of
19 the solar field project from the proposed financing and reduce the Phase II rates
20 accordingly.

1 15. Q. DO YOU AGREE THAT THE PROPOSED FINANCING THROUGH THE
2 ISSUANCE OF THE PROPOSED BONDS, GRANTS, AND OTHER
3 SUPPLEMENTAL FUNDING IS A REASONABLE METHOD OF
4 FUNDING THE PROPOSED PROJECT?

5 A. Yes, I do. The proposed financing through Rural Development will provide the
6 lowest annual debt service for Boonville.

7 16. Q. IS BOONVILLE WILLING TO ACCEPT THE OUCG'S
8 RECOMMENDATION THAT BOONVILLE LOWER ITS RATES TO
9 REFLECT THE ANNUAL \$50,000 SAVINGS IN PURCHASED
10 ELECTRICITY COSTS AFTER THE SOLAR PANEL PROJECT IS
11 COMPLETED?

12 A. Yes. The Settlement Testimony and Exhibits filed by Clint Roos will further
13 describe the Petitioner's position related to these items. For purposes of
14 calculating Boonville's anticipated rates, I would note that the Phase III rates have
15 been reduced by \$50,000 to account for the estimated annual savings from the
16 installation and use of solar panels. For the Commission's convenience, I would
17 point specifically to Exhibit A to Petitioner's Exhibit 28, the Settlement
18 Agreement, page 9, which shows that Boonville's Phase III rates will be reduced
19 by the anticipated \$50,000 per year savings in electricity costs from this project.
20 These savings will, of course, only be reflected if the solar project is completed.

21 C. Earned Interest

1 17. Q. IS BOONVILLE WILLING TO ACCEPT THE OUCC'S
2 RECOMMENDATION THAT BOONVILLE WILL EARN ANNUAL
3 INTEREST OF 1.5% ON RATE INCREASE REVENUES AND UNSPENT
4 BOND PROCEEDS?

5 A. Yes.

6 **D. Rate Case Expense**

7 18. Q. HAVE THE PARTIES AGREED ON AN APPROPRIATE AMOUNT FOR
8 RATE CASE EXPENSE?

9 A. Yes, they have. The OUCC and Boonville have agreed that Boonville should
10 receive the rate case expense as proposed in Boonville's prefiled direct testimony
11 and exhibits.

12 **E. PERF Expense**

13 19. Q. HAVE THE PARTIES AGREED UPON THE APPROPRIATE AMOUNT
14 OF PERF EXPENSE?

15 A. Yes. As part of this negotiated compromise and settlement, the parties agreed that
16 Boonville is entitled to an adjustment for its PERF expense in the amount of
17 \$8,840, which includes an adjustment to its non-cash PERF expense in the
18 amount of \$4,239.

19 **F. Capitalizing Certain Expenses**

1 **22. Q. HAVE THE PARTIES AGREED UPON THE APPROPRIATE AMOUNT**
2 **OF PAYMENT IN LIEU OF TAXES?**

3 A. Yes. In reaching an agreement on this issue, Boonville agreed to remove all
4 utility plant that is located outside the City limits when calculating PILOT. The
5 OUCC agreed that its estimate understated PILOT by \$35,734. Collectively, the
6 parties agreed that the appropriate amount of PILOT for Boonville is \$110,293.
7 The agreed upon amount for PILOT is included in Exhibit A to the Settlement
8 Agreement, page 10.

9

10 **I. Updated Tap Fee**

11 **23. Q. DOES BOONVILLE AGREE WITH THE OUCC'S RECOMMENDATION**
12 **THAT BOONVILLE UPDATE ITS TAP FEE?**

13 A. Yes, it does. As part of the Settlement Agreement, Boonville has agreed to
14 update its tap fee by making a thirty (30) day filing on or before June 30, 2019.

15 **J. Outside City Rate**

16 **24. Q. HAVE THE PARTIES AGREED UPON AN OUTSIDE CITY RATE?**

17 A. Yes, they have. As I indicated in both my direct and rebuttal testimonies,
18 Boonville proposed a higher outside City rate that was based on the following two
19 (2) components: (i) an allocated portion of the economic development income
20 taxes paid by Boonville residents for the water treatment plant; and (ii) a rate of
21 return based upon the cost of the facilities necessary to serve the out of town

1 customers. As a means of settling this issue, the parties have agreed that
2 Boonville should be authorized to charge an out of town (territorial) rate
3 increment that is approximately 9%. The 9% represents the portion of the EDIT
4 taxes that would be allocated to the out of town customers (but excludes the rate
5 of return based on the facilities necessary to serve the out of town customers).

6 **IV. Conclusion**

7 **25. Q. DOES BOONVILLE SUPPORT APPROVAL OF THE SETTLEMENT**
8 **AGREEMENT IN ITS ENTIRETY?**

9 A. Yes. To reach this compromise, Boonville and the OUCC made substantial
10 concessions that otherwise would have been litigated. At present, Boonville's
11 available cash on-hand is reaching low levels.. It is in Boonville's best interest to
12 have an expedited resolution to this matter so that it can timely implement its
13 Phase I rate increase and begin collecting additional revenues it needs to continue
14 operating and maintaining its system in good repair. I believe both the OUCC
15 and Boonville benefit from the Settlement Agreement and the certainty that it
16 provides compared to what otherwise could have been protracted, costly litigation
17 with an uncertain outcome. I support approval of the Settlement Agreement in its
18 entirety.

19 **26. Q. DO YOU BELIEVE THE TERMS OF THE PROPOSED SETTLEMENT**
20 **ARE FAIR AND REASONABLE, ARE IN THE PUBLIC INTEREST, AND**
21 **BENEFIT ALL OF THE CUSTOMERS OF BOONVILLE?**

1 A. Yes, I do. In my opinion, the settlement is a reasonable compromise of the issues
2 that have been raised in this case. From a financial perspective, I believe the
3 Settlement Agreement will provide Boonville with sufficient funds to own,
4 operate, and maintain its system so as to provide safe, efficient service to its
5 customers.

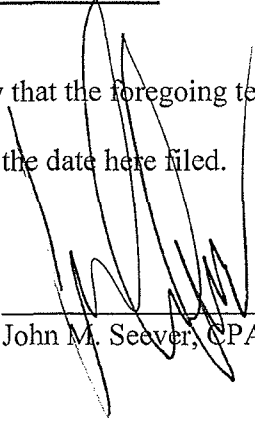
6 27. **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY IN THIS**
7 **CAUSE?**

8 A. Yes, it does.

Settlement Testimony and Exhibits of John M. Seever, CPA
On Behalf of Petitioner, City of Boonville, Indiana
Petitioner's Exhibit 27
IURC Cause No. 45069

VERIFICATION

I affirm under the penalties of perjury that the foregoing testimony is true to the best of my knowledge, information, and belief as of the date here filed.



John M. Seever, CPA


CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of February, 2019, copies of the foregoing have been served either by United States mail, postage prepaid, or by electronic mail, upon the following:

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PETITIONER'S EXHIBIT 28

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF BOONVILLE,)
INDIANA, FOR APPROVAL TO ADJUST ITS) CAUSE NO. 45069
RATES AND CHARGES AND ISSUE BONDS)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 8th day of February, 2019, by and between the City of Boonville, Indiana (“Boonville”), 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 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 Boonville and the OUCC (“Settling Parties”).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On March 26, 2018, Boonville initiated this Cause by filing its Petition requesting authority to adjust its rates and charges for water service and issue bonds to fund capital improvements to its waterworks.

