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December 10, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF NORTH DEARBORN WATER AUTHORITY FOR EXPEDITED APPROVAL TO ISSUE LONG-TERM DEBT AND ADJUST ITS RATES AND CHARGES	)))))	**CAUSE NO. 45618**

PUBLIC'S EXHIBIT NO. 3

TESTIMONY OF SHAWN DELLINGER

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

DECEMBER 10, 2021

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

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CERTIFICATE OF SERVICE

This is to certify that a copy of the ***Public Exhibit No. 3 – Testimony of Shawn Dellinger on behalf of the OUCC*** has been served upon the following counsel of record in the captioned proceeding by electronic service on December 10, 2021.

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TESTIMONY OF OUCC WITNESS SHAWN DELLINGER
CAUSE NO. 45618
NORTH DEARBORN WATER AUTHORITY

I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Shawn Dellinger, and my business address is 115 W. Washington St., Suite 1500 South, Indianapolis, IN 46204.

Q: By whom are you employed and in what capacity?

A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a Utility Analyst in the Water/Wastewater division. My focus is on financing and other financial matters.

Q: Please describe your educational background and experience.

A: My credentials are set forth in Appendix A.

Q: What is the purpose of your testimony?

A: My testimony discusses North Dearborn Water Authority's ("North Dearborn" or "Petitioner") proposal to incur long term debt in the amount of up to $4,250,000, consisting of $3,625,000 in proposed State Revolving Fund ("SRF") Notes plus an additional $625,000 construction contingency. I also discuss the structure of the debt, which Petitioner proposes to issue as two series, with one a level payment 35-year issuance and the other a 20-year wrapped payment issuance. I discuss reductions for various items, including project costs, contingency fees, and cost of issuance fees Petitioner proposes to include in its borrowing. I discuss interest rate assumptions and incorporate lower interest rates with revised borrowing amounts to determine a debt service revenue requirement. I discuss the appropriate level of debt service reserve. I discuss the reasonableness of Petitioner's request for debt authority to include an additional construction contingency. Finally, I propose true-up procedures appropriate for this Cause.

Q: What did you do to form the opinions in your testimony?

A: I reviewed the Petition and the testimony of Mr. Baldessari. I created discovery questions and reviewed Petitioner's responses to those questions.

II. DEBT AUTHORIZATION

Q: Please describe the Petitioner's proposed debt issuance.

A: Petitioner is requesting authority to issue up to $4,250,000 of debt. This consists of $3,625,000 of bonds to substantially cover anticipated project costs and $625,000 as an "inflation allowance"[1] in excess borrowing authority to be used if financed costs exceed $3,625,000. The borrowings are proposed to be split into two series, a 35-year issuance ("Series A") at a 3.15% interest rate and a 20-year issuance ("Series B") at a 3.25% interest rate that is wrapped around the existing debt, with payments increasing in 2030. Both issuances are from the State Revolving Fund Loan Program.

Q: Is this structure of borrowing appropriate and in the ratepayers' interest?

A: Yes. Petitioner is proposing to have an extended 35-year term on debt where it is available (Series A bond) and wrapping the Series B bond in this case is appropriate. I do not believe that wrapping is always in the ratepayers' interest, as the advantages of level payments and lower rates in the present must be balanced against intergenerational equity issues and extra interest expense. In this case, I reviewed the benefits and costs of wrapping the debt and agree with the Petitioner's recommendation on wrapping. Petitioner accessing the SRF loan program is also in the ratepayer's interest. Although not specifically part of the debt

[1] "Inflation allowance" is my term, and not a term used by Petitioner.

structure, Petitioner using excess cash on hand to reduce required borrowing is also a decision that will result in ratepayer savings.

Q: Do you agree with the $4,250,000 debt authority requested by Petitioner?

A: No. OUCC witness Carl Seals recommends reductions to the amounts for certain project costs in the amount of $254,000. I recommend reductions in the contingency amounts including the amount included for "inflation allowance." Additionally, there are fees embedded in the proposed borrowings that should be examined closely.

Q: Do you agree with Petitioner's proposed Costs of Issuance of $337,687?

A: No. The breakdown of the cost of issuance line items of $337,687 is detailed below and may be found in Workpaper DLB-3, page 101 of 122 (as well as Workpaper DLB-1 tab COI)

NORTH DEARBORN WATER CORPORATION

PROPOSED SECURED NOTES OF 2022

COSTS OF ISSUANCE

Local Attorney Fees	$15,000.00
Bond Counsel Fees	
Bond Issue	60,000.00
IURC Rate Case	65,000.00
Title Work	20,000.00
Baker Tilly Fees	
Financial Advisory Fees	50,000.00
IURC Rate Case	75,000.00
Attestation - Parity	5,000.00
Trustee or Registrar/Paying Agent Fees	
Acceptance Fee	1,000.00
Annual Fee	1,000.00
OUCC Fees	10,000.00
SRF Counsel	10,000.00
Publications and miscellaneous costs	25,687.00
Total	$337,687.00

Many of these fees are unsupported estimates. Specifically, the Bond Counsel Fees of $60,000 for an issuance of under $4,000,000 with SRF seems excessive.

