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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE AMENDED PETITION OF)
EASTERN BARTHOLOMEW WATER)
CORPORATION, OF TAYLORSVILLE, INDIANA, (1))
FOR THE AUTHORITY TO ISSUE LONG TERM)
BONDS, NOTES, OR OTHER EVIDENCE OF)
INDEBTEDNESS, (2) FOR AUTHORITY TO)
ENCUMBER ITS FRANCHISE, WORKS, AND)
SYSTEM IN CONNECTION WITH SUCH)
BORROWING, (3) FOR A CERTIFICATE OF)
AUTHORITY TO ISSUE LONG TERM DEBT, (4) FOR)
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WATER SERVICE, (5) FOR)
APPROVAL OF A NEW SCHEDULE OF RATES AND)
CHARGES FOR WATER SERVICE, AND (6) FOR)
APPROVAL OF AN AMENDMENT TO ITS WATER)
SUPPLY CONTRACT WITH THE TOWN OF HOPE,)
INDIANA)

CAUSE NO. 44903

APPROVED: NOV 21 2017

ORDER OF THE COMMISSION

Presiding Officers:
Sarah E. Freeman, Commissioner
Carol Sparks Drake, Administrative Law Judge

On February 3, 2017, Eastern Bartholomew Water Corporation (“Petitioner” or “Eastern Bartholomew”) filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking borrowing authority and an increase in its rates and charges. By Docket Entry issued on March 6, 2017, Petitioner was granted leave to file an amended petition. On March 9, 2017, Petitioner filed a Verified Amended Petition in this Cause in which Eastern Bartholomew also requests approval of an amended water supply contract with the Town of Hope, Indiana (“Hope”).

Concurrent with filing the Verified Petition, Petitioner and the Indiana Office of Utility Consumer Counselor (“OUCC”) on February 3, 2017, filed an Agreed Motion for Establishment of Procedural Schedule, Test Year and Cut-Off Date in Lieu of Prehearing Conference. On February 14, 2017, a Docket Entry was issued granting this motion and establishing a procedural schedule, the test year, and related matters.

Eastern Bartholomew filed its case-in-chief on February 17, 2017, which included the testimony and exhibits of the following witnesses:

- Ted Darnall, President of Petitioner's Board of Directors;
- Donald Smith Jr., Eastern Bartholomew's Superintendent; and
- Kent S. Elliott, a Registered Professional Engineer employed by Banning Engineering, P.C. ("Banning.")

On February 20, 2017, Petitioner also filed the testimony and exhibits of Douglas L. Baldessari, a Certified Public Accountant with H.J. Umbaugh and Associates ("Umbaugh.")

Eastern Bartholomew subsequently filed replacement testimony for Mr. Elliott on March 1, 2017, consistent with an unopposed motion filed on February 27 and granted on February 28, 2017, and supplemental testimony and exhibits for Mr. Smith on March 10, 2017.

On April 12, 2017, the OUCC filed a Request for Field Hearing, which was granted on April 24, 2017. As provided under Ind. Code § 8-1-2-61(b), the Commission conducted a public field hearing in this Cause at the Taylorsville Elementary School in Taylorsville, Indiana, on May 18, 2017, at 7:00 p.m. at which Petitioner and the OUCC appeared. Members of the public, including a representative for Hope, attended and offered testimony, along with written comments.

On May 3, 2017, the OUCC filed a motion to extend the time within which to file the OUCC's case-in-chief. This motion was granted on May 8, 2017. On May 23, 2017, Petitioner filed an unopposed motion to further extend the parties' filing dates. This motion was granted in a Docket Entry issued on May 25, 2017, which also continued the evidentiary hearing from June 28 to August 3, 2017. On June 6, 2017, Petitioner and the OUCC filed a Joint Motion for Modification of the Procedural Schedule requesting additional time for ongoing settlement discussions and modification of the hearing date. In granting this motion on June 12, 2017, the hearing date was modified from August 3 to August 23, 2017. On June 28, 2017, the OUCC filed an additional motion to modify the procedural schedule to continue settlement discussions. This motion was granted on June 28, 2017.

On July 6, 2017, the OUCC filed a Notice of Intent Not to Prefile Direct Testimony advising that the OUCC would not be filing case-in-chief testimony in this Cause because the OUCC and Eastern Bartholomew had reached a settlement. On July 14, 2017, Petitioner filed an Unopposed Motion to Extend Prefiling Dates requesting the deadline for Petitioner and the OUCC to file their Settlement Agreement and related testimony be extended to July 18. Petitioner's unopposed motion was granted on July 17, 2017. On July 18, 2017, Petitioner filed a Stipulation and Settlement Agreement ("Settlement Agreement") entered into by Eastern Bartholomew and the OUCC (collectively, the "Settling Parties") and the settlement testimony and exhibit of Petitioner's Superintendent, Mr. Smith. Also on July 18, 2017, the OUCC filed the settlement testimony and exhibits of Margaret A. Stull.

Pursuant to notice published as required by law, proof of which was incorporated into the record of this Cause by reference and placed in the official files of the Commission, an evidentiary hearing was held in this Cause on August 23, 2017, at 10:30 a.m. in Hearing Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC appeared by counsel, and Petitioner's evidence and the settlement evidence were presented. No members of the general public sought to testify.

Based on the applicable law and the evidence presented, the Commission finds:

1. **Notice and Jurisdiction.** Notice of the evidentiary hearing was given and published as required by law, and Petitioner's customers were notified of the Petition initiating this Cause as required by 170 IAC 6-1-18(C). Petitioner is a not-for-profit utility as defined in Ind. Code § 8-1-2-125, a public utility as defined by Ind. Code § 8-1-2-1(a), and subject to the jurisdiction of the Commission as provided in Ind. Code § 8-1-2-1, *et seq.* The Commission, therefore, has jurisdiction over Petitioner and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Petitioner is a not-for-profit water utility incorporated in the State of Indiana with its principal place of business in Taylorsville, Indiana. To serve its customers, Petitioner owns and operates a water utility system and provides water service to approximately 5,022 residential customers, 131 commercial customers, 22 public authorities, 27 multiple family dwellings, and 1 sale for resale customer located in Bartholomew, Jennings, and Decatur Counties. Petitioner produces and treats about 90% of its water and purchases the balance from the City of Columbus, Indiana ("Columbus.")

3. **Existing Rates and Requested Relief.** The Commission approved Eastern Bartholomew's current rates on September 24, 2008, in Cause No. 43392. In this Cause, Petitioner seeks approval to increase its rates and charges for water utility service to enable Petitioner to pay its reasonable and necessary expenses of operation, extensions and replacements, debt service, and other revenue requirements as allowed by Ind. Code § 8-1-2-125. Petitioner also requests approval of the November 19, 2015, Amendment to Agreement for Connection of Utilities and Water Purchase Contract ("Amendment") with Hope, including the associated rates. In addition, Eastern Bartholomew seeks authority to borrow funds, issue notes and/or other evidence of debt, encumber its utility property by mortgage and/or other security instruments, and a certificate authorizing such borrowing for purposes of financing system improvements.

4. **Test Year and Rate Base Cut-off.** As agreed to by Eastern Bartholomew and the OUCC and approved by Docket Entry dated February 14, 2017, the test year for determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirements under present and proposed rates is the 12 months ended July 31, 2016. With adjustments for changes that are fixed, known, and measurable and that will occur within 12 months following the end of the test year, the Commission finds this test year is sufficiently representative of Petitioner's operations to provide reliable data for ratemaking purposes.

5. **Petitioner's Case-in-Chief.**

A. **Ted Darnall Direct Testimony.** Mr. Darnall testified he has been on Petitioner's Board of Directors ("Board") since 2007 and has served as the Board's President since April 2011. On May 19, 2016, the Board passed a Resolution authorizing the petition to be filed in this Cause. He sponsored a copy of the May 19, 2016 Resolution as Petitioner's Exhibit 1-A.

Mr. Darnall reviewed the relief Petitioner seeks, explaining that Eastern Bartholomew's request is two-fold. First, Petitioner seeks authority to incur long-term debt to construct a new

water treatment plant and make needed capital improvements (the "Project.") Second, Eastern Bartholomew requests approval to increase its rates and charges.

Mr. Darnall explained that the Board retained professionals to assist in identifying the facilities and upgrades Petitioner needs, their cost, and the costs associated with owning and operating Eastern Bartholomew's system. Mr. Elliott, a professional engineer with Banning, was retained to identify the capital improvement options available, the costs of these options, and assist in obtaining required regulatory permits and approvals. Mr. Baldessari, a certified public accountant with Umbaugh, was retained to assist with Petitioner's prospective borrowing and determine the corresponding rates and charges that are necessary to meet Petitioner's ongoing expenses.

Mr. Darnall testified that Banning provided the 2016 Preliminary Engineering Report ("PER") outlining the recommended improvements (i.e., the Project) and the estimated cost of constructing these. A copy of the PER was attached as an exhibit to Mr. Elliott's prefiled testimony. According to Mr. Darnall, the Board reviewed each component of the Project and authorized Mr. Elliott to take the steps necessary to plan, design, and obtain the approvals necessary to construct these facilities. The Board also reviewed and approved the cost of the proposed Project, including soft costs, and authorized filing an application with the Indiana State Revolving Loan Fund Program ("SRF Program") for Project financing. His understanding is that the SRF Program has a priority ranking for each project seeking funding and has tentatively agreed to fund the Project.

Mr. Darnall testified that the Board believes the capital improvements comprising the Project are reasonable and necessary. He concurred with Mr. Elliott that Eastern Bartholomew's existing facilities are in desperate need of replacement and upgrade. The existing two water treatment plants and related facilities have served Eastern Bartholomew's customers for many years, but Water Treatment Plant 1 ("WTP 1") failed in February 2016, and Water Treatment Plant 2 ("WTP 2") is at the end of its useful life. In January 2017, Eastern Bartholomew's personnel completed temporary repairs to WTP 1, and for now, it is operating at about half capacity, but it could fail again at any time.