2. **Prefiled Evidence of Parties.** In support of its Petition, Boonville filed the Prefiled Testimony and Exhibits of John M. Seever, CPA, Clint W. Roos, P.E., and Shawn R. Wright. On April 25, 2018, Boonville filed the Supplemental Testimony and Exhibit of Mr. Seever. On August 3, 2018, the OUCC prefiled the Testimony and Exhibits of James T. Parks,

Margaret A. Stull, and Edward R. Kaufman. On September 5, 2018, Boonville filed the Second Supplemental Testimony and Amended Exhibit of Mr. Seever, as well as the Supplemental Testimonies and Exhibits of Messrs. Roos and Wright. On October 3, 2018, the OUCC prefiled the Supplemental Testimonies of Messrs. Kaufman and Parks. On October 19, 2018, Boonville prefiled the Rebuttal Testimonies and Exhibits of Messrs. Seever, Wright, and Roos. Boonville filed its Settlement Testimony and Exhibits of Witnesses Seever and Roos on February 8, 2019. The OUCC is scheduled to prefile its Settlement Testimony and Exhibits on February 18, 2019.

3. Prefiled Evidence of Parties. In support of its Petition, Boonville filed the Prefiled Testimony and Exhibits of John M. Seever, CPA, Clint W. Roos, P.E., and Shawn R. Wright. On April 25, 2018, Boonville filed the Supplemental Testimony and Exhibit of Mr. Seever. On August 3, 2018, the OUCC prefiled the Testimony and Exhibits of James T. Parks, Margaret A. Stull, and Edward R. Kaufman. On September 5, 2018, Boonville filed the Second Supplemental Testimony and Amended Exhibit of Mr. Seever, as well as the Supplemental Testimonies and Exhibits of Messrs. Roos and Wright. On October 3, 2018, the OUCC prefiled the Supplemental Testimonies of Messrs. Kaufman and Parks. On October 19, 2018, Boonville prefiled the Rebuttal Testimonies and Exhibits of Messrs. Seever, Wright, and Roos. Boonville filed its Settlement Testimony and Exhibits of Witnesses Seever and Roos on February 8, 2019. The OUCC is scheduled to prefile its Settlement Testimony and Exhibits on February 18, 2019.

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

5. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree that Boonville should, subject to the terms and conditions set forth herein, be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of \$2,533,606 yielding an annual increase of \$865,646, or 52.59% over Boonville's current revenues at existing rates.

6. **Three-Phase Rate Increase.** The rate increase will be implemented in three phases. The first phase is intended to capture the agreed upon operation and maintenance adjustments, and the second phase will include the principal, interest, and debt service requirements associated with the proposed financing. The third and final phase will include additional depreciation and the potential savings arising out of the proposed projects ("Projects"). The amount and timing of the phases shall be as follows: (i) the first phase in the amount of 35.89% (or \$590,767) shall occur upon issuance of a Commission Order approving the Settlement Agreement; (ii) the second phase in the anticipated amount of 8.03% (or \$179,656) will be implemented once the United States Department of Agriculture - Rural Development ("Rural Development") approves the Projects and issues a Letter of Conditions prior to closing on the interim financing with the Indiana Bond Bank, subject to the terms and conditions of this Settlement Agreement; and (iii) the third phase in the anticipated amount of 3.94% (or \$95,223) will occur after the Projects are completed and Boonville has closed with Rural Development.

7. **Operation and Maintenance Expense Adjustments.** After review and examination of their respective positions, the Settling Parties have agreed for purposes of settlement only to the following: (i) Boonville shall be entitled to rate case expense of \$200,000, to be recovered over five (5) years (i.e., 60 months after the Phase I rate increase takes effect), for an annual recovery of \$40,000; (ii) Boonville shall reflect earned interest in an amount consistent with the Prefiled Testimony of Mr. Kaufman (i.e. 1.5% per annum); (iii) Boonville

shall include PERF expense of \$8,840 in its annual revenue requirement, of which \$4,239 is non-cash PERF expense which must be placed in a restricted, interest-bearing account that requires prior Commission approval before the funds can be used for any purpose; (iv) Boonville will include the following amounts in its annual revenue requirement: \$110,293 for payment in lieu of property taxes; depreciation expense of \$272,876 during in Phase I and Phase II, and depreciation expense of \$384,468 in Phase III; and (v) Boonville will reduce its annual revenue requirement by \$22,062 for “other income” received; by \$17,072 for miscellaneous service revenues received; and by \$11,956 for late fee revenue Boonville receives from its customers..

8. Periodic Maintenance. The Settling Parties agree that Boonville shall have an amount of \$187,700 for periodic maintenance expense. Boonville agrees to place the \$187,700 for periodic maintenance expense in a restricted account that may only be used to pay for periodic maintenance expense items or, in the case of emergency, to fund or pay Boonville’s debt service or debt service reserve. In the event Boonville uses any of the periodic maintenance funds for debt service or debt service reserve, it shall notify the Commission and the OUCC in writing and explain the reason for the emergency, its plans to address the emergency, and its plans to replenish the account. In consideration for receiving the entirety of its requested periodic maintenance expense, Boonville agrees to exclude the water tower improvements from its requested RD financing, and to certain other adjustments agreed upon in settlement, as discussed herein.

9. Solar Field Project. The Settling Parties agree that the estimated cost of the solar field projects shall be included in the amount of the Rural Development financing as long as Rural Development reduces the overall cost of the Projects by providing a grant in the amount of at least \$100,000. For purposes of determining the amount of any grant, the Settling Parties will look to the Letter of Conditions that is anticipated to be issued by Rural Development in the

third quarter of 2019. If Rural Development does not provide a grant of at least \$100,000, the estimated cost of the solar project shall be removed from the amount of the proposed borrowing with Rural Development and the Phase II rates will be adjusted accordingly. The Settling Parties agree that if the solar panel project is completed, the anticipated electricity savings of \$50,000 per year shall be reflected in the Phase III rate adjustment.

10. Water Main Extension Projects. For purposes of this Agreement, the Settling Parties have agreed that 20% of State Road 61 and State Road 261 main extension projects will supplement and expand Boonville's existing facilities, enhancing service provided in its current service area. Accordingly, 20% of the estimated cost of the proposed water utility projects (i.e., 20% of \$1.476 Million, or approximately \$295,000) shall be included in determining debt service. Boonville shall be responsible for obtaining grants, developer contributions, or other non-ratepayer funds to pay for the remaining 80% of the main extension projects, or \$1.181 Million. If Boonville is unable to obtain the funds necessary to complete the main extension projects, then the amount authorized herein, i.e. 20% of the estimated \$1.476 Million project cost, or approximately \$295,000, shall be removed from the total project cost and debt service shall be reduced accordingly.

11. Metering System Project. The Settling Parties agree that, solely for purposes of this settlement, the total project cost for the metering system project will not exceed \$1,593,020, which includes a ten percent (10%) contingency (assuming \$1,448,200 in actual construction costs). This amount is the mid-point between Boonville's requested recovery of \$1,798,200 and the OUCC's prefiled total project cost estimate of \$1,098,200, plus a 10% contingency. The estimated project cost of \$1,593,020 agreed upon in settlement will be included in the amount of proposed Rural Development financing. If awarded, the \$1,593,020 must be held in a restricted, interest-bearing account, used solely for the proposed metering system project. As part of the

Settlement Agreement, Boonville agreed that the funding for this project shall not be used to fund main extensions or other utility projects or expenses or used for any other purpose without first initiating a sub-docket and obtaining Commission approval of any other use of any portion of the \$1,593,020 borrowed to fund Boonville's proposed metering system project. Any surplus funds held after the metering system project has been completed shall be applied to debt service, unless otherwise ordered by the Commission in a sub-docket of this proceeding.