Q: Did the OUCC ask for support on these fees?

A: Yes. The OUCC asked discovery questions related to these fees, which are included as OUCC attachment SD-5. In discovery, Petitioner clarified that there is only one contract or agreement (with Baker Tilly) for rate case consultants (Q-1-26). When asked for a clarification on the rate case expense (Q-1-27), including the number of hours and hourly rate estimate, the answer was to state that these estimates were based on actual costs in similar proceedings before the Commission. When asked for further clarification on Q-3-

2 to describe these costs with detailed calculations, the same breakdown as included in Q-1-27 was provided (although in a different workpaper).

Q: Are you recommending these costs should be removed from the debt authorization?

A: No. I am not recommending a reduced debt authority resulting from these fees. However, I do believe transparency is paramount and these estimates should be supported. Therefore, there are recommendations in the true-up section of my testimony to address these concerns. Providing back-up regarding the reasonableness of these estimates should be included in the case-in-chief, or at a minimum in response to discovery. It is in the ratepayers interest for the reasonableness of these costs to reviewed.

Q: Do you agree with the 15% construction contingency included in the estimated project costs?

A: No. This is an SRF borrowing, and SRF limits the contingency to 10%. Therefore, the contingency amount that Petitioner requested ($406,800) should be reduced by $125,930. The recommendation of OUCC witness Carl Seals to remove costs associated with the well pump upgrade included $27,000 of contingency as well as soft costs.[2] The additional reduction of contingency should be $125,930, consisting of a reduction of $56,930 ($170,800-$113,870) for Series A and $69,000 ($236,000-$27,000-$140,000) for Series B.[3]

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[2] See Petitioners Exhibit 3, PER Table 4.2.1b.

[3] Petitioner lists 15% and $406,800 as the Contingency on page 9 of 36 of Exhibit 5 (the Accountants Report, "Schedule of Estimated Project Costs and Funding"), however, 15% of $2,723,700 is actually $408,555. Therefore, my numbers are based on multiplying each sub-total of the construction cost (for the Series A, Series B, and Total) by 10%, rather than reducing Petitioner's requested amount by 33.33%. The total contingency is based on 10% of the water main improvements project ($1,138,700) funded via Series A and the New water treatment plant ($1,400,000) funded via Series B. ($1,138,700+$1,400,000=$2,538,700 x 10% = $253,870).

Q: Do you agree with the $625,000 in additional debt authorization Petitioner has requested due to uncertainties associated with the cost of materials?[4]

A: No. I recommend several conditions that I describe below along with a reduction to the overall amount of extra authority. The world today is experiencing inflationary pressures more significant than in the recent past. Generally, my belief is that in this environment, utilities (or project owners generally) should strive to start from well supported capital cost estimates with up-to-date material, equipment and labor costs expressed in current dollars (year specified) with a clearly defined and supported inflation allowance based on the projected inflation rate and applicable year. Inflation allowances should only be applied to well supported capital cost estimates and should not be hidden by embedding it in the material, equipment and labor costs, nor included as part of the contingency.

Utilities can adopt strategies to stay within capital project budgets evaluated in their life cycle cost analyses such as identifying and including mandatory deducts or alternatives during bidding. This provides upfront pricing and allows utilities to drop less critical project components or reduce the scope or size of a project, as applicable. This is relatively straightforward if the financing consists of multiple discrete projects, where a decision may be made to simply not proceed with lower priority projects "on the bottom of the list." If projects may be reduced in scope, or a material change is feasible, these changes should be incorporated into the bid documents as mandatory deducts or alternates, so decisions may

[4] See testimony of Mr. Baldessari, page 10, Q17. Petitioner was not explicit about the amount of the additional request, but asked for $4.25 Million of debt authority, which when compared to the $3,625,000 of anticipated SRF funding, results in an additional $625,000 of debt authority.

be made at the time of bid to determine how much of the desired project can be obtained within the available financing.