Mr. Darnall explained that the Board has been advised that Petitioner has maximized the amount of water purchased from Columbus. This purchase process is expensive for Eastern Bartholomew's ratepayers and does not offer an adequate supply for Petitioner's needs. It is imperative a new water treatment plant be constructed; consequently, the Board approved the Project and authorized its professionals to move as quickly as possible.

Mr. Darnall testified the Board investigated the financial implications of the Project and Eastern Bartholomew's ongoing financial needs by retaining Umbaugh. An accounting report ("Accounting Report") was prepared which summarizes the results of the financial analysis and recommends adjustments to Petitioner's rates and charges. A copy of the Accounting Report was reviewed by the Board and attached to Mr. Baldessari's testimony when prefiled in this Cause. The Board approved the amount of long-term debt and the proposed adjustments to Petitioner's rates and charges set forth in the Accounting Report.

B. Donald Smith, Jr. Direct Testimony. Mr. Smith described his employment tenure with Eastern Bartholomew which began in 1986. He has been Petitioner's Superintendent since January 1998 and since 1990 has held an IDEM WT3 license (to operate a water treatment facility) and an IDEM DSL license (to operate a water distribution system). Mr. Smith testified that Petitioner proposes to construct a replacement water treatment plant, a water treatment building, and a maintenance/storage building (collectively the "Project") and to fund the Project with a State Revolving Fund ("SRF") loan. He opined that Petitioner's current water revenues are insufficient to satisfy its present and future revenue requirements, and an increase is needed in water rates and charges.

Mr. Smith characterized Petitioner as a rural, not-for-profit water utility established on June 29, 1970. He explained that Petitioner initially served 693 customers with water purchased from Columbus and has since experienced growth. In 2000, Petitioner had approximately 3,959 customers; 4,273 in 2005; 5,113 in 2010; and 5,232 in 2015. Petitioner has no unmetered customers.

Mr. Smith explained that Eastern Bartholomew has two water treatment plants. WTP 1 was installed in the mid-1970s and WTP 2 was installed in 1994. In describing the condition of Petitioner's water treatment plants, he testified Petitioner has been aware for some time of problems with WTP 1. WTP 1 has experienced numerous component failures and increased maintenance issues. In February 2016, WTP 1 failed, requiring Petitioner to increase its water purchases from Columbus. Mr. Smith testified the cost of this purchased water is considerably higher than Petitioner's cost to produce water, so Petitioner's maintenance staff worked to repair WTP 1. Petitioner's staff was partially successful, and in January 2017, WTP 1 was put back in service at half capacity. Mr. Smith described the repairs to WTP 1 as temporary and projects WTP 1 will again fail. WTP 2 is currently in service but at the end of its useful life. According to Mr. Smith, when WTP 1 is out of service, Petitioner can just satisfy its demand with the production from WTP 2 and purchases from Columbus, with little or no reserve. He testified Petitioner can only purchase enough water from Columbus to replace the output of WTP 1, because the capacity of Petitioner's interconnection with Columbus is limited.

Mr. Smith testified that Petitioner proposes to replace its water treatment plants and construct a water treatment building and a maintenance/storage building. The Project is explained in detail in the PER Mr. Elliott prepared. Mr. Smith worked closely with Mr. Elliott as he assessed Petitioner's needs and concurs in Mr. Elliott's conclusions and the resulting Project designs.

Mr. Smith described the investigation he undertook prior to selecting the proposed replacement water treatment plant. He consulted with several engineering firms regarding Petitioner's water treatment plants to determine what is needed to keep pace with anticipated growth. Mr. Smith and several Board members embarked on a year and a half long investigation during 2014-15, touring water treatment facilities with the engineering firms. All of the firms submitted proposals for the new water treatment facility. In July 2015, the Board selected Banning's proposal. Banning's design is a Bastin-Logan filter system, much like the facilities toured at Westfield, Stucker Fork, and Chilcothy.

Mr. Smith testified that Petitioner also investigated the prospect of becoming a full requirements customer of Columbus. After analyzing Petitioner's system, it was determined Petitioner's facilities are not capable of supporting purchasing all its water requirements from Columbus without additional infrastructure costing approximately \$16 million. Per Mr. Smith, Eastern Bartholomew can produce water more cheaply than buying it from Columbus.

Mr. Smith testified that Eastern Bartholomew must borrow to pay the costs associated with constructing the Project. Petitioner proposes to borrow the necessary funds from the SRF. Mr. Smith explained that Petitioner's existing rates do not generate sufficient revenue to pay the debt service on this proposed borrowing and are insufficient to pay Petitioner's current lawful expenses and obligations.

Petitioner is proposing a revenue requirement for extensions and replacements ("E&R") in this Cause which is based, in part, on Eastern Bartholomew's historical spending as well as a five-year detailed E&R plan developed based on Petitioner's ongoing E&R needs. The components of Petitioner's proposed E&R plan include vehicle and equipment replacements, GIS system mapping, a meter replacement program, hydrant additions and replacements, and main extensions and replacements.

Mr. Smith explained that Eastern Bartholomew did not complete the River Grove and St. Louis Crossing ("River Grove") project approved in Petitioner's last rate case. Although Petitioner's field staff started work on the River Grove project, before significant activity occurred, staff was called away to perform more critical work. With the passage of time, higher priority projects were undertaken, and work on the River Grove project was not re-initiated. The funds earmarked for the River Grove project were used for other capital E&R projects more critical to Petitioner's system. Mr. Smith testified that Petitioner consistently made substantial expenditures on capital projects, and the Accounting Report shows Petitioner's cash reserves are depleted largely because of expenditures on necessary capital projects.

Mr. Smith highlighted the periodic maintenance Petitioner's wells, water treatment plant, and water storage tanks require. These maintenance items include well cleaning and pump maintenance, filter media replacement, detention tank and aerator painting and maintenance, and water storage tank cleaning and painting. Mr. Smith stated the E&R plan items, operation and maintenance ("O&M") expense items, and the other expense items described in Mr. Baldessari's Exhibits are necessary for Petitioner to provide reasonably adequate service, and the amounts requested for these expenses are reasonable.

Mr. Smith stated Petitioner has ten full-time employees, and he briefly described the duties each employee performs. Effective July 1, 2016, Petitioner's Board authorized an increase in employee wages and salaries with employees receiving either an hourly increase of \$1.25 or a 3% increase. According to Mr. Smith, periodic increases in wages and salaries are necessary for Eastern Bartholomew to attract and retain qualified and reliable employees.

Mr. Smith reviewed two billing errors Eastern Bartholomew discovered in August 2016 which resulted in customer over-charges. Petitioner incorrectly billed some of its customers with meters larger than 5/8 inch by not applying the lower rates provided by a declining cost rate block.

The second overcharge was attributable to Petitioner incorrectly billing a tracking factor charge. In 1994, Petitioner implemented a \$0.0443 per 1,000 gallon tracking factor to recover costs for water purchased from Columbus. This factor was rolled into base rates in Petitioner's last rate case in Cause No. 43392; however, through an error in Petitioner's billing system, the tracker continued to be billed after Eastern Bartholomew implemented the rates approved in Cause No. 43392, resulting in a slight overcharge to all customers. Upon discovering these errors, Mr. Smith testified Petitioner contacted the Commission's Water/Wastewater Division for guidance, after which Petitioner reviewed each customer's billing record, calculated two years of overcharges for each customer, and then processed a bill credit for each customer for two years of overcharges. Mr. Smith testified this process began in November 2016, and by January 2017, all the bill credits had been processed.

C. Donald Smith, Jr. Supplemental Direct Testimony. In his supplemental testimony, Mr. Smith confirmed Eastern Bartholomew mailed notice of this filing to its customers as required by 170 IAC 6-1-18 (C). This notice was mailed on March 7, 2017, by a special mailing, separate from Petitioner's regular billing. Mr. Smith also testified in support of Petitioner's request for approval of the Amendment with Hope dated November 19, 2015, and he confirmed Eastern Bartholomew separately notified Hope of the changes proposed to its rates and charges. A copy of the notice mailed to Hope on February 27, 2017, was attached as Exhibit 5-A to Mr. Smith's supplemental testimony.

Mr. Smith testified that Eastern Bartholomew and Hope initially entered into an Agreement for Connection of Utilities and a Water Service Contract ("Contract") on September 22, 1980, for a term of 40 years. The Contract was amended by entering into the Amendment on November 19, 2015. According to Mr. Smith, the Contract was amended at Hope's request to extend its term because Hope was pursuing financing, and Hope's lender wanted Hope to have a long-term water supply in place. Hope also requested an additional point of interconnection with Petitioner's system and a change in the way its rates and charges were calculated. Mr. Smith testified that Hope asked to eliminate its fixed charges with those costs to be recovered through volume rates. At the time, Mr. Smith testified Eastern Bartholomew was aware Petitioner would soon need to seek long-term financing to replace its water treatment plants and anticipated its lender would also expect the Contract to be operative for the term of Petitioner's prospective loan.

Mr. Smith testified that Petitioner asked its rate consultant, Mr. Baldessari, to calculate appropriate rates and charges for Petitioner's service to Hope, and his team performed a wholesale cost of service study, the results of which are detailed in Mr. Baldessari's testimony and Exhibit 3-A. Mr. Smith believes the Amendment is fair and reasonable to both Petitioner and Hope.

D. Douglas L. Baldessari Direct Testimony. Mr. Baldessari explained that Umbaugh was retained to assist with computing Petitioner's future revenue requirements and recommend changes in Petitioner's schedule of rates and charges. He also provided financing options for the capital improvements to Eastern Bartholomew's system.