12. Water Tower Project. The Settling Parties have agreed to exclude the water tower improvements from the amount of the proposed Rural Development financing. Instead, Boonville agrees to make any water tower improvements from the periodic maintenance expense authorized herein.

13. Amount of, and Interest on, Rural Development Debt. The Settling Parties agree that Boonville should be authorized to issue long-term debt in a maximum amount of \$4,317,000 and at an interest rate not to exceed 6%. This amount was based upon estimates of cost for the Projects agreed upon in settlement, as contained in attached Exhibit A, page 2. The initial debt (i.e. bond anticipation notes ("BANs")) shall be issued on a short-term basis to the Indiana Bond Bank to pay certain costs of issuance and to pay for the capital improvements identified in attached Exhibit A, p. 2, as agreed upon in settlement. Upon completion of the Projects, Boonville will issue long-term debt (i.e. bonds) to Rural Development for the purpose of paying issuance costs and repaying the BANs.

14. Outside City Surcharge. The Settling Parties agree that Boonville should be authorized to impose an outside city surcharge based on an allocated portion of economic development income tax ("EDIT") bonds. The amount of the proposed out of town surcharge shall not exceed 9%. (See Exhibit A, on page 15).

15. **Non-Recurring Charges.** The Settling Parties agree that Boonville should seek authority to update its non-recurring charges. Boonville agrees to submit such a request to the Commission in a 30-day filing on or before June 30, 2019.

16. **Filing of True-Up Report and Revision of Tariff.** Within thirty (30) days after closing on the Rural Development Bonds, Boonville shall file in this Cause a true-up report describing the final terms of the Rural Development Bonds, the amount of the debt service reserve, and the amortization schedule for the Rural Development Bonds. The OUCC shall have fourteen (14) calendar days in which to object to the true-up report. If there is no objection to the true-up report and the annual debt service payment on the Rural Development Bonds differs from the originally estimated total of \$194,147, Boonville shall file with the IURC a revised tariff adjusting the rates to include the final amount of annual principal and interest payments on the Rural Development Bonds. However, if the actual terms of the financing are such that the debt payment is less than \$194,147 per annum, Boonville need not file a revised tariff if the OUCC states in writing that it considers the difference to be immaterial for purposes of revising Boonville's rates. In such case, Boonville shall file the OUCC's written statement to the extent it has not already been filed by the OUCC. If the cost of the debt is more than \$194,147 per annum, Boonville may, in its sole discretion, elect not to file a revised tariff reflecting a higher principal and interest payment for the Rural Development Bonds.

17. **Filing of Tariff and Delay in Issuance of Debt.** The Settling Parties agree that Boonville may expeditiously file a new tariff after issuance of a Commission Order in this Cause approving an adjustment to Boonville's rates.

18. **Expenditures from Debt Service Reserves.** If Boonville spends any of the funds from its Debt Service Reserve for any reason other than to make the last payment on the underlying, already approved debt, Boonville will provide a report to the Commission and the

OUCC within five (5) business days after such expenditures, stating: (i) how much Boonville spent from its Debt Service Reserve; (ii) why and on what it spent those funds; (iii) a cite to, and quote from, any applicable loan documents that allow Boonville to spend funds from its Debt Service Reserve for other purposes; (iv) how Boonville plans to replenish its Debt Service Reserve; and (v) any cost-cutting activities Boonville has implemented to forestall spending any additional funds held in its Debt Service Reserve.

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

20. Agreement is Binding on Boonville's Successors and Assigns. The Settling Parties stipulate and agree that Boonville'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.

21. 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.

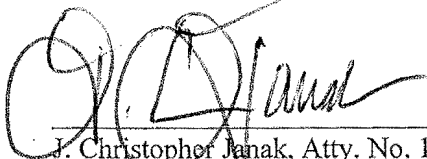
22. **Authority to Execute.** The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of the designated parties, who will thereafter be bound thereby.

23. **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.

24. **Letter of Conditions.** Boonville agrees to provide a copy of the Letter of Conditions from Rural Development to the OUCC within thirty (30) days after receipt.

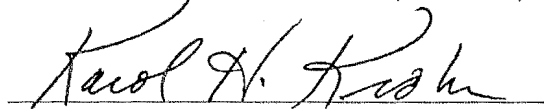
25. **Proposed Order.** The Settling Parties respectfully request that the Commission issue an Order in this Cause consistent with the form and substance of the Settling Parties' agreed Joint Proposed Order, once it has been filed.

CITY OF BOONVILLE



J. Christopher Janak, Atty. No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
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Phone: (317) 684-5000
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**INDIANA OFFICE OF THE UTILITY
CONSUMER COUNSELOR ("OUCC")**



Karol H. Krohn, Atty. No. 5566-82
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INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
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Indianapolis, IN 46204
Phone: (317) 232-2494
Fax: (317) 232-5923

EXHIBIT A

UMBAUGH

H. J. Umbaugh & Associates
Certified Public Accountants, LLP
8365 Keystone Crossing
Suite 300
Indianapolis, IN 46240-2687
Phone: 317-465-1500
Fax: 317-465-1500
www.umbaugh.com

February 7, 2019

City Council
City of Boonville
135 South Second Street
P.O. Box 585
Boonville, IN 47601-0585

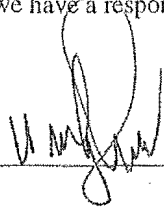
Re: Boonville (Indiana) Municipal Water Utility (the "Utility")

Dear Members of the Council:

In connection with the proposed increase in the Utility's schedule of water rates and charges, we have, at your request, prepared this special purpose report. This special purpose report includes the following schedules:

<u>Page (s)</u>	
2	Schedule of Estimated Project Costs and Funding
3 - 4	Schedule of Amortization of \$4,744,000 Principal Amount of Proposed Waterworks Revenue Bonds, Series 2019
5 - 6	Schedule of Proposed Combined Bond Amortization
7 - 11	Pro Forma Annual Revenue Requirements and Annual Revenues
12 - 14	Pro Forma Annual Operation and Maintenance Expenses
15	Calculation of Increase Required to Recover Return on Debt Service

In the preparation of these schedules, assumptions were made as noted regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected, and the resulting differences could be material. We have not examined the underlying assumptions nor have we audited or reviewed the historical data. Consequently, we express no opinion thereon, nor do we have a responsibility to prepare subsequent reports.



BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY
SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING
(Per Consulting Engineers)

<u>ESTIMATED PROJECT COSTS</u>	Petitioner's	OUCC	Final Settlement	Increase/(Decrease)	
	Supplemental 9/5/2018			8/3/2018	OUCC
Estimated Construction Costs:					
Wellfield Improvements	\$250,000	\$250,000	\$250,000	\$ -	\$ -
North Water Storage Improvements	375,000	-	-	-	(375,000)
Water Distribution Improvements	239,400	239,400	239,400	-	-
Eby Road Booster Station Replacement	200,000	200,000	200,000	-	-
New Metering System	1,798,200	1,098,200	1,448,200	350,000	(350,000)
Wellfield Solar Field	294,200	-	294,200	294,200	-
Water Treatment Plant Solar Field	483,050	-	483,050	483,050	-
Water Distribution Improvements - SR 261	817,065	-	817,065	817,065	-
Water Distribution Improvements - SR 61	525,220	-	525,220	525,220	-
Water Distribution Improvements - Jenner Road	200,000	-	-	-	(200,000)
Sub-total	5,182,135	1,787,600	4,257,135	2,469,535	(925,000)
Construction Contingencies (10%)	527,865	178,760	425,714	-	(17,414)
Total Estimated Construction Costs	5,710,000	1,966,360	4,682,849	2,469,535	(942,414)
Estimated Non-Construction Costs:					
Engineering	465,000	160,100	381,184	221,084	(83,816)
Inspection	235,000	80,900	192,465	111,565	(42,535)
Environmental	20,000	5,000	20,000	15,000	-
Land Acquisition	80,000	5,000	80,000	75,000	-
Legal and Financial Services	369,700	369,700	369,700	-	-
Miscellaneous	30,300	12,940	15,958	3,018	(14,342)
Total Estimated Non-Construction Costs	1,200,000	633,640	1,059,307	425,667	(140,693)
Total Estimated Project Costs	\$6,910,000	\$2,600,000	\$5,742,156	\$2,895,202	(\$1,083,107)
<u>ESTIMATED PROJECT FUNDING</u>					
Rural Development Bonds ("RD Bonds")	\$6,910,000	\$2,600,000	\$4,317,000	\$1,717,000	(\$2,593,000)
Rural Development Grant*	-	-	100,000	100,000	100,000
Other Supplemental Funding (construction)**	-	-	1,181,211	1,181,211	1,181,211
Other Supplemental Funding (non construction)**	-	-	143,945	143,945	143,945
Total Estimated Project Funding	\$6,910,000	\$2,600,000	\$5,742,156	\$3,142,156	(\$1,167,844)

* For settlement purposes based upon the representations of Rural Development ("RD"), the City anticipates receiving a grant to fund a portion of the solar field projects. However, as of the date of this report, RD has not determined the amount.

** For settlement purposes based upon the representations of utility management, the City anticipates receiving a grant or other alternative sources to fund 80% of the main extension projects (includes construction costs, engineering and inspection).

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**SCHEDULE OF AMORTIZATION OF \$4,317,000 PRINCIPAL AMOUNT
OF PROPOSED WATERWORKS REVENUE BONDS, SERIES 2019**

Principal payable annually on January 1st, beginning January 1, 2021.

Interest payable semiannually on January 1st and July 1st, beginning July 1, 2020.

Assumed interest rate as indicated.

Assumes bonds dated January 9, 2020.

Payment Date	Principal Balance (-----In 1,000's-----)	Principal	Assumed Interest Rate* (%)	Debt Service		Bond Year Total
				Interest (-----In Dollars-----)	Total	
07/01/20	\$4,317		3.25	\$67,033.42	\$67,033.42	
01/01/21	4,317	\$57	3.25	70,151.25	127,151.25	\$194,184.67
07/01/21	4,260		3.25	69,225.00	69,225.00	
01/01/22	4,260	56	3.25	69,225.00	125,225.00	194,450.00
07/01/22	4,204		3.25	68,315.00	68,315.00	
01/01/23	4,204	58	3.25	68,315.00	126,315.00	194,630.00
07/01/23	4,146		3.25	67,372.50	67,372.50	
01/01/24	4,146	60	3.25	67,372.50	127,372.50	194,745.00
07/01/24	4,086		3.25	66,397.50	66,397.50	
01/01/25	4,086	61	3.25	66,397.50	127,397.50	193,795.00
07/01/25	4,025		3.25	65,406.25	65,406.25	
01/01/26	4,025	63	3.25	65,406.25	128,406.25	193,812.50
07/01/26	3,962		3.25	64,382.50	64,382.50	
01/01/27	3,962	66	3.25	64,382.50	130,382.50	194,765.00
07/01/27	3,896		3.25	63,310.00	63,310.00	
01/01/28	3,896	68	3.25	63,310.00	131,310.00	194,620.00
07/01/28	3,828		3.25	62,205.00	62,205.00	
01/01/29	3,828	70	3.25	62,205.00	132,205.00	194,410.00
07/01/29	3,758		3.25	61,067.50	61,067.50	
01/01/30	3,758	72	3.25	61,067.50	133,067.50	194,135.00
07/01/30	3,686		3.25	59,897.50	59,897.50	
01/01/31	3,686	74	3.25	59,897.50	133,897.50	193,795.00
07/01/31	3,612		3.25	58,695.00	58,695.00	
01/01/32	3,612	77	3.25	58,695.00	135,695.00	194,390.00
07/01/32	3,535		3.25	57,443.75	57,443.75	
01/01/33	3,535	79	3.25	57,443.75	136,443.75	193,887.50
07/01/33	3,456		3.25	56,160.00	56,160.00	
01/01/34	3,456	82	3.25	56,160.00	138,160.00	194,320.00
07/01/34	3,374		3.25	54,827.50	54,827.50	
01/01/35	3,374	85	3.25	54,827.50	139,827.50	194,655.00
07/01/35	3,289		3.25	53,446.25	53,446.25	
01/01/36	3,289	87	3.25	53,446.25	140,446.25	193,892.50
07/01/36	3,202		3.25	52,032.50	52,032.50	
01/01/37	3,202	90	3.25	52,032.50	142,032.50	194,065.00
07/01/37	3,112		3.25	50,570.00	50,570.00	
01/01/38	3,112	93	3.25	50,570.00	143,570.00	194,140.00
07/01/38	3,019		3.25	49,058.75	49,058.75	
01/01/39	3,019	96	3.25	49,058.75	145,058.75	194,117.50
07/01/39	2,923		3.25	47,498.75	47,498.75	
01/01/40	2,923	99	3.25	47,498.75	146,498.75	193,997.50
Sub-totals forward		\$1,493		\$2,391,807.17	\$3,884,807.17	\$3,884,807.17

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**SCHEDULE OF AMORTIZATION OF \$4,317,000 PRINCIPAL AMOUNT
OF PROPOSED WATERWORKS REVENUE BONDS, SERIES 2019**

Principal payable annually on January 1st, beginning January 1, 2021.
Interest payable semiannually on January 1st and July 1st, beginning July 1, 2020.
Assumed interest rate as indicated.
Assumes bonds dated January 9, 2020.