This discipline is necessary in any business, and regulated utilities should be no exception. When dealing with situations where the project does not consist of multiple discreet elements, and cannot be reduced, sometimes there is no viable alternative but to spend the required funds. In this case, the goal should be to avoid having to reject all bids because of insufficient funds leading to rebidding, the need to seek additional financing authority, and project delays. Taking all of this into account, my recommendation is that Petitioner be granted additional borrowing authority, but only to be used in the event of cost overruns for the new water treatment plant as described in the PER (financed with the Series B Bond). The amount requested for potential cost overruns, however, seems excessive. $625,000 of additional authority for a $1,400,000 project seems exorbitant. Therefore, I am recommend adjusting the additional authority to 20% of the estimated cost of the new treatment plant, or $280,000. This additional borrowing authority should not be used for cost overruns on other components (potential well capacity upgrades financed with the Series B bond and the water main improvements financed with the Series A bond). The specific mechanism to inform the Commission and the OUCC of the need for additional funding will be described in the true-up reporting requirements section below.

Q: What is your proposal for total debt authorization?

A: Based on the above, total debt authorization should be $3,525,070. This amount was determined by beginning with the requested $3,625,000 in proposed SRF notes, less $254,000 in well capacity upgrades (including associated soft costs), less $125,930 in contingency, plus $280,000 in inflationary allowances. This debt authorization is split $1,608,070 for Series A and $1,917,000 for Series B.[5]

III. DEBT SERVICE REVENUE REQUIREMENTS

Q: What is your recommendation for debt service revenue requirements?

A: I recommend $110,136 for Phase 1 and $147,690 for Phase 2 for the new debt. This is based on $3,245,070 of borrowings at an interest rate of 2.65% for Series A and 2.75% for Series B debt.[6]

Q: Are you basing the debt service revenue requirement on the full borrowing authority?

A: No. Because $280,000 is contingent only on material cost overruns on the treatment plant, it is not included in the proposed revenue requirement. If costs increase and this authority is used, rates reflecting the higher borrowed amounts would be changed in the true-up process.

Q: Do you have an adjustment to Petitioner's proposed interest rate?

A: Yes. Petitioner proposes adding 100 basis points to the current SRF rate.[7] This is commonly referred to as a timing allowance. Adding 100 basis points (or 1%) to existing rates is meant to provide for the possibility that rates will increase. The most accurate projection of future interest rates is, statistically, current interest rates. I do not object to the existence of a timing allowance, but especially for an issuance that is anticipated to close in April of next year, or less than 5 months from the time of this testimony, an allowance of 25-50 basis points is more reasonable. In this case, I am proposing a timing allowance of 50 basis

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[5] For Series A, requested amount of $1,665,000 less $56,930 in contingency = $1,608,070. For Series B, requested amount of $1,960,000 less $254,000 project reductions, less $69,000 for contingency, plus $280,000 of inflation allowance = $1,917,000.

[6] Petitioner proposed a total of $3,625,000 in borrowings, less $254,000 in project reductions, less $125,930 in contingency = $3,245,070.

[7] Baldessari testimony, page 6, lines 3-5 for Series A and lines 12-14 for Series B.

points. This same adjustment is made on each bond series, and I use the same base rates as Petitioner prior to this adjustment. Therefore, the interest rates I am proposing are 2.65% for the Series A issuance and 2.75% for the Series B issuance.

Q: Is Petitioner proposing different debt service revenue requirements in Phase 1 and Phase 2?

A: Yes. Petitioner determined its Phase 1 debt service by a somewhat unusual process of taking the debt payments on the new notes from June 2022 through May of 2023.[8] This has the ultimate effect of eliminating 1/6 of the payment occurring on July 1, 2023, and determining the interest payment from a daily rate times the number of days the interest is incurred, which is from June 1, 2022 through January 1, 2023 (or 214 days). Phase 2 consists of the average annual debt service from the new notes for the five annual payments ending in January 1, 2028.

Q: Do you agree with Petitioner's approach for determining the Phase 1 debt service revenue requirement?

A: No. Petitioner is fundamentally using a 12 month period to determine the Phase 1 rates rather than the entire period for which the bonds will be in effect during Phase 1.[9] Since it is proposed that the bonds are issued on April 20, 2022, and Phase 2 will go into effect on June 1, 2023, I recommend that Phase 1 rates be based upon total anticipated payments from April 20, 2022 to June 1, 2023 Functionally, this means calculating all interest and principal payments from April 20, 2022 through May 31, 2023 and converting this to an annual amount. My calculations are provided in OUCC Attachment SD-4

Q: What debt service revenue requirement do you propose for the Series A issuance?

A: I propose a debt service revenue requirement of $53,760 in phase 1 and $72,053 in phase

[8] Baldessari testimony, Page 7, line 20 through Page 8, line 1.
[9] See Mr. Baldessari testimony, page 9 of 12, lines 8-11.