Mr. Baldessari confirmed the test year used for determining Petitioner's revenue requirements was the 12 months ended July 31, 2016. He testified this test year, when coupled with fixed, known, and measurable adjustments expected to occur within 12 months after the end

of the test year, is representative of Petitioner's operations for ratemaking purposes. Mr. Baldessari explained the Accounting Report, noting this report is divided into three sections. The first section (pages 3 through 20) contains pro forma financial information for the 12 months ended July 31, 2016. The second section (pages 21 to 23) contains the wholesale rate calculations for Hope. The third section (pages 24 to 33) contains unaudited supplemental financial data regarding the test year and comparative financial information for the three preceding calendar years.

The Accounting Report includes the estimated cost of funding the Project, Eastern Bartholomew's pro forma annual cash operating expenses, the normalized annual operating revenues at existing rates, the cost of the planned capital improvements, pro forma annual revenues and revenue requirements, and Petitioner's proposed rates and charges. The Accounting Report also includes a comparative statement of net position, comparative statement of cash flows, comparison of account balances, comparative statement of detailed operating expenses, and a calculation of Petitioner's annual historical additions to utility plant funded through operating revenues. The Accounting Report details the basis for Petitioner's proposed rate adjustment, including the wholesale rate to Hope, as well as the impact of the new debt to fund the Project.

Mr. Baldessari explained that Petitioner proposes to issue long-term debt through the SRF Program because this program provides below market interest rate loans. Based on information from SRF, the Project will qualify for SRF financing and given the below market interest rates, financing the Project through SRF makes good financial sense. Mr. Baldessari stated that SRF approved the PER on December 19, 2016. If the Project is not funded through the SRF Program, the most likely alternative funding is the open market through a competitive sale. At this point, Mr. Baldessari believes it is likely SRF funding will be available, and management wants the Project to start soon due to the status of WTP 1 and the aging of WTP 2.

Mr. Baldessari testified that because the details of Petitioner's proposed financing are estimates, Eastern Bartholomew proposes to true-up its rates for material changes after the Project is bid and the loan is closed. He stated that Petitioner's request to issue long-term debt complies with Ind. Code § 8-1-4-1. Mr. Baldessari explained that Eastern Bartholomew has an outstanding 1977 Rural Development Loan (the "1977 RD Loan") which matures in 2017, so no debt service requirement was included for the 1977 RD Loan. Petitioner also has an outstanding 2009 Rural Development Loan (the "2009 RD Loan"). The debt service requirement includes the annual debt service of \$208,320 on the 2009 RD Loan and the pro forma average annual debt service of \$518,564 on the proposed SRF loan, for a total of \$726,884. Petitioner also has a debt service reserve requirement for the 2009 RD Loan being funded over 10 years. The total pro forma annual debt service reserve requirement for Petitioner's 2009 RD Loan and the proposed SRF loan is estimated to be \$727,745 when fully funded, with the annual debt service reserve funding requirement for the 2009 RD Loan being \$20,832 and the pro forma amount for the SRF loan being \$103,885.

Mr. Baldessari reviewed the pro forma annual cash operating expenses and the adjustments to test year expenses made for fixed, known, and measurable changes. These included adjustments to salaries and wages, payroll taxes and benefits, periodic maintenance, and removal of capital and nonrecurring items that occurred during the test year. Cash operating expenses were adjusted to provide an allowance for accounting services, normalize legal expenses, adjust test year expenses

to normalize the effect of 59 users added to the system during the test year, the estimated effect of 50 customers being added from main extension projects, and an allowance for additional purchased water from Columbus until the new water treatment plant is completed. Salaries and wages associated with connecting the 59 new users to Petitioner's system during the test year were capitalized. These adjustments resulted in the test year cash operating expenses increasing \$54,206 to arrive at pro forma annual cash operating expenses of \$1,144,280.

Mr. Baldessari testified the annual E&R allowance approved in Cause No. 43392 was \$340,796, but for the last three and a half years, Petitioner has spent an average of \$342,845 annually. Petitioner's existing rates do not support that level of spending. Since the Commission's Order on September 24, 2008 in Cause No. 43392 ("43392 Order") expenses have increased \$210,000 while revenues have increased \$100,000, leaving Eastern Bartholomew with only \$110,000 available annually for capital improvements. As a result, Eastern Bartholomew has spent down its cash reserves to pay for necessary capital improvements. Mr. Baldessari opined that Petitioner's financial position has deteriorated over the last few years due to rising operating expenses that have outpaced revenues at current rates, funds expended to keep the treatment plants operational, and funds used to continue making investments in the waterworks system.

Mr. Baldessari reviewed other adjustments shown in the Accounting Report. These included reducing Eastern Bartholomew's total revenue requirement of \$2,608,861 by the pro forma Hope wholesale revenues, test year interest income, rental income, service fees, and miscellaneous revenue and other income, resulting in net revenue requirements of \$2,342,302. Petitioner proposes its water rates and charges be increased across-the-board by 47.88% effective upon Commission approval. Pages 19 and 20 of the Accounting Report show the present and proposed rates and charges. In the Accounting Report, the 47.88% across-the-board percentage has been applied to existing usage rates, minimum charges, and fire protection charges. No changes are proposed to non-recurring charges.

Mr. Baldessari reviewed the wholesale rate calculation for Petitioner's proposed rate for Hope. He testified that since the Project is for a new water treatment plant and related infrastructure, Hope should share these costs based on its reserved capacity of 288,000 gallons per day. The allocated percentage of the costs based on 288,000 gallons per day is 8% of the 3.5 million gallons per day of capacity of the proposed new plant. The allocation in dollars is \$614,800 of the proposed \$7,685,000 of Project costs. Pro forma cash operating expenses were also allocated to Hope. The source of supply and water treatment expenses were allocated based on Hope's test year billed usage as a percentage of Petitioner's total billed usage, since these are variable expenses for water production. The transmission and distribution costs were allocated to Hope based on an 8% allocation percentage which was based on its estimated percentage use of the system. None of the customer account expenses were allocated to Hope because it generates only one monthly bill. Finally, the general and administration costs were allocated to Hope pro rata to all other cash operating expenses representing Hope's share of Petitioner's administrative overhead. These allocated cash operating expenses total \$105,295.

The pro forma annual debt service and debt service reserve requirements on the 2009 RD Loan were allocated 10%, in proportion to the actual project costs for the 2009 RD Loan which benefitted Hope per Eastern Bartholomew's consulting engineer. The pro forma annual debt

service and debt service reserve requirements on the proposed SRF loan were allocated to Hope based on its reserved capacity of 8%. Finally, the allocated E&R Plan expenditures which benefit Hope were also allocated based on Hope's 8% reserved capacity. The total allocated pro forma revenue requirements equal \$187,886. Mr. Baldessari testified the pro forma annual allocated revenue requirements were then divided by Hope's test year billed usage, yielding the proposed \$2.45 per 1,000 gallons volumetric flow rate. The proposed wholesale rate for Hope does not include a fixed charge as all of the costs will be recovered through the volumetric flow rate. Based on test year usage, the overall increase Petitioner proposes for Hope is 46.98% after factoring the elimination of the fixed charge. Mr. Baldessari testified that Hope's overall increase is approximately the same as Eastern Bartholomew proposes for its other customers because most of the increase is related to financing the new water treatment plant which Hope should share in proportionally.

Mr. Baldessari stated the rates proposed in the Accounting Report, including the proposed Hope wholesale rate, are fair, just, non-discriminatory, reasonable, and necessary to meet Eastern Bartholomew's projected revenue requirements.

E. Kent S. Elliott Direct Testimony. Mr. Elliott began providing engineering services for Petitioner in 1995. He has designed and inspected waterworks and wastewater improvement projects for cities, towns, and rural utilities throughout Indiana and stated the purpose of his testimony in this Cause is to describe Petitioner's existing system, needs, and the Project proposed.

Mr. Elliott testified that Petitioner owns and operates approximately 230 miles of water mains ranging in size from two inches to 24 inches, two well fields with six wells, five above-ground storage tanks, booster stations, and several high service pumps. Some of its existing facilities were originally built in the 1970s, including WTP 1 which Eastern Bartholomew proposes to replace as part of the Project. Petitioner's six wells include two 700 gallons per minute ("gpm") wells placed in service in 1977 (in poor condition); one 1,000 gpm well placed in service in 1992 (in fair condition), and three 1,500 gpm wells, one of which was placed in service in 1999 (in good condition) with the other two placed in service in 2012 (in excellent condition.) Petitioner's system also contains approximately 375 valves and 250 hydrants.

Petitioner has five elevated water storage tanks totaling 1.5 MG of storage. The Hartsville Tank installed in 1974 is 100,000 gallons and is in fair condition. The Anderson Tank installed in 1977 is 200,000 gallons and is in good condition. The Northrup King Tank installed in 1977 is 200,000 gallons and is in good condition. The Taylorsville Tank installed in 1995 is 500,000 gallons and is in good condition. The Niemoeller Tank installed in 2001 is 500,000 gallons and is in excellent condition. Petitioner also has two water treatment plants. WTP 1 is rated at 700 gpm, was placed in service in 1974, and was purchased used. WTP 1 has two 60 horsepower high service pumps that are the originals placed in service in 1974. WTP 1 is in very poor condition and previously failed entirely. The capacity at which WTP 1 can now operate effectively is 0.4 MGD or just 40% of its initial rating of 1.0 MGD. WTP 2 is rated at 1,000 gpm and was placed in service in 1994. WTP 2 has two 100 horsepower high service pumps which are the originals. WTP 2 is at the end of its design life and is in fair condition.