Payment Date	Principal Balance (-----In 1,000's-----)	Principal	Assumed Interest Rate* (%)	Debt Service		Bond Year Total
				Interest (-----In Dollars-----)	Total	
Sub-totals		\$1,493		\$2,391,807.17	\$3,884,807.17	\$3,884,807.17
07/01/40	\$2,824		3.25	45,890.00	45,890.00	
01/01/41	2,824	103	3.25	45,890.00	148,890.00	194,780.00
07/01/41	2,721		3.25	44,216.25	44,216.25	
01/01/42	2,721	106	3.25	44,216.25	150,216.25	194,432.50
07/01/42	2,615		3.25	42,493.75	42,493.75	
01/01/43	2,615	109	3.25	42,493.75	151,493.75	193,987.50
07/01/43	2,506		3.25	40,722.50	40,722.50	
01/01/44	2,506	113	3.25	40,722.50	153,722.50	194,445.00
07/01/44	2,393		3.25	38,886.25	38,886.25	
01/01/45	2,393	116	3.25	38,886.25	154,886.25	193,772.50
07/01/45	2,277		3.25	37,001.25	37,001.25	
01/01/46	2,277	120	3.25	37,001.25	157,001.25	194,002.50
07/01/46	2,157		3.25	35,051.25	35,051.25	
01/01/47	2,157	124	3.25	35,051.25	159,051.25	194,102.50
07/01/47	2,033		3.25	33,036.25	33,036.25	
01/01/48	2,033	128	3.25	33,036.25	161,036.25	194,072.50
07/01/48	1,905		3.25	30,956.25	30,956.25	
01/01/49	1,905	132	3.25	30,956.25	162,956.25	193,912.50
07/01/49	1,773		3.25	28,811.25	28,811.25	
01/01/50	1,773	137	3.25	28,811.25	165,811.25	194,622.50
07/01/50	1,636		3.25	26,585.00	26,585.00	
01/01/51	1,636	141	3.25	26,585.00	167,585.00	194,170.00
07/01/51	1,495		3.25	24,293.75	24,293.75	
01/01/52	1,495	146	3.25	24,293.75	170,293.75	194,587.50
07/01/52	1,349		3.25	21,921.25	21,921.25	
01/01/53	1,349	150	3.25	21,921.25	171,921.25	193,842.50
07/01/53	1,199		3.25	19,483.75	19,483.75	
01/01/54	1,199	155	3.25	19,483.75	174,483.75	193,967.50
07/01/54	1,044		3.25	16,965.00	16,965.00	
01/01/55	1,044	160	3.25	16,965.00	176,965.00	193,930.00
07/01/55	884		3.25	14,365.00	14,365.00	
01/01/56	884	166	3.25	14,365.00	180,365.00	194,730.00
07/01/56	718		3.25	11,667.50	11,667.50	
01/01/57	718	171	3.25	11,667.50	182,667.50	194,335.00
07/01/57	547		3.25	8,888.75	8,888.75	
01/01/58	547	177	3.25	8,888.75	185,888.75	194,777.50
07/01/57	370		3.25	6,012.50	6,012.50	
01/01/58	370	182	3.25	6,012.50	188,012.50	194,025.00
07/01/59	188		3.25	3,055.00	3,055.00	
01/01/60	188	188	3.25	3,055.00	191,055.00	194,110.00
Totals		\$4,317		\$3,452,412.17	\$7,769,412.17	\$7,769,412.17

Average annual debt service for the 39 bond years ending January 1, 2058

\$194,239.00

* Based on the current intermediate rate plus 50 basis points.

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF PROPOSED COMBINED BOND AMORTIZATION*

<u>Payment Date</u>	<u>2009 Bonds</u>	<u>2013 Bonds</u>	<u>Proposed 2019 Bonds</u>	<u>Combined</u>	<u>Bond Year Total</u>
01/01/20	\$103,649.15	\$283,233.50		\$386,882.65	\$386,882.65
07/01/20	17,212.65	28,594.00	\$67,033.42	112,840.07	
01/01/21	105,212.65	286,594.00	127,151.25	518,957.90	631,797.97
07/01/21	15,725.45	24,853.00	69,225.00	109,803.45	
01/01/22	106,725.45	290,853.00	125,225.00	522,803.45	632,606.90
07/01/22	14,187.55	20,996.00	68,315.00	103,498.55	
01/01/23	108,187.55	293,996.00	126,315.00	528,498.55	631,997.10
07/01/23	12,598.95	17,037.50	67,372.50	97,008.95	
01/01/24	109,598.95	298,037.50	127,372.50	535,008.95	632,017.90
07/01/24	10,959.65	12,963.00	66,397.50	90,320.15	
01/01/25	108,959.65	301,963.00	127,397.50	538,320.15	628,640.30
07/01/25	9,303.45	8,772.50	65,406.25	83,482.20	
01/01/26	109,303.45	306,772.50	128,406.25	544,482.20	627,964.40
07/01/26	7,613.45	4,451.50	64,382.50	76,447.45	
01/01/27	110,613.45	311,451.50	130,382.50	552,447.45	628,894.90
07/01/27	5,872.75		63,310.00	69,182.75	
01/01/28	117,872.75		131,310.00	249,182.75	318,365.50
07/01/28	3,979.95		62,205.00	66,184.95	
01/01/29	119,979.95		132,205.00	252,184.95	318,369.90
07/01/29	2,019.55		61,067.50	63,087.05	
01/01/30	121,519.55		133,067.50	254,587.05	317,674.10
07/01/30			59,897.50	59,897.50	
01/01/31			133,897.50	133,897.50	193,795.00
07/01/31			58,695.00	58,695.00	
01/01/32			135,695.00	135,695.00	194,390.00
07/01/32			57,443.75	57,443.75	
01/01/33			136,443.75	136,443.75	193,887.50
07/01/33			56,160.00	56,160.00	
01/01/34			138,160.00	138,160.00	194,320.00
07/01/34			54,827.50	54,827.50	
01/01/35			139,827.50	139,827.50	194,655.00
07/01/35			53,446.25	53,446.25	
01/01/36			140,446.25	140,446.25	193,892.50
07/01/36			52,032.50	52,032.50	
01/01/37			142,032.50	142,032.50	194,065.00
07/01/37			50,570.00	50,570.00	
01/01/38			143,570.00	143,570.00	194,140.00
07/01/38			49,058.75	49,058.75	
01/01/39			145,058.75	145,058.75	194,117.50
07/01/39			47,498.75	47,498.75	
01/01/40			146,498.75	146,498.75	193,997.50
Sub-totals forward	\$1,321,095.95	\$2,490,568.50	\$3,884,807.17	\$7,696,471.62	\$7,696,471.62

* Excludes the Annual Appropriation General Revenue Bonds of 2012, Series A and General Revenue Bonds of 2012, Series B.

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF PROPOSED COMBINED BOND AMORTIZATION*

Payment Date	2009 Bonds	2013 Bonds	Proposed 2019 Bonds	Combined	Bond Year Total
Sub-totals	\$1,321,095.95	\$2,490,568.50	\$3,884,807.17	\$7,696,471.62	\$7,696,471.62
07/01/40			45,890.00	45,890.00	
01/01/41			148,890.00	148,890.00	194,780.00
07/01/41			44,216.25	44,216.25	
01/01/42			150,216.25	150,216.25	194,432.50
07/01/42			42,493.75	42,493.75	
01/01/43			151,493.75	151,493.75	193,987.50
07/01/43			40,722.50	40,722.50	
01/01/44			153,722.50	153,722.50	194,445.00
07/01/44			38,886.25	38,886.25	
01/01/45			154,886.25	154,886.25	193,772.50
07/01/45			37,001.25	37,001.25	
01/01/46			157,001.25	157,001.25	194,002.50
07/01/46			35,051.25	35,051.25	
01/01/47			159,051.25	159,051.25	194,102.50
07/01/47			33,036.25	33,036.25	
01/01/48			161,036.25	161,036.25	194,072.50
07/01/48			30,956.25	30,956.25	
01/01/49			162,956.25	162,956.25	193,912.50
07/01/49			28,811.25	28,811.25	
01/01/50			165,811.25	165,811.25	194,622.50
07/01/50			26,585.00	26,585.00	
01/01/51			167,585.00	167,585.00	194,170.00
07/01/51			24,293.75	24,293.75	
01/01/52			170,293.75	170,293.75	194,587.50
07/01/52			21,921.25	21,921.25	
01/01/53			171,921.25	171,921.25	193,842.50
07/01/53			19,483.75	19,483.75	
01/01/54			174,483.75	174,483.75	193,967.50
07/01/54			16,965.00	16,965.00	
01/01/55			176,965.00	176,965.00	193,930.00
07/01/55			14,365.00	14,365.00	
01/01/56			180,365.00	180,365.00	194,730.00
07/01/56			11,667.50	11,667.50	
01/01/57			182,667.50	182,667.50	194,335.00
07/01/57			8,888.75	8,888.75	
01/01/58			185,888.75	185,888.75	194,777.50
07/01/58			6,012.50	6,012.50	
01/01/59			188,012.50	188,012.50	194,025.00
07/01/59			3,055.00	3,055.00	
01/01/60			191,055.00	191,055.00	194,110.00
Totals	<u>\$1,321,095.95</u>	<u>\$2,490,568.50</u>	<u>\$7,769,412.17</u>	<u>\$11,581,076.62</u>	<u>\$11,581,076.62</u>