2. This is based on a total issuance of $1,608,070 and an interest rate of 2.65%. The spreadsheet showing these calculations may be found in OUCC Attachment SD-1

Q: What debt service revenue requirement do you propose for the Series B issuance?

A: I propose a debt service revenue requirement of $56,375 in phase 1 and $75,638 in phase 2. This is based on a total issuance of $1,637,000 and an interest rate of 2.75%. The spreadsheet showing these calculations may be found in OUCC Attachment SD-2.[10]

IV. DEBT SERVICE RESERVE

Q: Do you agree with Petitioner's proposed debt service reserve?

A: No. The OUCC's recommendations affect the required debt service reserve. Further, it appears that Petitioner calculated the Debt Service reserve as a "stand-alone" for only the new debt, which does not take into account an overfunding of the existing balances. These factors all reduce the debt service reserve revenue requirement.

Q: What debt service reserve revenue requirement do you propose?

A: When adjusting the interest rate to 2.65% for the Series A bond and 2.75% for the Series B bond and reducing the principal amounts of each issue to $1,608,070 for Series A and $1,637,000 for Series B, the projected highest payment for all debt is $252,540 in 2023 (for the year ending with the payment on January 1, 2024). This amount may be found in OUCC Attachment SD-3. The current debt service reserve balance is $120,774 (Petitioners Exhibit 5, page 33 of 36, "Comparison of Fund Balances with Minimum Balances Required"). The total amount of debt service reserve that needs to be funded is $252,540, less the $120,774 that is already available. This results in a required additional funding

[10] Since the OUCC does not possess the same software as Petitioner to calculate optimum wrapping payments, exact amounts will potentially be slightly different. Discrepancies in the principal payments should be minor and may be addressed in the true-up process when interest rates and borrowing amounts are also addressed.

amount of $131,766. This additional amount is funded over five years, or an additional $26,353 annually. See OUCC Attachment SD-4 for details on this calculation.

Q: Should there be any restrictions on Petitioner's proposed debt service reserve?

A: Yes. Petitioner's debt service reserve should be placed in a restricted account, and Petitioner should notify the Commission and the OUCC if it spends any funds from its debt service reserves for any reason other than to make the last payment on its current or proposed debt issuances. Petitioner should be required to provide a report to the Commission and the OUCC within five (5) business days of any such transaction. The report should state how much Petitioner spent from its debt service reserve, explain why it spent funds from its debt service reserve, provide a cite to any applicable loan documents that allow it to spend funds from its debt service reserve, describe its plans to replenish its debt service reserve, and describe any cost-cutting it has implemented to forestall spending funds from its debt service reserve.

V. TRUE-UP AND OTHER ISSUES

Q: Should Petitioner be required to true-up its proposed annual debt service once the interest rates on its proposed debt are known?

A: Yes. The precise interest rates, the amount borrowed, annual debt service, and required debt service reserve funding will not be known until Petitioner's debt is issued; therefore, Petitioner's rates should be trued-up to reflect the actual cost of the debt. I recommend the Commission require Petitioner to file a report within thirty (30) days of closing on each of its long-term debt issuances explaining the terms of the new loan, the amount of debt service reserve and an itemized account of all issuance costs, including issuance costs actually incurred to that date. Borrowings should be reduced by any reduction in estimated issuance costs at this time. The report should include a revised tariff, amortization schedule and also calculate the rate impact in a manner similar to the OUCC's schedules. In this Cause, Petitioner is requesting additional debt authorization as an “inflation allowance.” If this additional debt is needed, bid tabulations for the treatment plant should be provided at least two weeks prior to the closing of the loan so the Commission and the OUCC can review and, if necessary, comment or object. Bid tabulations and final soft costs should be provided in a report when the projects are completed, and an interim report should be filed 2 years after the closing of the debt if projects are still ongoing and costs are still being incurred.

Q: The debt service reserve is anticipated to be fully funded in April of 2027. Do you recommend any actions at this time?

A: Once the Debt Service Reserve is fully funded, the expenses associated with this reserve are eliminated. At this point, in order to balance revenues and expenses it is appropriate to reduce annual revenue requirement by the amount of the debt Service Reserve annual funding amount. By July of 2027 Petitioner should file an updated tariff removing the annual debt service reserve amount.

Q: Is there another approach to reflect the reduced expenses after the debt service reserve is fully funded?

A: Yes. An alternative approach would be to continue funding a Debt Service Reserve restricted account in anticipation of future projects. This would avoid the need for a revised tariff and would still ensure that this additional revenue would ultimately benefit ratepayers. It is appropriate for the Commission to determine which of these two approaches is more appropriate in this case.