When WTP 1 is out of service, Petitioner must purchase water from Columbus to replace the lost capacity. The interconnection facilities with Columbus will only allow Petitioner, however, to purchase and transport about the same amount of water as produced by WTP 1. Petitioner, therefore, needs virtually all of the water it can purchase from Columbus and produce at WTP 2 to meet current requirements, with little or no reserve. If either WTP 2 or the connection to Columbus fails, Mr. Elliott testified Petitioner could be in a very critical situation. Due to the condition of Petitioner's existing water treatment facilities, Eastern Bartholomew asked Mr. Elliott to design, obtain all approvals for, and oversee construction of new water treatment facilities.

Mr. Elliott prepared the PER which describes in detail Petitioner's facilities and the Project. Petitioner's circumstances and the extent of, and need for, the Project are explained in this report as well as the various aspects of the Project. Mr. Elliott testified that projected growth within Petitioner's service area was evaluated, and the PER includes an evaluation of Petitioner's existing system, including water supply, treatment, distribution, and storage and its capacity to meet this growth. The PER identifies areas of Eastern Bartholomew's system that need to be replaced due to aging infrastructure and areas needing expansion due to projected demand.

With Eastern Bartholomew providing water service to the north, east, and south of Columbus and along Interstate 65, Petitioner has experienced steady growth. Given the age and precarious condition of WTP 1, to meet Petitioner's current demand and projected growth, Mr. Elliott recommends a new, larger treatment plant be constructed to provide safe, clean water to Petitioner's existing and future customers. Mr. Elliott testified that he investigated several alternatives to the proposed Project. These alternatives are described below.

1. **Abandon WTP 1 and rehab WTP 2.** The cost of rehabbing WTP 2 would be considerable. Its internal components need major repairs or replacement, and the exterior and interior carbon steel needs to be sandblasted to near white and recoated. Notwithstanding rehabilitation, WTP 2 will still be 22 years old. After evaluating the repair and rehabilitation costs, Mr. Elliott believes it makes sense to replace the package aerator plant in kind. As described in the PER, all chemical storage and feed systems are located in the deteriorated WTP 1 building. These chemical feed systems would need to be relocated, but the current footprint of the WTP 2 building does not allow housing these systems. WTP 2's building would need to be expanded to house the chemical feed rooms. And, the logistics of off-loading the chemicals to WTP 2 are not conducive to safe chemical handling and vehicular maneuvering. Significant costs would be incurred to modify WTP 2 to house the chemical feed systems. Importantly, abandoning WTP 1 will create a capacity issue which will not be resolved by rehabbing WTP 2; therefore, further cost investigation of this alternative was not conducted.

2. **Abandon WTP 1 and replace WTP 2 with a larger package plant.** The proposed new plant design capacity for the 20 year projection is 3.5 MGD, as described in the PER. Replacing the existing 1.44 MGD plant with a larger package plant was investigated. However, the largest package plant of this style is 2.0 MGD, which would not meet Petitioner's design capacity. Two large package plants would be required to meet design capacity. Major renovations to WTP 2 would be required. Additionally, the pump and discharge piping required for the new plant design will not fit into the existing WTP 2 building. Under this scenario, the chemical feed housing and spatial challenges described in the previous option still exist.

Incorporation of all necessary improvements to the WTP 2 building would require relocating the backwash pond. The backwash pond is unlined and utilizes infiltration as the "outlet" for the backwash water. Periodically, the filter backwash sediment is excavated and hauled away. If the backwash pond is relocated, IDEM regulations will require a NPDES permit, and the ponds will need to be lined and have an outlet to a ditch or stream. The treatment plant site, however, has no stormwater drainage system, ditches, or streams. The ground consists primarily of sand, and runoff water infiltrates the ground at a rapid rate. The pond cannot be relocated unless the entire treatment plant site is relocated to a site which has the necessary characteristics for a lined pond. Pumping raw water and constructing an undetermined amount of raw water main to the new remote site would be cost prohibitive. No further cost investigation was, therefore, conducted.

3. **Abandon WTP 1 and WTP 2 and build a new package treatment plant.** A new water treatment plant with two package plants was investigated. This plant style is 2.0 MGD capacity per package plant; therefore, two package plants would provide a total maximum capacity of 4.0 MGD. These plants are best used where little growth is anticipated or where future growth is anticipated to be less than the 4.0 MGD maximum capacity. Petitioner's 20 year plant design demand is 3.5 MGD, which is 87.5% of the 4.0 MGD maximum capacity. If actual demand exceeds the design demand due to a higher rate of growth, there would be limited excess capacity for future growth (2.5% to get to 90% of plant capacity as allowed by IDEM.) Also, it is likely the plant will outlast 20 years; therefore, this is not a good solution. If the plant needs to be expanded, Petitioner will be limited to 4.0 MGD with this new package treatment plant. If future demand exceeds this capacity, a completely new water treatment plant would need to be constructed. The cost of building an entirely new treatment plant will be much higher than setting up a modular-design treatment plant today, giving Petitioner flexibility to expand in the future with growth.

4. **Abandon WTP 1 and WTP 2 and build a new open top gravity filter treatment plant.** Open top gravity filters were investigated as an alternative; however, due to the filters' footprint and the complexity of piping and valves associated with this type of plant, the estimated costs far exceed that of the selected design. O&M costs would be greater due to the size of the building. Open top filters pose pipe corrosion challenges due to chlorine and other chemical feeds off-gassing into the interior of the building. Condensation onto the pipes and electronics from extreme water evaporation out of the top of the filters is another challenge with this plant style. This plant is not cost effective in the size Petitioner requires and is usually used for 10 MGD and greater plants. Future expansion, if necessary, would be very expensive; therefore, further cost investigation was not conducted.

5. **Abandon WTP 1 and WTP 2 and build a new horizontal filter treatment plant.** The 3.5 MGD 20-year design uses a combination of historic population and customer growth to determine the conservative 3.5 MGD demand. If customer growth exceeds the 20 year design, this design affords the greatest flexibility to expand at the lowest cost by adding filters at a minimal cost and with a minimal building footprint. It uses the same treatment processes as WTP 1 and WTP 2 of aeration, detention, and filtration, which are proven to successfully and efficiently remove iron and manganese to achieve safe drinking water standards. The well pumps only lift water to the aerator, and then gravity feeds throughout the plant at a low pressure, reducing the cost of the filters and plant components. It also minimizes costs by not having water pumped

through the treatment plant. The building footprint is minimal because 90% of the horizontal filters extend outside the building.

Mr. Elliott recommended, as set forth in the PER, abandoning WTP 1 and WTP 2 and constructing a new water treatment plant with an elevated aerator, detention tanks, and horizontal filter, i.e., the last alternative reviewed above. He testified this is Petitioner's best solution. Eastern Bartholomew selected this alternative.

Mr. Elliott described the proposed water treatment building and the proposed storage building. The new storage building is to be located on the new water treatment plant site which is good from a logistical, security, and safety standpoint. It will also be larger and adequate in size to store Eastern Bartholomew's equipment and materials inventory. This interior storage of material and equipment should enhance the efficiency of Petitioner's maintenance functions.

Mr. Elliott explained how the Project will enable Petitioner to meet the needs of existing and future customers. The Project, as described in the PER, consists of a new water treatment plant, a new ground level water storage tank (clear well), a new water treatment building, and a new storage building. The new water treatment plant will replace the existing aged treatment plants and provide water more efficiently. The chemical feed systems will be flow paced, which will reduce chemical consumption costs by fine tuning the dosage to meet varying system demands. The new water treatment plant is designed to a capacity that will also meet Petitioner's 20-year projected growth in water demand. The new clear well will give Petitioner 750,000 gallons of finished water storage at the water treatment plant site, which Petitioner does not have today. This will allow for better operation during fire flow emergencies and also maximizes plant operations by giving the distribution system a reservoir to pump from. In a sense, it will act as a storage buffer that will enhance the flexibility of operations, allow the plant to pump water when the plant is down for service or an emergency, and provide additional finished water storage.

Mr. Elliott testified that the Project is reasonable and necessary for Petitioner to continue to provide its customers with reliable service. He believes the Project is critical for Petitioner to continue to provide reliable service throughout its service territory. Petitioner's existing facilities are at or near the end of their useful life, so if Eastern Bartholomew does not construct the proposed water treatment facilities, Petitioner will not have sufficient water to meet customers' needs.

Mr. Elliott explained the PER sets forth the cost estimates for each component of the Project. Based on his experience with similar projects, Mr. Elliott believes the estimates in the PER are reasonable projections of the actual costs which will be incurred. Because the costs are, however, estimates, there could be some variation in costs for the Project components. The components of the Project will be bid, and the actual costs will be trued-up.

6. Settlement Agreement and Settlement Testimony. On July 18, 2017, the Settling Parties filed their Settlement Agreement and the settlement testimony of their respective witnesses, Mr. Smith, Petitioner's Superintendent, and Ms. Stull, Senior Utility Analyst in the OUCC's Water/Wastewater Division. The Settlement Agreement was subsequently admitted into the record at the public hearing as Joint Exhibit 1. A copy of the Settlement Agreement is attached to this Order and incorporated by reference. Generally, the settlement testimony explains the terms of the

settlement, the primary differences between what the Settling Parties agreed upon and Petitioner originally requested, and affirms the reasonableness of the Settlement Agreement. Ms. Stull testified the Settlement Agreement is in the public interest and should be approved.

A. Petitioner's Settlement Testimony. Mr. Smith explained that after Petitioner's case-in-chief was filed, the OUCC thoroughly reviewed Petitioner's finances and operations. The OUCC's technical staff made visits to Petitioner's office and submitted several hundred data requests along with informal information requests. The preliminary results of the OUCC's audit, inspections, and investigations were reviewed with Petitioner, and after extensive discussions, the OUCC proposed adjustments and cost saving alternatives which Eastern Bartholomew concluded are workable. This effort ultimately resulted in the Settlement Agreement.