Average annual debt service for the seven bond years ending January 1, 2027

\$630,560.00

* Excludes the Annual Appropriation General Revenue Bonds of 2012, Series A and General Revenue Bonds of 2012, Series B.

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**

See Explanation of References, pages 10-11.

	Phase I					
	Petitioner's		Final	Ref.	Increase/(Decrease)	
	Supplemental	OUCC	Settlement		OUCC	Petitioner
<u>Pro Forma Revenue Requirements:</u>	9/5/2018	8/3/2018				
Operation and maintenance:						
Annual costs	\$1,457,122	\$1,344,684	\$1,458,623	(1)	\$113,939	\$1,501
Savings from solar projects	-	-	-		-	-
Payment in lieu of property taxes	129,045	74,559	110,293	(2)	35,734	(18,752)
Additional utility receipts tax	15,561	8,320	8,271	(3)	(49)	(7,290)
Debt service:						
Outstanding bonds	436,413	436,413	436,413		-	-
Proposed bonds	315,894	117,901	-	(4)	(117,901)	(315,894)
Debt service reserve	63,156	11,891	-	(5)	(11,891)	(63,156)
Depreciation allowance	302,602	270,546	272,876	(6)	2,330	(29,726)
Total Revenue Requirements	2,719,793	2,264,314	2,286,476		22,162	(433,317)
Less penalties	(11,956)	-	-		-	11,956
Less miscellaneous service revenue	(17,072)	(17,072)	(17,072)		-	-
Less interest income	-	(32,109)	(10,677)	(7)	21,432	(10,677)
Less other income	-	(22,062)	(22,062)		-	(22,062)
Net Revenue Requirements	<u>\$2,690,765</u>	<u>\$2,193,071</u>	<u>\$2,236,665</u>		<u>\$43,594</u>	<u>(\$454,100)</u>
<u>Pro Forma Annual Revenues:</u>						
Metered sales	\$1,413,056	\$1,413,056	\$1,413,056		\$ -	\$ -
Outside city surcharge	130,637	-	47,080	(8)	47,080	(83,557)
Public and private fire protection	173,806	173,806	173,806		-	-
Penalties	-	11,956	11,956		-	11,956
Total Annual Operating Revenues	<u>\$1,717,499</u>	<u>\$1,598,818</u>	<u>\$1,645,898</u>		<u>\$47,080</u>	<u>(\$71,601)</u>
Additional Revenues Required	<u>\$973,266</u>	<u>\$594,253</u>	<u>\$590,767</u>		<u>(\$3,486)</u>	<u>(\$382,499)</u>
Increase in Revenues Required (Across-The-Board)	<u>56.67%</u>	<u>37.17%</u>	<u>35.89%</u>			

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**

See Explanation of References, pages 10-11.

<u>Pro Forma Revenue Requirements:</u>	Phase II					
	Petitioner's		Final	Ref.	Increase/(Decrease)	
	Supplemental	OUCC	Settlement		OUCC	Petitioner
	9/5/2018	8/3/2018				
Operation and maintenance:						
Annual costs	\$1,457,122	\$1,344,684	\$1,458,623	(1)	\$113,939	\$1,501
Savings from solar projects	-	-	-		-	-
Payment in lieu of property taxes	129,045	74,559	110,293	(2)	35,734	(18,752)
Additional utility receipts tax	15,561	9,398	10,786	(3)	1,388	(4,775)
Debt service:						
Outstanding bonds	436,413	436,413	436,413		-	-
Proposed bonds	315,894	117,901	194,147	(4)	76,246	(121,747)
Debt service reserve	63,156	11,891	19,415	(5)	7,524	(43,741)
Depreciation allowance	440,802	319,695	272,876	(6)	(46,819)	(167,926)
Total Revenue Requirements	2,857,993	2,314,541	2,502,553		188,012	(355,440)
Less penalties	(11,956)	-	-		-	11,956
Less miscellaneous service revenue	(17,072)	(17,072)	(17,072)		-	-
Less interest income	-	(5,363)	(47,098)	(7)	(41,735)	(47,098)
Less other income	-	(22,062)	(22,062)		-	(22,062)
Net Revenue Requirements	<u>\$2,828,965</u>	<u>\$2,270,044</u>	<u>\$2,416,321</u>		<u>\$146,277</u>	<u>(\$412,644)</u>
<u>Pro Forma Annual Revenues:</u>						
Metered sales	\$1,413,056	\$1,413,056	\$1,413,056		\$ -	\$ -
Outside city surcharge	130,637	-	47,080	(8)	47,080	(83,557)
Public and private fire protection	173,806	173,806	173,806		-	-
Penalties	-	11,956	11,956		-	11,956
Additional receipts from Phase I increase	973,266	594,253	590,767		(3,486)	(382,499)
Total Annual Operating Revenues	<u>\$2,690,765</u>	<u>\$2,193,071</u>	<u>\$2,236,665</u>		<u>\$43,594</u>	<u>(\$454,100)</u>
Additional Revenues Required	<u>\$138,200</u>	<u>\$76,973</u>	<u>\$179,656</u>		<u>\$102,683</u>	<u>\$41,456</u>
Increase in Revenues Required (Across-The-Board)	<u>5.14%</u>	<u>3.51%</u>	<u>8.03%</u>			

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**

See Explanation of References, pages 10-11.