Q: How should disputes regarding Petitioner's true up report be identified?

A: The OUCC should have no less than fourteen (14) days after service of the true-up to challenge Petitioner's proposed true-up. Petitioner should similarly have fourteen (14) days to file a response to the OUCC. Thereafter, the Commission should resolve any issue raised through a process it deems appropriate. Any true-up report should state the time frames for objections or responses.

Q: Should there be any exceptions to the requirement for a true-up?

A: Yes. If both parties state in writing that the increase or decrease indicated by the report need not occur because the increase or decrease would be immaterial, the true-up need not be implemented.

Q: What other conditions should be placed on Petitioner's proposed debt issuance?

A: Financing authority should not continue indefinitely. Petitioner expects to complete its requested borrowing in April of 2022. Any financing authority not used by Petitioner should expire 365 days after a final order has been issued in this Cause. Further, since collection of revenue will occur substantially at the time of the order, protections should be put in place to ensure than if bonds are not issued promptly, ratepayers are not harmed, and revenues are aligned with costs. Therefore, for any timing differences of more than two months between implementation of rates and closing on the debt, the revenue requirement for current debt should be placed in a restricted account and used to reduce the balance that must be borrowed. In the event that the borrowing is delayed for more than one year, refunds should be issued to ratepayers out of this restricted balance.

VI. OUCC RECOMMENDATIONS

Q: Please summarize your recommendations to the Commission in this cause.

A: I recommend the following:

1. The Commission grant Petitioner the authority to borrow up to $3,525,070. This authority

to consist of $1,608,070 for Series A and $1,917,000 for Series B.

2. The Commission approve a Debt Service Annual Revenue Requirement of $110,136 for Phase 1.
3. The Commission approve a Debt Service Annual Revenue Requirement of $147,690 for Phase 2.
4. The Commission approve a Debt Service Reserve Revenue Requirement of $26,353 for Phase 1 and 2.
5. The Commission require Petitioner to follow the true-up procedures as proposed by the OUCC.

Q: Does this conclude your testimony?

A: Yes.

Appendix A

Q: Please describe your educational background.

A: I graduated from Indiana University with a degree in Biology, a minor in Economics and a certificate from the Liberal Arts and Management Program (LAMP) which is an honors certificate program through the Kelley School of Business and the College of Arts and Sciences, at the time restricted to twenty-five (25) students per year. I received my MBA from Indiana University with a concentration in finance. I am a member of Phi Beta Kappa honor society for my undergraduate work and Beta Gamma Sigma honor society for my master's program.

Q: Please describe your work experience.

A: My first jobs after graduating with my undergraduate degree were in New York in finance at Grant's Interest Rate Observer, which is a financial newsletter and Lebenthal and Co., which was a municipal bond brokerage. I worked at and ultimately owned RCI Sales in Indianapolis, which was a manufacturer representative/distributor in commercial and institutional plumbing, for a number of years, leaving when I sold the company and merged it into a competitor. After receiving my MBA, I worked at Amazon as a financial analyst in their fulfillment division.

Q: How long have you been at the OUCC?

A: I have been a Utility Analyst II in the Water Division since December of 2019. My focus is on financial issues, such as financings, ROE's, and capital structures.

Q: Have you previously testified before the Indiana Utility Regulatory Commission ("Commission")?

A: Yes, I have testified before the commission regarding various aspects of finance.

Line #	Series A		
1	**Interest Rate Assumption of 2.65%, 50 bp reduction from Petitioner**		
2	Principal	$ 1,608,070.00	
3	Annual Interest Rate	2.65%	
4	Bi-Annual Interest Rate	1.33%	
5	Term (Years)	34	
6	Term (Payments)	68	
7	Payment Bi-Annual	$36,026.34	
8	Principal and Interest Payment-Phase 1	$30,021.95	Jan-May 2023
9	Annual Payment	$72,052.68	
10	Interest-Annual	$42,613.86	
11	Interest-April 20,2022-Dec 31, 2022	$29,771.32	(2)
	Phase 1 Rates-Gross	$59,793.27	Line 8 + Line 11
	Phase 1 Rates-Annualized	$53,755.04	(1)

(1) Calculation for Days for Phase 1

4/20/2022	Start Date
5/31/2023	End Date
406	Number of Days
0.899	Conversion Factor to Annual Rate