Mr. Smith explained there were two notable changes to the Project from Petitioner's original proposal. The Settling Parties agreed upon a smaller new maintenance building and reduced the size of the clear well tank associated with the new water treatment plant. Petitioner presently uses a pole barn for its maintenance building. The existing building has been only marginally serviceable and has become increasingly unsuitable. Because the facility is unheated, machinery stored in this facility in the winter which requires water to use freezes if not drained after each use. This creates operational issues and requires added personnel time after each use. This task is especially difficult during winter nights when Petitioner's personnel are called out for emergencies. Moreover, Petitioner's backhoe does not fit in the current storage facility, and cold weather creates reliability problems in its operation. The Settling Parties agree this equipment should be stored in a heated facility, which is the type of building Petitioner proposed, to mitigate these operational issues and improve efficiencies.

The maintenance building Eastern Bartholomew originally proposed included five equipment bays, staff meeting rooms, and general storage areas. Its cost, as set forth in the PER, was approximately \$520,000. Petitioner was subsequently advised that this building will now cost nearly \$570,000. The OUCC raised concerns that the proposed building was unnecessarily large and too expensive. Petitioner reduced the storage area to what is needed for the most critical weather-sensitive equipment, simplified the design, and looked to local comparable buildings to get lower "local pricing." Petitioner now believes a new maintenance building can be constructed for \$300,000. Petitioner and the OUCC agreed to cap the cost of the new maintenance building at \$300,000. If unforeseen circumstances arise which make this impossible, Petitioner agreed to not construct a new maintenance building or borrow the funds earmarked for this construction.

Mr. Smith explained the Settling Parties' agreement upon the clear well storage tank. The Petitioner and the OUCC concur on the immediate need for, and the reasonableness of the cost of, the water treatment plant detailed in the PER. Petitioner originally proposed a 750,000 gallon clear well storage tank at this new plant. The OUCC, however, questioned Petitioner's need for a tank this large, suggesting there is sufficient storage elsewhere on Petitioner's system and that Petitioner's customer growth projections are high. The PER estimated the cost of the 750,000 gallon tank at \$803,000. Petitioner's engineer, Mr. Elliott, subsequently updated this price to \$912,700. The price of a comparable 500,000 gallon tank is \$747,000. The Settling Parties agreed Petitioner should go forward with the 500,000 gallon clear well tank at a cost of \$747,000. Mr. Smith testified that Mr. Elliott advised Petitioner the 500,000 gallon clear well tank is an adequate

size to meet Eastern Bartholomew's demands, at a minimum, for the 20-year design life of the new water treatment plant.

Mr. Smith testified the Settling Parties also agreed upon revisions to Petitioner's proposed E&R plan which will reduce costs. The Hartsville Looping Project is an eight inch main which will loop Petitioner's mains serving the Hartsville area. The Hartsville area has had consistent pressure problems and frequent main breaks because of difficult soil conditions. Petitioner believes the Hartsville Looping Project is necessary to resolve the pressure problems and mitigate outages during main repairs. The remaining section of the Hartsville looping main is approximately five miles long, with an estimated cost of \$750,000. According to Mr. Smith, the OUCC questioned whether Petitioner could complete a project of this size within the five years proposed in Petitioner's E&R plan. Petitioner agreed this was optimistic, so the five-year E&R plan was revised to include half of the Hartsville Looping Project cost.

The Schaefer Lake Main Project was also included in Petitioner's original E&R plan. Mr. Smith explained that Petitioner had for some time planned to install a main to serve the area around a large development called Schaefer Lake. Eastern Bartholomew originally anticipated this project being completed in spring 2017 and did not include it in Petitioner's prospective E&R plan, but the project is only about 90% complete because Petitioner has insufficient funds for its completion. The Settling Parties agreed to include \$75,000 to complete the Schaefer Lake Main Project in Petitioner's five-year E&R plan.

Mr. Smith reviewed additional modifications the Settling Parties agreed upon, including revising the amount in Petitioner's E&R plan earmarked for general infrastructure replacement to approximate Petitioner's historic average and decreasing the amount for well cleaning and well pump maintenance. Other agreed adjustments include amounts for high service pump, motor, and automatic pump control valve maintenance; filter media replacement; and detention tank and aerator maintenance.

B. OUCC's Settlement Testimony. Ms. Stull testified in support of the Settlement Agreement. She explained the key terms of the Settlement Agreement include an overall net revenue requirement of \$1,980,948, representing a 24.54% across-the-board rate increase for Eastern Bartholomew's retail customers and a \$390,445 increase to operating revenues. The increase is to be implemented in two phases. The Settling Parties also agreed the Amendment between Eastern Bartholomew and Hope should be approved as well as an overall rate to Hope of \$2.34 per 1,000 gallons. Additional terms of the settlement include authorization for Petitioner to borrow \$7,412,000 from SRF at 3.21% to construct a new water treatment plant, a requirement that periodic maintenance funds be held in a restricted account and used only for maintenance expenses or debt service, an increase to Eastern Bartholomew's connection fee to be filed within six months of the final Order in this Cause using the Commission's 30-day filing process, and various operational terms, including compliance with the Commission's main extension rules, completion of an Asset Management Plan, and performance of certain water audits.

Ms. Stull testified the Settling Parties agreed to a Phase I rate increase of 12.41% and an additional Phase II increase of 10.79% over Phase I rates. The Phase I rate increase will become

effective upon the issuance of a final Order in this Cause and remain in effect until approximately one year prior to the date full principal and interest payments are due on the SRF debt financing. Ms. Stull stated the expected implementation of Phase II rates is early 2019, but this will depend upon when the SRF debt is actually finalized and construction on the new plant begins. She explained the factors considered in determining the cut-off date for implementing Phase II rates included the timing of debt service payments, elimination of purchased water expense, and funding the debt service reserve accounts. Ms. Stull stated the phase-in of rates, as proposed, will better reflect Petitioner's changing revenue requirements during and after construction of its new water treatment plant.

Ms. Stull testified the Settling Parties agreed to an operating expense revenue requirement of \$1,081,635 in Phase I and \$1,043,848 in Phase II. The Settling Parties also agreed to Petitioner's proposed adjustments for capitalized payroll, accounting contractual services, and legal services. Ms. Stull discussed and explained the remaining agreed adjustments to salaries and wages, employee benefits, purchased water, periodic maintenance, transportation, customer growth, capital and non-recurring expenses, sales taxes, and payroll taxes.

In reviewing the sales tax adjustment, Ms. Stull testified the Settling Parties agreed to a \$9,239 decrease to test year operating expenses to remove sales taxes. She explained that Eastern Bartholomew is a not-for-profit entity with a blanket sales tax exemption, and sales taxes paid on test year tax exempt purchases were removed from the revenue requirement. Ms. Stull testified that the Settling Parties agreed Eastern Bartholomew should file for a sales tax refund from the Indiana Department of Revenue for the period allowed, concentrating on sales taxes paid on vehicles, equipment, purchased power, and purchased water with any refunds Petitioner receives credited to customers.

Ms. Stull testified the Settling Parties agreed to an E&R revenue requirement of \$355,250 in both phases, including funds for annual utility equipment replacement (\$237,750), completion of the Schaefer Lake project (\$15,000), and annual infrastructure replacements (\$102,500). Ms. Stull explained the Settling Parties agreed to exclude capitalized labor because this cost should be included in calculating Petitioner's connection fees and recovered from new customers as they connect to the water system. Recovering the cost from new customers will prevent existing customers from subsidizing customer growth. She also explained the Settling Parties agreed to exclude the costs originally proposed for the Hartsville Looping project opting instead to include funds for general infrastructure replacements.

Ms. Stull testified the Settling Parties agreed to a working capital revenue requirement of \$27,228 in Phase I and \$27,238 in Phase II. The Settling Parties agreed that current cash on hand as of April 30, 2017 should be used to determine Eastern Bartholomew's working capital revenue requirement, and no additional monies will be provided for working capital other than the amount determined by the FERC 45-day method.

Ms. Stull testified the Settling Parties agreed to a debt service revenue requirement of \$446,245 in Phase I and \$713,257 in Phase II, which includes both current and proposed debt service. She explained the proposed debt service was based on Petitioner borrowing \$7,412,000 at an interest rate of 3.21% amortized over twenty years. The agreed borrowing amount includes a reduction of \$217,000 to reflect estimated costs to build a smaller maintenance building and a

reduction of \$56,000 to reflect estimated costs to build a smaller clear well. Ms. Stull further explained the interest rate used is higher than originally proposed because Petitioner's rates will be less than \$25.00 per month (4,000 gallons of usage) and, therefore, Eastern Bartholomew is not eligible for a lower subsidized rate as originally assumed. The Settlement Agreement includes true-up provisions for debt service and debt service reserve, but this true-up need not occur if Petitioner and the OUCC both state in writing that the true-up will result in an immaterial change. Ms. Stull explained that if Eastern Bartholomew does not issue the proposed debt within two months after it files a revised tariff with the Commission in this Cause, Petitioner is to deposit the funds collected in rates for this debt into the debt service reserve account.