			Phase III		Increase/(Decrease)	
	Petitioner's Supplemental 9/5/2018	OUCG 8/3/2018	Final Settlement	Ref.	OUCG	Rebuttal
Pro Forma Revenue Requirements:						
Operation and maintenance:						
Annual costs	\$1,457,122	\$1,344,684	\$1,458,623	(1)	\$113,939	\$1,501
Savings from solar projects	-	-	(50,000)		(50,000)	(50,000)
Payment in lieu of property taxes	129,045	74,559	110,293	(2)	35,734	(18,752)
Additional utility receipts tax	15,561	9,398	12,119	(3)	2,721	(3,442)
Debt service:						
Outstanding bonds	436,413	436,413	436,413		-	-
Proposed bonds	315,894	117,901	194,147	(4)	76,246	(121,747)
Debt service reserve	63,156	11,891	19,415	(5)	7,524	(43,741)
Depreciation allowance	440,802	319,695	384,468	(6)	64,773	(56,334)
Total Revenue Requirements	2,857,993	2,314,541	2,565,478		250,937	(292,515)
Less penalties	(11,956)	-	-		-	11,956
Less miscellaneous service revenue	(17,072)	(17,072)	(17,072)		-	-
Less interest income	-	(5,363)	(14,800)	(7)	(9,437)	(14,800)
Less other income	-	(22,062)	(22,062)		-	(22,062)
Net Revenue Requirements	\$2,828,965	\$2,270,044	\$2,511,544		\$241,500	(\$317,421)
Pro Forma Annual Revenues:						
Metered sales	\$1,413,056	\$1,413,056	\$1,413,056		\$ -	\$ -
Outside city surcharge	130,637	-	47,080	(8)	47,080	(83,557)
Public and private fire protection	173,806	173,806	173,806		-	-
Penalties	-	11,956	11,956		-	11,956
Additional receipts from Phase I increase	973,266	594,253	590,767		(3,486)	(382,499)
Additional receipts from Phase II increase	138,200	76,973	179,656		102,683	41,456
Total Annual Operating Revenues	\$2,828,965	\$2,270,044	\$2,416,321		\$146,277	(\$412,644)
Additional Revenues Required	\$ -	\$ -	\$95,223		\$95,223	\$95,223
Increase in Revenues Required (Across-The-Board)	0.00%	0.00%	3.94%			

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**
(Explanation of References)

(1) To reflect pro forma operation and maintenance expenses, see pages 12-14.

Adjustment	<u>\$176,169</u>
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(2) To provide an allowance for payments in lieu of property taxes based on the test year amount.

Utility plant in service at 06/30/2017	\$15,294,388
Less accumulated depreciation	<u>(7,021,622)</u>

Net utility plant in service	8,272,766
Less wellfield and treatment plant located outside City limits	(4,100,675)
Add accumulated depreciation on wellfield and treatment plant	<u>572,289</u>

Sub-total	4,744,380
Times current corporate tax rate (per \$100 of UPIS)	<u>2,3247</u>

Calculated annual payment in lieu of taxes	<u>\$110,293</u>
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(3) Allowance for additional Indiana Utility Receipts tax.

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Rate increase revenues	\$590,767	\$770,423	\$865,646
Times utility receipts tax rate	<u>1.40%</u>	<u>1.40%</u>	<u>1.40%</u>
Total increase in utility receipts tax	<u>\$8,271</u>	<u>\$10,786</u>	<u>\$12,119</u>

(4) Phase II and III provide an allowance for proposed debt service based on \$4,744,000 of revenue bonds amortized over 40 years at the Rural Development intermediate rate plus 50 basis points (see page 6).

Average annual combined principal and interest payment	\$630,560
Less average annual debt service on 2009 Bonds and 2013 Bonds	<u>(436,413)</u>

Adjustment	<u>\$194,147</u>
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(5) Phase II and III based on funding the debt service reserve equal to the maximum annual debt service (\$632,608) over a ten year period.

Increase in debt service reserve requirement	\$194,148
Divided by 10 year funding period	<u>10</u>

Adjustment	<u>\$19,415</u>
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(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

**PRO FORMA ANNUAL REVENUE REQUIREMENTS
AND ANNUAL REVENUES**
(Explanation of References)

(6) Provides an allowance for capital improvements based upon annual depreciation expense allowance.

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Utility plant in service as of 6/30/2017	\$15,294,388	\$15,294,388	\$15,294,388
Plus proposed improvement project (see page 2)	-	-	5,742,156
Less land and land rights	(164,305)	(164,305)	(164,305)
Less estimated original cost of retired treatment plant and wellfield	(1,486,289)	(1,486,289)	(1,486,289)
Less original cost of retired meters	-	-	(162,552)
Depreciable capital assets	13,643,794	13,643,794	19,223,398
Times composite depreciation rate	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>
Annual depreciation allowance	<u>\$272,876</u>	<u>\$272,876</u>	<u>\$384,468</u>

(8) To adjust interest income for amount earned on unspent bond proceeds during the construction period at the same interest rate as the test year.

	<u>Unspent Proceeds</u>	<u>Monthly Interest*</u>		<u>Unspent Proceeds</u>	<u>Monthly Interest*</u>
Jan-20	\$4,317,000	\$5,396	Jan-21	\$2,158,500	\$2,698
Feb-20	4,137,125	5,171	Feb-21	1,978,625	2,473
Mar-20	3,957,250	4,947	Mar-21	1,798,750	2,248
Apr-20	3,777,375	4,722	Apr-21	1,618,875	2,024
May-20	3,597,500	4,497	May-21	1,439,000	1,799
Jun-20	3,417,625	4,272	Jun-21	1,259,125	1,574
Jul-20	3,237,750	4,047	Jul-21	1,079,250	1,349
Aug-20	3,057,875	3,822	Aug-21	899,375	1,124
Sep-20	2,878,000	3,598	Sep-21	719,500	899
Oct-20	2,698,125	3,373	Oct-21	539,625	675
Nov-20	2,518,250	3,148	Nov-21	359,750	450
Dec-20	2,338,375	2,923	Dec-21	179,875	225
Annual Interest Earned		<u>\$49,916</u>			<u>\$17,538</u>

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>
Test year interest income	\$1,815	\$1,815	\$1,815
Plus average annual interest earned on unspent bond proceeds	-	33,727	-
Plus annual interest earned on rate increase revenues**	8,862	11,556	12,985
Phase I interest income	<u>\$10,677</u>	<u>\$47,098</u>	<u>\$14,800</u>
* Estimated annual interest rate	1.50%		
Divided by 12 months	12		
Estimated monthly interest rate	<u>0.125%</u>		
** Rate increase revenues	<u>\$590,767</u>	<u>\$770,423</u>	<u>\$865,646</u>
Times estimated annual interest rate	1.50%	1.50%	1.50%
Total increase in interest income	<u>\$8,862</u>	<u>\$11,556</u>	<u>\$12,985</u>

(7) To reflect outside City customer surcharge required to recover return on investment in Net Utility Plant and Debt Service, see page 15.

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

PRO FORMA ANNUAL OPERATION AND MAINTENANCE EXPENSES

See Explanation of Adjustments, pages 13-14.

No inflation adjustment made.

	Petitioner's	OUCC	Final Settlement	Increase/(Decrease)		Ref.
	Supplemental 9/5/2018			8/3/2018	OUCC	
Test year operation and maintenance expenses	\$1,282,454	\$1,277,574	\$1,282,454	\$4,880	\$ -	
Adjustments:						
Employee benefits:						
PERF expense	4,239	-	4,239	4,239	-	(1)
Contractual services:						
Booster station maintenance	2,000	-	2,000	2,000	-	(2)
Wellfield maintenance	32,000	-	32,000	32,000	-	(3)
Miscellaneous maintenance	6,500	-	6,500	6,500	-	(4)
Water treatment plant	29,200	-	29,200	29,200	-	(5)
Test year expenses	(18,569)	-	(4,880)	(4,880)	13,689	(6)
Rate case	40,000	-	40,000	40,000	-	(7)
Capital and Non-recurring						
Customer accounts - miscellaneous	(5,921)	(18,109)	(18,109)	-	(12,188)	(8)
All other adjustments	85,219	85,219	85,219	-	-	
Total Operation and Maintenance	\$1,457,122	\$1,344,684	\$1,458,623	\$113,939	\$1,501	