(2) Calculation of Interest for Phase 1

4/20/2022	Start Date
12/31/2022	End Date
255.0	# of Days
0.699	% of year

Series B Debt Payments

Payment Date	Principal Balance	Principal	Interest Rate	Interest		Total	Bond Year Total
01/01/23	$1,637,000	$0.00	1.38%	$31,450.58	(1)	$31,450.58	$31,450.58
07/01/23	1,637,000	$15,000.00	1.38%	$22,508.75		$37,508.75	
01/01/24	1,622,000	$16,000.00	1.38%	$22,302.50		$38,302.50	75,811.25
07/01/24	1,606,000	$16,000.00	1.38%	$22,082.50		$38,082.50	
01/01/25	1,590,000	$16,000.00	1.38%	$21,862.50		$37,862.50	75,945.00
07/01/25	1,574,000	$17,000.00	1.38%	$21,642.50		$38,642.50	
01/01/26	1,557,000	$16,000.00	1.38%	$21,408.75		$37,408.75	76,051.25
07/01/26	1,541,000	$17,000.00	1.38%	$21,188.75		$38,188.75	
01/01/27	1,524,000	$16,000.00	1.38%	$20,955.00		$36,955.00	75,143.75
07/01/27	1,508,000	$17,000.00	1.38%	$20,735.00		$37,735.00	
01/01/28	1,491,000	$17,000.00	1.38%	$20,501.25		$37,501.25	75,236.25
07/01/28	1,474,000	$18,000.00	1.38%	$20,267.50		$38,267.50	
01/01/29	1,456,000	$18,000.00	1.38%	$20,020.00		$38,020.00	76,287.50
07/01/29	1,438,000	$18,000.00	1.38%	$19,772.50		$37,772.50	
01/01/30	1,420,000	$18,000.00	1.38%	$19,525.00		$37,525.00	75,297.50
07/01/30	1,402,000	$45,000.00	1.38%	$19,277.50		$64,277.50	
01/01/31	1,357,000	$45,000.00	1.38%	$18,658.75		$63,658.75	127,936.25
07/01/31	1,312,000	$46,000.00	1.38%	$18,040.00		$64,040.00	
01/01/32	1,266,000	$47,000.00	1.38%	$17,407.50		$64,407.50	128,447.50
07/01/32	1,219,000	$47,000.00	1.38%	$16,761.25		$63,761.25	
01/01/33	1,172,000	$48,000.00	1.38%	$16,115.00		$64,115.00	127,876.25
07/01/33	1,124,000	$49,000.00	1.38%	$15,455.00		$64,455.00	
01/01/34	1,075,000	$49,000.00	1.38%	$14,781.25		$63,781.25	128,236.25
07/01/34	1,026,000	$50,000.00	1.38%	$14,107.50		$64,107.50	
01/01/35	976,000	$51,000.00	1.38%	$13,420.00		$64,420.00	128,527.50
07/01/35	925,000	$51,000.00	1.38%	$12,718.75		$63,718.75	
01/01/36	874,000	$53,000.00	1.38%	$12,017.50		$65,017.50	128,736.25
07/01/36	821,000	$53,000.00	1.38%	$11,288.75		$64,288.75	
01/01/37	768,000	$54,000.00	1.38%	$10,560.00		$64,560.00	128,848.75
07/01/37	714,000	$55,000.00	1.38%	$9,817.50		$64,817.50	
01/01/38	659,000	$55,000.00	1.38%	$9,061.25		$64,061.25	128,878.75
07/01/38	604,000	$56,000.00	1.38%	$8,305.00		$64,305.00	
01/01/39	548,000	$57,000.00	1.38%	$7,535.00		$64,535.00	128,840.00
07/01/39	491,000	$58,000.00	1.38%	$6,751.25		$64,751.25	
01/01/40	433,000	$58,000.00	1.38%	$5,953.75		$63,953.75	128,705.00
07/01/40	375,000	$60,000.00	1.38%	$5,156.25		$65,156.25	
01/01/41	315,000	$61,000.00	1.38%	$4,331.25		$65,331.25	130,487.50
07/01/41	254,000	$62,000.00	1.38%	$3,492.50		$65,492.50	
01/01/42	192,000	$63,000.00	1.38%	$2,640.00		$65,640.00	131,132.50
07/01/42	129,000	$64,000.00	1.38%	$1,773.75		$65,773.75	
01/01/43	65,000	$65,000.00	1.38%	$893.75		$65,893.75	$131,667.50
		$1,637,000.00		$602,543.08		$2,239,543.08	$2,239,543.08