Ms. Stull testified the Settling Parties agreed to a debt service reserve revenue requirement of \$121,990 in Phase I and \$101,158 in Phase II. She explained that Phase I includes debt service reserve for both current and proposed debt issuances, while Phase II only includes the debt service reserve requirement for the proposed debt issuance. Ms. Stull explained this is because the debt service reserve on Eastern Bartholomew's existing debt will be fully funded by Phase II. She also explained that Petitioner's proposed debt amortization schedule assumes a full draw down of its SRF debt on the date of issuance. Thus, Petitioner's analysis assumes Eastern Bartholomew will incur interest expense on the entire amount of its proposed debt once the debt is issued. SRF debt is, however, typically a draw down, and interest is only incurred on the amount of debt actually outstanding. The Settling Parties agreed that any difference between the amount of Phase I interest expense included in rates (\$237,925) and the amount of interest actually incurred will be deposited into Petitioner's debt service reserve account. When Eastern Bartholomew implements its Phase II rate increase, Petitioner's annual debt service reserve will be recalculated (reduced) to recognize funds added to its debt service reserve account. Finally, Ms. Stull explained that if Eastern Bartholomew spends any funds from its debt service reserve account for any reason other than to make the final payment on its 2017 SRF debt issuance, Petitioner shall provide a report to the Commission and the OUCC within five business days.

Ms. Stull testified the Settling Parties agreed to revenue requirement offsets of \$244,121 in Phase I, consisting of \$163,561 for Hope's allocated portion of total revenue requirement costs and \$80,560 of other miscellaneous revenues. For Phase II, the Settling Parties agreed to revenue requirement offsets of \$259,803, consisting of \$179,243 for Hope's allocated portion of total revenue requirement costs and \$80,560 of other miscellaneous revenues. Ms. Stull stated the offsets include updated cell tower rental revenues, and the Settling Parties agreed to Petitioner's allocation methodology for Hope's share of revenue requirement costs but allocated 9.6% of the new water treatment plant to Hope instead of 8% as Petitioner originally proposed.

Ms. Stull testified the Settling Parties agreed to pro forma water operating revenues at present rates of \$1,590,960, which includes Eastern Bartholomew's adjustments for customer growth and billing corrections and excludes fire protection revenues and sales for resale revenues from Hope. Ms. Stull also testified regarding tariff changes the Settling Parties agreed to. These include eliminating the current fire protection fee as Petitioner no longer provides fire protection service. The Settling Parties also agreed that Eastern Bartholomew will be required to file for an increase to its connection fee through the Commission's 30-day filing process within 180 days after the issuance of a final Order in this Cause because the current connection fee of \$300 does not recover all the costs incurred when connecting a new customer to Petitioner's water system.

The Settling Parties also agreed on several operating issues. Ms. Stull testified they agreed upon the following: (1) to a design capacity for the new pressure filters of 3.0 MGD; (2) to permanently retire and demolish WTP 1; (3) to evaluate and attempt to negotiate lower water rates from Columbus if it is necessary to purchase water in the future; (4) to construct a smaller 500,000 gallon clear well at the new water treatment plant; (5) that Petitioner will investigate digitizing its water main drawings on a faster schedule so it has a functioning water system map; (6) that Eastern Bartholomew will conduct annual top down water audits using the free AWWA software and a bottom up water audit after three years if Petitioner's lost water percentage is above 15% and the OUCC requests such an audit, and (7) Eastern Bartholomew will complete its Asset Management Plan within one year after substantial completion of the Project. In addition, the Settling Parties agreed that once the new water treatment plant is successfully operating, Petitioner will take WTP 2 off-line, remove all media, clean the filter cells, and have the steel structure professionally inspected inside and out to determine the condition of the interior steel components and steel tank shell. The Settling Parties also agreed that Eastern Bartholomew will adhere to the Commission's main extension rules as set forth in 170 IAC 6-1.5, et seq. and that the Commission should require Petitioner to track its water main extensions and looping projects and provide this information in its next rate case.

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

Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission 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.

A. **Petitioner's Rate Increase.** Based on the record in this Cause, the Commission finds the Settlement Agreement is reasonable, is in the public interest, and should be approved. It is evident the Settling Parties expended significant time to resolve their differences and reach a resolution which serves the public interest. Accordingly, Eastern Bartholomew is authorized to increase its rates and charges (other than to Hope) across-the-board to produce annual revenues of \$1,788,458 for Phase I and \$1,981,405 for Phase II, which is an increase of \$197,498 for Phase I and \$192,947 for Phase II, over annual adjusted present rate revenues of \$1,590,960. This represents an overall 24.54% across-the-board increase for Petitioner's retail customers (12.41% in Phase I and 10.79% in Phase II) and a \$390,445 increase to operating revenues.

Implementing this increase in two phases reflects Petitioner's changing revenue requirements during and after construction of its new water treatment plant.

In accordance with the Settlement Agreement, the Commission finds that Petitioner's annual revenue requirements are as follows:

	<u>Phase I</u>	<u>Phase II</u>
Operating Expenses	\$1,081,866	\$1,044,305
Working Capital	27,228	27,238
Debt Service	446,245	713,257
Debt Service Reserve	121,990	101,158
Extensions and Replacements	<u>355,250</u>	<u>355,250</u>
Total Revenue Requirements	2,032,579	2,241,208
Less: Interest Income	447	447
Town of Hope (Resale)	163,561	179,243
Rental Income	33,340	33,340
Reconnection Fees	6,661	6,661
Miscellaneous	31,300	31,300
Usage Fee Revenue	6,093	6,093
Elizabethtown Billing Fees	1,655	1,655
Construction Revenue, Net	<u>1,064</u>	<u>1,064</u>
Net Revenue Requirements	<u>\$1,788,458</u>	<u>\$1,981,405</u>

Based on the rate increase approved above, the effect in Phase I on residential customers using 5,000 gallons per month (taking service from 5/8" meters) will be an increase of \$2.84 to \$25.67 over the current monthly bill of \$22.83. The increase in Phase II will be \$2.78 over the Phase I bill to a monthly bill of \$28.45.

B. Petitioner's Borrowing Authority. Based on the Settlement Agreement and Mr. Baldessari's testimony, the Commission finds Petitioner's proposed borrowing satisfies Ind. Code. § 8-1-4-1. In the Settlement Agreement, the Settling Parties agreed the net original cost of Petitioner's net utility plant in service as of July 31, 2016, is \$12,094,357, and the fair value of Petitioner's utility property is not less than \$12,094,357.

Based on the record, the Commission also finds the proposed capital improvement projects for which Petitioner seeks financing authority, as set forth in the Settlement Agreement, are reasonably necessary for Petitioner's provision of adequate and efficient utility service, and Eastern Bartholomew's proposed SRF loan is a reasonable method of financing the Project; therefore, Petitioner is authorized to engage in long-term borrowing not to exceed \$7,412,000 in principal amount, at an interest rate not to exceed five percent, for purposes of funding the Project and paying costs related to the Project and the borrowing, consistent with the Settlement Agreement. The Commission finds Petitioner should also be authorized to issue evidence of indebtedness, execute documents related to the approved borrowing, and to encumber its franchise,

works, and system in connection with the borrowing authorized and execute documents related to that encumbrance. The Commission further finds that Petitioner should be issued a certificate of authority to issue the long-term debt authorized, which certificate is solely evidenced by this Order.

The Commission finds that if Eastern Bartholomew does not issue the approved debt within 60 days after the date this Order is approved and Petitioner's revised tariff implementing new rates and charges is approved, Petitioner is to reserve the funds being collected in rates for debt and use those to fund the debt service reserve account. Consistent with Paragraph No. 4 of the Settlement Agreement, if Petitioner spends any funds from its debt service reserves for any reason other than to make the last payment on the approved debt issuance, Petitioner shall file a written report under this Cause with the Commission detailing this spending within five business days of spending these funds, with a copy of this report served upon the OUCC. In addition, Petitioner is directed to deposit any difference between the amount of the Phase I interest expense included in rates (\$237,925) and the amount of interest actually incurred into Petitioner's debt service reserve account. Further, when Eastern Bartholomew implements the approved Phase II rate increase, Petitioner's annual debt service reserve requirement shall be recalculated consistent with Paragraph No. 4 of the Settlement Agreement.

C. Borrowing Report and True-Up. The evidence demonstrates the amount of Petitioner's debt issuance, interest rate, issuance costs, annual debt service, and required debt service presented in this Cause are estimates. Consistent with the Settlement Agreement, the Commission finds a true-up report shall, therefore, be filed by Eastern Bartholomew with the Commission under this Cause with a copy served on the OUCC within 30 days of closing on Petitioner's approved long-term debt consistent with Paragraph No. 5 of the Settlement Agreement. The true-up report shall include the actual principal amount of Petitioner's debt issuance, the interest rate, an amortization schedule with the actual interest rates, the amount of the debt service reserve, and all issuance costs. An amended tariff shall also be filed for approval by the Commission's Water/Wastewater Division consistent with the Settlement Agreement.

Within 20 days after Petitioner files the true-up report concerning its borrowing, the OUCC may file an objection, in which event either Petitioner or the OUCC may request a hearing and that the record in this Cause be re-opened for purposes of determining appropriate modifications to Petitioner's rates and charges based upon the actual results of Petitioner's debt issuance.

D. Approval of Amendment to the Contract with Hope for Wholesale Water Service and Hope's Rates. Based on the record, including the agreements stated in the Settlement Agreement, the Commission finds the November 19, 2015, Amendment between Petitioner and Hope is fair and reasonable, and the Amendment is approved.

Ms. Stull explained that the Settling Parties agreed, based on the Amendment, to an overall rate to Hope of \$2.34 per 1,000 gallons, and the calculations supporting this volume charge were attached to her settlement testimony as Schedule 12. Petitioner's proposed Phase I rate for Hope is calculated at \$2.13 per 1,000 gallons based on a total revenue requirement of \$163,561. Its Phase II rate is \$2.34 per 1,000 gallons based on a total revenue requirement of \$179,243. Consistent with Ms. Stull's testimony and calculations, the Commission finds an overall rate to Hope of \$2.13

per 1,000 gallons for Phase I is approved and \$2.34 per 1,000 gallons for Phase II is reasonable and is approved subject to the true-up described above.