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY
PRO FORMA ANNUAL OPERATION AND MAINTENANCE EXPENSES
Explanation of Adjustments

(Cont'd)

	Petitioner's Supplemental 9/5/2018	OUCC 8/3/2018	Final Settlement	Increase/(Decrease)	
				OUCC	Petitioner
<u>Adjustment (1) - Employee Benefits - Non-Cash PERF Expense</u>					
To adjust test year expense to reflect calculated pension expense under GASB standards.					
GASB 68 calculated pension expense (water portion)	\$9,672 *	\$ -	\$9,672	\$9,672	\$ -
Less GASB 68 pension contributions (water portion)	(5,433) **	-	(5,433)	(5,433)	-
Adjustment	<u>\$4,239</u>	<u>\$ -</u>	<u>\$4,239</u>	<u>\$4,239</u>	<u>\$ -</u>
*GASB 68 calculated pension expense	\$38,063 (1)				
Water percent allocation	<u>25.41%</u>				
GASB 68 calculated pension expense (water portion)	<u>\$9,672</u>				
**GASB 68 pension contributions	\$21,380 (1)				
Water percent allocation	<u>25.41%</u>				
GASB 68 pension contributions (water portion)	<u>\$5,433</u>				
(1) Per INPRS Report as of 6/30/2016.					
<u>Adjustment (2) - Contractual Services - Booster Station Maintenance</u>					
To adjust test year expenses to allow for periodic maintenance on booster stations, per the utility manager and consulting engineer.					
II. <u>Booster Station Maintenance</u>					
a. Eby Road Booster Station	\$1,000	\$ -	\$1,000	\$1,000	\$ -
b. FOP Booster Station	1,000	-	1,000	1,000	-
Adjustment	<u>\$2,000</u>	<u>\$ -</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$ -</u>
<u>Adjustment (3) - Contractual Services - Wellfield Maintenance</u>					
To adjust test year expenses to allow for periodic maintenance on the wellfields, per the utility manager and consulting engineer.					
III. <u>Wellfield Maintenance</u>					
a. Well and Pump Maintenance	\$32,000	\$ -	\$32,000	\$32,000	\$ -
Adjustment	<u>\$32,000</u>	<u>\$ -</u>	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$ -</u>
<u>Adjustment (4) - Contractual Services - Miscellaneous Maintenance</u>					
To adjust test year expenses to allow for periodic maintenance on the wellfields, per the utility manager and consulting engineer.					
V. <u>Miscellaneous Maintenance</u>					
a. Software, Instrumentation, Safety, Calibration	\$6,500	\$ -	\$6,500	\$6,500	\$ -
Adjustment	<u>\$6,500</u>	<u>\$ -</u>	<u>\$6,500</u>	<u>\$6,500</u>	<u>\$ -</u>

(Continued on next page)

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY
PRO FORMA ANNUAL OPERATION AND MAINTENANCE EXPENSES
 Explanation of Adjustments

(Cont'd)

	Petitioner's	OUC	Final	Increase/(Decrease)	
	Supplemental	OUCC	Settlement	OUCC	Petitioner
	9/5/2018	8/3/2018			
<u>Adjustment (5) - Contractual Services - Water Treatment Plant</u>					
To adjust test year expenses to allow for periodic maintenance on the water treatment plant, per the utility manager and consulting engineer.					
IV. <u>Water Treatment Plant</u>					
a. Main High Service Pump Maintenance (\$1,200 each per year, for 3 pumps)	\$3,600	\$ -	\$3,600	\$3,600	\$ -
b. Yankeetown High Service Pump Maintenance (\$1,000 each per year, for 2 pumps)	2,000	-	2,000	2,000	-
c. Filter Maintenance	10,000	-	10,000	10,000	-
d. Lagoon Cleaning and Disposal (\$26,000 every 10 years)	2,600	-	2,600	2,600	-
e. Clearwell Maintenance	4,000	-	4,000	4,000	-
f. Aerator Maintenance (Cleaning, Maintenance, Painting)	6,000	-	6,000	6,000	-
g. Backwash Pump (Skid Pump)	1,000	-	1,000	1,000	-
Adjustment	<u>\$29,200</u>	<u>\$ -</u>	<u>\$29,200</u>	<u>\$29,200</u>	<u>\$ -</u>

Adjustment (6) - Test Year Expenses

To adjust the test year for capital or non-recurring items.

Date	Description					
7/27/2016	Wellfield pump cleaning	(\$4,880)	\$ -	(\$4,880)	(\$4,880)	\$ -
9/14/2016	Annual Keystone Fund upgrade maintenance	(3,875)	-	-	-	3,875
9/14/2016	Keystone update billing to ledger interface	(500)	-	-	-	500
9/28/2016	Keystone laser UT bills	(1,001)	-	-	-	1,001
1/25/2017	Teledyne flow meter water ret. basin discharge	(8,313)	-	-	-	8,313
Adjustment		<u>(\$18,569)</u>	<u>\$ -</u>	<u>(\$4,880)</u>	<u>(\$4,880)</u>	<u>\$13,689</u>

Adjustment (7) - Rate Case

To provide an allowance for an IURC Rate Case every five years.

Pro forma rate study expense	\$200,000	\$ -	\$200,000	\$200,000	\$ -
Amortized over 5 years	5	-	5	5	5
Adjustment	<u>\$40,000</u>	<u>\$ -</u>	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$ -</u>

Adjustment (8) - Capital or Non-Recurring Items

To adjust the test year for capital or non-recurring items.

Date	Description					
7/7/2016	Reimburse Boonville Sewage Works	(\$1,950)	(\$1,950)	(\$1,950)	\$ -	\$ -
7/7/2016	Reimburse Boonville Sewage Works	(1,950)	(1,950)	(1,950)	-	-
9/14/2016	Annual Keystone Fund upgrade maintenance	-	(3,875)	(3,875)	-	(3,875)
9/28/2016	Postage for IURC letter	(2,021)	(2,021)	(2,021)	-	-
1/25/2017	Teledyne flow meter water ret. basin discharge	-	(8,313)	(8,313)	-	(8,313)
Adjustment		<u>(\$5,921)</u>	<u>(\$18,109)</u>	<u>(\$18,109)</u>	<u>\$ -</u>	<u>(\$12,188)</u>

(Subject to the attached letter
of Umbaugh dated February 7, 2019)

BOONVILLE (INDIANA) MUNICIPAL WATER UTILITY

**CALCULATION OF INCREASE REQUIRED TO
RECOVER RETURN ON DEBT SERVICE**

	<u>Annual 2012 Bonds Debt Service</u>	<u>% City Users Billed Flow</u>	<u>Allocated 2012 Bonds Debt Service</u>
	(1)	(2)	
Inside City		56.0	\$59,919
Outside City	<u>\$106,999</u>	<u>44.0</u>	<u>47,080</u>
Total	<u><u>\$106,999</u></u>	<u><u>100.0</u></u>	<u><u>\$106,999</u></u>

Total return requested to be recovered by outside City users	\$47,080
Divided by test year billed revenues for outside City users	<u>546,505</u>
Proposed increase to recover return	<u><u>9%</u></u>

(1) Based on average annual debt service on the outstanding Annual Appropriation General Revenue Bonds of 2012, Series A and General Revenue Bonds of 2012, Series B.

(2) Test year outside user billed flow	1,102,198
Divide by total test year billed flow	<u>2,507,159</u>
Total allocated use of utility plant in service	<u><u>43.96%</u></u>

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