Footnote 1-255 Days (From April 20, 2022) of Interest at 2.75% per annum

SCHEDULE OF PROPOSED COMBINED BOND AMORTIZATION

Payment Date	2009 Notes	2016 RD Loan	Proposed Series A Notes	Proposed Series B Notes	Total	Bond Year Total	New Debt Only
1/1/2022	$ 26,577.85	$ 25,800.00			$ 52,377.85	$ 52,377.85	
7/1/2022	$ 26,282.80	$ 25,800.00			$ 52,082.80		
1/1/2023	$ 25,987.75	$ 25,800.00	$29,771.32	$ 31,450.58	$ 113,009.66	$ 165,092.46	
7/1/2023	$ 26,692.70	$ 25,800.00	$ 36,026.34	$ 37,508.75	$ 126,027.79		
1/1/2024	$ 26,383.60	$ 25,800.00	$ 36,026.34	$ 38,302.50	$ 126,512.44	$ 252,540.23	$ 147,863.93
7/1/2024	$ 26,074.50	$ 25,800.00	$ 36,026.34	$ 38,082.50	$ 125,983.34		
1/1/2025	$ 26,765.40	$ 25,800.00	$ 36,026.34	$ 37,862.50	$ 126,454.24	$ 252,437.58	$ 147,997.68
7/1/2025	$ 26,442.25	$ 25,800.00	$ 36,026.34	$ 38,642.50	$ 126,911.09		
1/1/2026	$ 26,119.10	$ 25,800.00	$ 36,026.34	$ 37,408.75	$ 125,354.19	$ 252,265.28	$ 148,103.93
7/1/2026	$ 26,795.95	$ 25,800.00	$ 36,026.34	$ 38,188.75	$ 126,811.04		
1/1/2027	$ 26,458.75	$ 25,800.00	$ 36,026.34	$ 36,955.00	$ 125,240.09	$ 252,051.13	$ 147,196.43
7/1/2027	$ 26,121.55	$ 25,800.00	$ 36,026.34	$ 37,735.00	$ 125,682.89		
1/1/2028	$ 26,784.35	$ 25,800.00	$ 36,026.34	$ 37,501.25	$ 126,111.94	$ 251,794.83	$ 147,288.93
7/1/2028	$ 26,433.10	$ 25,800.00	$ 36,026.34	$ 38,267.50	$ 126,526.94		
1/1/2029	$ 26,081.85	$ 25,800.00	$ 36,026.34	$ 38,020.00	$ 125,928.19	$ 252,455.13	
7/1/2029	$ 26,730.60	$ 25,800.00	$ 36,026.34	$ 37,772.50	$ 126,329.44		
1/1/2030	$ 26,365.30	$ 25,800.00	$ 36,026.34	$ 37,525.00	$ 125,716.64	$ 252,046.08	
7/1/2030		$ 25,800.00	$ 36,026.34	$ 64,277.50	$ 126,103.84		
1/1/2031		$ 25,800.00	$ 36,026.34	$ 63,658.75	$ 125,485.09	$ 251,588.93	
7/1/2031		$ 25,800.00	$ 36,026.34	$ 64,040.00	$ 125,866.34		
1/1/2032		$ 25,800.00	$ 36,026.34	$ 64,407.50	$ 126,233.84	$ 252,100.18	
7/1/2032		$ 25,800.00	$ 36,026.34	$ 63,761.25	$ 125,587.59		
1/1/2033		$ 25,800.00	$ 36,026.34	$ 64,115.00	$ 125,941.34	$ 251,528.93	
7/1/2033		$ 25,800.00	$ 36,026.34	$ 64,455.00	$ 126,281.34		
1/1/2034		$ 25,800.00	$ 36,026.34	$ 63,781.25	$ 125,607.59	$ 251,888.93	
7/1/2034		$ 25,800.00	$ 36,026.34	$ 64,107.50	$ 125,933.84		
1/1/2035		$ 25,800.00	$ 36,026.34	$ 64,420.00	$ 126,246.34	$ 252,180.18	
7/1/2035		$ 25,800.00	$ 36,026.34	$ 63,718.75	$ 125,545.09		
1/1/2036		$ 25,800.00	$ 36,026.34	$ 65,017.50	$ 126,843.84	$ 252,388.93	
7/1/2036		$ 25,800.00	$ 36,026.34	$ 64,288.75	$ 126,115.09		
1/1/2037		$ 25,800.00	$ 36,026.34	$ 64,560.00	$ 126,386.34	$ 252,501.43	
7/1/2037		$ 25,800.00	$ 36,026.34	$ 64,817.50	$ 126,643.84		
1/1/2038		$ 25,800.00	$ 36,026.34	$ 64,061.25	$ 125,887.59	$ 252,531.43	
7/1/2038		$ 25,800.00	$ 36,026.34	$ 64,305.00	$ 126,131.34		
1/1/2039		$ 25,800.00	$ 36,026.34	$ 64,535.00	$ 126,361.34	$ 252,492.68	
7/1/2039		$ 25,800.00	$ 36,026.34	$ 64,751.25	$ 126,577.59		
1/1/2040		$ 25,800.00	$ 36,026.34	$ 63,953.75	$ 125,780.09	$ 252,357.68	

Payments after 2040 not shown on this sheet.