E. Miscellaneous Agreements. The Commission finds the Settling Parties' agreement that Eastern Bartholomew be required to file for an increase to its connection fee through the Commission's 30-day filing process within 180 days after issuance of a final Order in this Cause is appropriate and is, therefore, approved because the current connection fee does not enable Petitioner to recover its costs when connecting new customers. Eastern Bartholomew is also directed to adhere to the Commission's main extension rules as set forth in 170 IAC 6-1.5, et seq. and required to track its water main extensions and looping projects, consistent with the Settling Parties' agreement, and report this information in its next rate case.

F. Use of Settlement Agreement. Pursuant to the terms of the Settlement Agreement, it should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, the Commission finds that our approval in this Cause should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (IURC March 19, 1997.)

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

1. The Settlement Agreement which is attached to and incorporated into this Order by reference is approved.

2. Petitioner is authorized to increase its rates and charges (other than to Hope) to produce annual operating revenues of \$1,788,458 for Phase I and \$1,981,405 for Phase II, which is an increase of \$197,498 for Phase I and \$192,947 for Phase II.

3. The Amendment to the September 22, 1980, Agreement for Connection of Utilities and Water Purchase Contract dated November 19, 2015, between Eastern Bartholomew and Hope is approved, and Petitioner is authorized to increase its overall rates and charges to Hope to \$2.13 per 1,000 gallons for Phase I and \$2.34 per 1,000 gallons for Phase II consistent with Finding No. 7.A. above.

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

5. Eastern Bartholomew is authorized to incur long-term indebtedness not to exceed \$7,412,000 in principal amount, at an interest rate not to exceed five percent, for purposes of funding Petitioner's Capital Improvement Project (as set forth in Paragraph A of the Settlement Agreement) and related costs and is authorized to encumber its utility franchise, works, and system in conjunction with the authorized borrowing and to execute related documents.

6. Petitioner is granted a Certificate of Authority to issue additional long-term debt not to exceed \$7,412,000 as approved herein. This Order shall be the sole evidence of Petitioner's certificate.

7. Within 180 days of the issuance of this Order, Eastern Bartholomew shall file for an increase to its connection fee through the Commission's 30-day filing process to recover its costs when connecting new customers.

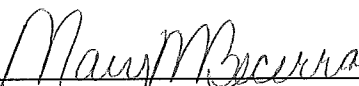
8. Eastern Bartholomew shall adhere to the Commission's main extension rules set forth in 170 IAC 6-1.5-1, et seq., shall track its water main extensions and looping projects, and shall report this information in its next rate case.

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

ATTERHOLT, FREEMAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: NOV 21 2017

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



Mary M. Becerra
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE AMENDED PETITION)
 OF EASTERN BARTHOLOMEW WATER)
 CORPORATION, OF TAYLORSVILLE, INDIANA,)
 (1) FOR THE AUTHORITY TO ISSUE LONG TERM)
 BONDS, NOTES OR OTHER EVIDENCE OF)
 INDEBTEDNESS, (2) FOR AUTHORITY TO)
 ENCUMBER ITS FRANCHISE, WORKS AND)
 SYSTEM IN CONNECTION WITH SUCH)
 BORROWING, (3) FOR A CERTIFICATE OF)
 AUTHORITY TO ISSUE LONG TERM DEBT,)
 (4) FOR AUTHORITY TO INCREASE ITS RATES)
 AND CHARGES FOR WATER SERVICE, (5) FOR)
 APPROVAL OF A NEW SCHEDULE OF RATES)
 AND CHARGES FOR WATER SERVICE AND, (6))
 FOR APPROVAL OF AN AMENDMENT TO ITS)
 WATER SUPPLY CONTRACT WITH THE TOWN)
 OF HOPE, INDIANA)

CAUSE NO. 44903

STIPULATION AND SETTLEMENT AGREEMENT

Eastern Bartholomew Water Corporation (“Petitioner”) and the Indiana Office of Utility Consumer Counselor (“OUCC”), being all of the parties to this Cause (collectively called the “Parties”), Stipulate and Agree for the purposes of resolving the issues in this Cause to the terms and conditions set forth below (which terms and conditions are collectively referred to herein as the “Settlement”).

A. Petitioner’s Borrowing Authority.

1. Petitioner’s Capital Improvement Project. Petitioner proposes to install and implement a Capital Improvement Project (“CIP”), which is described as follows:

CIP Description and Probable Cost Summary

New Water Treatment Plant	\$ 4,982,500
Water Storage Tank	\$ 747,000
Maintenance Building	\$ 300,000
Total Probable Construction Cost	\$6,029,500
Construction Contingency (10.0% on New WTP)	\$498,250

Non-Construction Costs (Engineering, Legal, Bond Council, IURC, etc.)	<u>\$884,250</u>
Probable Total Project Cost	\$ 7,412,000

CIP Non-Construction Cost Summary

Engineering (Survey, Bidding & Design)	\$ 465,435
Resident Project Representative – Construction Observation	\$ 180,000
Loan Counsel for SRF Loan	\$ 25,000
SRF Counsel	\$ 10,000
IURC Counsel	\$ 73,909
Financial Consultant	\$ 104,500
General Project Contingencies and Rounding	<u>\$ 25,406</u>
Total Non-Construction Costs	\$ 884,250

The Parties stipulate and agree the CIP is necessary for Petitioner to provide reasonably adequate service. The Parties stipulate and agree that the projected costs of the CIP are reasonable. The Parties also stipulate and agree that the Petitioner does not have the funds on hand to pay for the CIP and the proposed borrowing is a reasonable method to fund the CIP.

2. Petitioner’s Plant Value. The Parties stipulate and agree that the net original cost of Petitioner’s utility plant, as of July 31, 2016, is \$12,094,357, and is calculated as follows:

Utility Plant in Service	\$ 18,500,566
Less: Accumulated Depreciation	<u>(6,406,209)</u>
Net Utility Plant in Service	\$ 12,094,357

For purposes of IC § 8-1-4-1, the Parties further stipulate and agree that the fair value of Petitioner’s utility property is not less than \$12,094,357. The Parties stipulate and agree that Petitioner’s proposed borrowing satisfies the requirements of IC § 8-1-4-1.

3. Borrowing Authorization. The Parties stipulate and agree that Petitioner shall be authorized to engage in long term borrowing, not to exceed \$7,412,000 in principal amount, at an interest rate not to exceed five (5) percent, and to execute documents related thereto, for the

purpose of funding: the Construction, Construction Contingency, and Non-Construction, and related, costs of Petitioner's CIP, totaling \$7,412,000, as set forth above. The Parties further stipulate and agree that Petitioner shall be authorized to encumber its utility franchise, works and system in conjunction with the authorized borrowing, and to execute documents related thereto. Finally, the Parties stipulate and agree that Petitioner shall be issued a certificate of authority to issue the long term debt as described herein. The Commission order in this Cause will be the sole evidence of Petitioner's certificate of borrowing authority.

4. Debt Service Agreements. The Parties stipulate and agree that if Petitioner does not issue its proposed debt within sixty (60) days after Commission approval of its revised tariff implementing the rates approved herein, Petitioner should reserve the funds collected in rates for its 2017 debt and use those funds to fund the debt service reserve account. The Parties stipulate and agree that if Petitioner spends any of the funds from its debt service reserves for any reason other than to make the last payment on its proposed 2017 debt issuance, Petitioner shall file a report detailing the spending with the Commission, and serve a copy on the OUCC, within five (5) business days of the spending. The Parties stipulate and agree that any difference between the amount of the Phase I interest expense included in rates (\$237,925) and the amount of interest actually incurred will be deposited into Petitioner's debt service reserve account. The Parties stipulate and agree that when Petitioner implements its Phase II rate increase, Petitioner's annual debt service reserve requirement will be recalculated to recognize any funds which may have been added to its debt service reserve account.

5. Report of Borrowing and True-Up Procedure. The Parties acknowledge that the actual amount of Petitioner's debt issuance, interest rate, issuance costs, annual debt service and the required debt service reserve will not be known until Petitioner accomplishes its financing.

Because the amounts of these several variables pertinent to Petitioner's proposed financing set forth in Petitioner's evidence are necessarily estimates, a reconciliation, or true-up, may be required after the financing is accomplished and the relevant amounts are known with certainty. In recognition of this uncertainty, the Parties stipulate and agree to the following procedure to be operative after the completion of Petitioner's long-term debt issuance:

Petitioner shall file a Report of its borrowing with the Commission, serving a copy on the OUCC, within thirty (30) days after the completion of Petitioner's long-term debt issuance. This Report shall include the actual principal amount of Petitioner's debt issuance, the interest rate, an amortization schedule of the debt, the amount of the debt service reserve, and all issuance costs. The Report shall also set forth Petitioner's actual annual debt service revenue requirement and the actual amount of the required debt service reserve revenue requirement based on the results of the debt issuance. In the event there is any difference between the estimated debt service and debt service reserve revenue requirements (as set forth in Para. B,2 herein), and the actual debt service and debt service reserve revenue requirements, either an increase or decrease, Petitioner shall file along with its Report an amended tariff implementing that difference in rates. The amended tariff will apply at the start of the first billing cycle following its approval by the Commission's Water/Wastewater Division. The Parties stipulate and agree that the Commission should expressly authorize and direct its Staff to approve a tariff for Petitioner which implements the increase or decrease in rates contemplated above.

Within twenty (20) days of the filing of Petitioner's Report of Borrowing, the OUCC may file an objection to the Report of Borrowing, setting forth the basis of the objection. In the event of an objection, either party may request a hearing and seek to re-open the record in this Cause. The hearing should be limited to the issue of the appropriate modification to Petitioner's

rates and charges based upon the actual results of Petitioner's debt issuance set forth in Petitioner's Report of Borrowing.

If, however, the OUCC and Petitioner both agree that the modification of rates need not take place due to the lack of materiality of the difference or otherwise, the true-up need not take place if both parties state their waiver of the requirement through a writing filed with the Commission in this Cause.

B. Petitioner's Rate Increase.

1. Petitioner's Test Year Operating Revenue. The Parties stipulate and agree that Petitioner's adjusted test year operating revenue at present rates is \$1,590,960.

2. Petitioner's Revenue Requirement. The Parties stipulate and agree that Petitioner's adjusted pro forma revenue requirements for Phase I are \$1,788,458 and for Phase II are \$1,981,405, and are calculated as follows:

	<u>Phase I</u>	<u>Phase II</u>	<u>Overall</u>
Operating Expenses	\$1,081,866	\$1,044,305	\$1,044,305
Working Capital	27,228	27,238	27,238
Debt Service	446,245	713,257	713,257
Debt Service Reserve	121,990	101,158	101,158
Extensions and Replacements	<u>355,250</u>	<u>355,250</u>	<u>355,250</u>
Total Revenue Requirements	2,032,579	2,241,208	2,241,208
Less: Interest Income	(447)	(447)	(447)
Less: Town of Hope (Resale)	(163,561)	(179,243)	(179,243)
Less: Rental Income	(33,340)	(33,340)	(33,340)
Less: Reconnection Fees	(6,661)	(6,661)	(6,661)
Less: Miscellaneous	(31,300)	(31,300)	(31,300)
Less: Usage Fee Revenue	(6,093)	(6,093)	(6,093)
Less: Elizabethtown Billing Fees	(1,655)	(1,655)	(1,655)
Less: Construction Revenue, Net	<u>(1,064)</u>	<u>(1,064)</u>	<u>(1,064)</u>
Net Revenue Requirements	<u>\$1,788,458</u>	<u>\$1,981,405</u>	<u>\$1,981,405</u>

3. Petitioner's Authorized Rates. The Parties stipulate and agree that Petitioner's current rates and charges which provide annual adjusted revenues of \$1,590,960 are insufficient to satisfy Petitioner's annual pro forma adjusted revenue requirement of \$1,981,405 and Petitioner's current rates are, therefore, unjust and unreasonable. The Parties further stipulate and agree that Petitioner shall be authorized to increase its rates and charges for water service, across-the-board, so as to produce annual revenues of \$1,788,458 for Phase I and \$1,981,405 for Phase II, which is an increase of \$197,498 for Phase I and \$192,947 for Phase II, over annual adjusted present rate revenues of \$1,590,960.

C. Amendment to Contract Between Petitioner and the Town of Hope for Wholesale

Water Service. The Parties stipulate and agree that the November 19, 2015, Amendment to Agreement for Connection of Utilities and Water Purchase Contract between Petitioner and the Town of Hope, Indiana, is fair, reasonable and should be approved by the Commission.

D. Other Agreements of the Parties. The Parties stipulate and agree as follows:

1. The OUCC recommended setting the design capacity of the new pressure filters at the proposed water treatment plant at 3.0 MGD+ based on two or three new filters in service at a 3.0 gpm/ft² filtration rate. Petitioner agrees to establish this design capacity. However, Petitioner reserves the right to reset the design capacity if it becomes necessary at some future time, subject to applicable IDEM regulations.

2. The OUCC recommended that Petitioner set up a restricted account for funds limited to the payment of Periodic Maintenance Expenses, which consist of: Tank Repair and Painting; Well and Well Pump Maintenance; High Service Pump Maintenance; and, Filter Media Replacement. Petitioner agrees with this recommendation. Petitioner shall create and maintain a

dedicated restricted account for funds collected for Periodic Maintenance Expenses. Petitioner shall annually deposit no less than \$75,536 into the Periodic Maintenance Expenses Account. The funds in this account shall be restricted to use for the purposes intended, except, however, funds in this restricted account may be used to pay debt service when due if other funds are not available for the payment of debt service. Petitioner shall report annually, at the time of the filing of its IURC Annual Report, on the activities of this account to the IURC and the OUCC. However, if at any time Petitioner is required to invade either of these restricted accounts for the payment of debt service, Petitioner shall report such event to the IURC and the OUCC within fourteen (14) days of the event.

3. The OUCC recommended that once a proposed water treatment plant is successfully operating, that Petitioner take existing water treatment plant number 2 offline, remove all media, clean the filter cells, and have the steel structure professionally inspected inside and out to determine the condition of the interior steel components and steel tank shell. Petitioner agrees with this recommendation, however, the timing of compliance will be subject to Petitioner having available funds to conduct the required work and inspections.

4. The OUCC recommended that Petitioner evaluate increased water purchases from the City of Columbus, Indiana, in future rate cases and attempt to negotiate lower wholesale purchased water rates. Petitioner agrees with this recommendation.

5. The OUCC recommended that Petitioner increase its tap fee to recover its actual cost so new customers pay their connection costs without subsidy from Petitioner's existing customers. Petitioner agrees with this recommendation and agrees to submit a revised connection fee through a Thirty Day Filing within one hundred eighty (180) days of the Commission's final order in this Cause.

6. The OUCC recommended that Petitioner be required to follow the Commission's Main Extension Rules. Petitioner agrees with this recommendation.

7. The OUCC recommended that Petitioner be required to track its main extension and looping projects and provide that information in its next general rate case. Petitioner agrees with this recommendation.

8. The OUCC recommended that Petitioner investigate digitizing its water main drawings on a faster schedule so that it can have a functioning water system map. Petitioner agrees with this recommendation subject to the availability of funds for this purpose.

9. The OUCC recommended that Petitioner conduct annual top down water audits using the free AWWA software. Petitioner agrees with this recommendation. Petitioner further agrees to provide the results of its top down water audits to the OUCC. If, after Petitioner has completed its third annual top down audit, its audit shows unaccounted for water in excess of fifteen percent (15%) and the OUCC recommends a bottom up audit, Petitioner will do a bottom up audit of suspect areas of its system, if Petitioner has funds available for that purpose.

10. The OUCC recommended that Petitioner complete its Asset Management Plan. Petitioner agrees with this recommendation and will complete its Asset Management Plan within one (1) year after the substantial completion of Petitioner's CIP.

11. The OUCC recommended that Petitioner stop paying Indiana Sales Tax on purchases unless required by law to do so. Petitioner agrees with this recommendation. The OUCC also recommended that Petitioner seek a refund from the Indiana Department of Revenue ("IDOR") of any unnecessarily paid Sales Tax amounts which may be lawfully refunded.

Petitioner agrees with this recommendation. Petitioner will file its request for refund with IDOR within thirty (30) days of the issuance of the Commission's final order in this Cause. The

OUCC recommended that Petitioner report the result of its refund request to the Commission, and serve the OUCC, within thirty (30) days of receiving the result of its request for refund. If the result is that Petitioner receives a refund from IDOR, Petitioner will also provide its plan for returning the refunded amount to its customers through a bill credit, or bill credits. Petitioner agrees with these recommendations.

E. The Settlement and Use of the Settlement.

1. The Settlement. The Parties shall support this Settlement before the Commission and request that the Commission expeditiously accept and approve the Settlement. If the Settlement is not approved by the Commission without amendment, the Parties agree that the terms thereof shall not be admissible in evidence or in any way discussed in any proceeding. Further, the concurrence of the Parties with the terms of the Settlement is expressly predicated upon the Commission's approval of the Settlement without amendment. If the Commission alters the Settlement in any material way or imposes any additional obligations on Petitioner, the Settlement shall be deemed withdrawn unless that alteration is unanimously consented to by the Parties in writing. In that event, an informal attorneys' conference will be promptly requested wherein a procedural schedule will be fixed for the processing of the balance of this Cause. The Parties expressly reserve all of their rights, including the right to present appropriate evidence, in the event this Cause is required to be litigated.

The Petitioner has prefiled its Direct Case and the Parties have prefiled testimony in support of this Settlement, all of which shall be offered into evidence without objection and the Parties hereby waive cross-examination. The Parties agree that their evidence in support of this Settlement constitutes substantial evidence to support this Settlement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact or conclusions of

law necessary for the approval of this Settlement, as filed. The Parties shall prepare and file an agreed proposed order with the Commission as soon as possible after the hearing in this Cause.

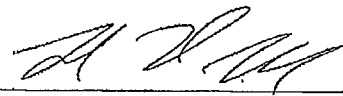
2. Use of the Settlement. If the Settlement is approved by the Commission the Parties agree that the terms of the Settlement are intended to represent a resolution by compromise of the issues in this Cause. The Parties further agree that the provisions of the Settlement may never be deemed an admission by any of the Parties, may never be used as substantive precedent in future Commission proceedings and may never be used against any of the Parties in subsequent regulatory or other Commission proceedings, except to the extent necessary to enforce the Settlement.

The Parties stipulate and agree that the Settlement 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 of the Parties may take with respect to any issue or item whether or not resolved herein, in any future regulatory or other proceeding.

F. Authority to Execute.


The undersigned have represented and agreed that they are fully authorized to execute this Stipulation and Settlement Agreement on behalf of the designated Parties who will be bound thereby.

Eastern Bartholomew Water Corporation



Ted Darnall, President
Petitioner's Board of Directors

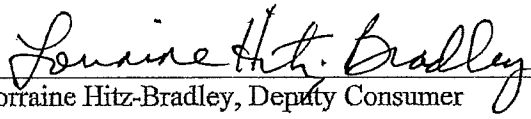
Date: 7-17-17



George Dinn, Secretary
Petitioner's Board of Directors

Date: 7-17-17

Indiana Office of Utility Consumer
Counselor

By: 

Lorraine Hitz-Bradley, Deputy Consumer
Counselor

Date: 7/18/17