Five year average used for Phase 2

Highest Annual Payment-Debt Service Reserve

Details for Debt Service Phases and Debt Service Reserve

Phase 1	Series A	Series B	Total	
Interest Component (Apr-Dec 2022)	$ 29,777	$ 31,451		255 days of interest
Principal and Interest Payment	$ 36,026	$ 37,509		Bond Payment made July 1, 2023
Portion of P&I in Phase 1 (Jan-May 2023)	$ 30,022	$ 31,257		5/6 of Bond Payment made July 1, 2023
Total Phase 1 (406 Days)	$ 59,799	$ 62,708		Interest Component plus Portion of P&I from Jan-May
Annualized-Phase 1	$ 53,760	$ 56,375	$ 110,136	Conversion of Total to Annual Rate (Total * .899)

Phase 2	Series A	Series B	Total
All Debt-Average-5 Years 2023-2028			$ 252,218
New Debt-Average 5 Years	$ 72,053	$ 75,638	$ 147,690

Debt Service Reserve	Total
Maximum Payment-2023	$ 252,540
Existing Balance	$ 120,774
Required Funding	$ 131,766
Annual Funding	$ 26,353

Calculation for Days for Phase 1	
4/20/2022	Starting Date
5/31/2023	Ending Date-Phase 1
406	Number of Days
0.899	Conversion Factor to Annual Rate

Response: No.

Q-1-25: Are any new subdivisions or commercial/industrial complexes planned within the service area? If so, please describe.

Response: Yes, a new residential subdivision with 95 houses is under development. North Dearborn has yet to connect a residence within this proposed subdivision and does not anticipate any of the houses connecting to the system until 2022 or beyond.

Q-1-26: Please provide any contracts or agreements with each rate case consultant along with all invoices issued to date.

Response: Please see Attachment OUCC DR 1-26.

Q-1-27: Please breakdown estimated rate case expense, including the number of hours and hourly rate estimated for each consultant and law firm.

Response: Please see page 9 of 36 in Petitioner's Exhibit 5 filed on September 24, 2021, page 101 of 122 in Workpaper DLB-3 filed on September 28, 2021. These estimates were based on the actual costs incurred in similar proceedings before the Commission.

Q-1-28: Please provide copies of invoices for legal services provided during the test year.

Response: North Dearborn objects to this request on grounds the invoices contain information that is protected by the attorney-client privilege.

Q-1-29: Please indicate whether the Utility's staff have access to internet teleconferencing systems and software such as Microsoft Teams or Zoom.

Response: No. North Dearborn anticipates getting a 15-person conference call line that is offered by their telephone company installed soon.

Q-1-30: Please refer to Petitioner's Exh. 5, Schedule of Estimated Project Cost and Funding (Page 9 of 36). Please provide a complete breakdown of the estimated project cost labeled "Cost of issuance" amounting to $337,687.

Response: Please see page 101 of 122 in Workpaper DLB-3 filed on September 28, 2021.

Q-1-31: Please refer to Petitioner's Exh. 5, Comparative Statement of Financial Position (Page 27 of 36). Please explain fully and provide a breakdown for the $67,979 line item labeled "Deferred Debt Issuance Cost" Please explain why this item, and the offsetting noncurrent liability is not included on Petitioner's 2020 IURC Annual Report?

Response: The line item labelled "Deferred Debt Issuance Cost" of $67,979 is included in the 2020 IURC Annual Report as a reduction to the note balance on page F-16. It is labelled "RD Loan 2016 – Issuance Cost".

Respectfully submitted,

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Counsel for Petitioner,
North Dearborn Water Corporation

Cause No. 45618
North Dearborn Water Authority's Response to
The Indiana Office of Utility Consumer Counselor's Data Request Set No. 3

Q 3-1: Please explain the "Labor standards administrator" costs included in the "Estimated Non-Construction Costs" per the Schedule of Estimated Project Costs and Funding (Petitioner's Exh. 5, Page 9 of 36) and provide the detailed calculation of these costs.

Response: Labor Standards Administrator services are required for SRF funding in order to ensure compliance with Davis-Bacon Wage Scale requirements. The Labor Standards Administrator (LSA) is responsible for monitoring the Contractor's weekly certified payrolls, performing required employee interviews, and other work necessary to comply with the Labor Standards requirements and reporting. The estimated cost of $10,000 was based on labor standards costs that Curry & Associates have experienced on similar projects.

The Southeastern Indiana Regional Plan Commission (SIRPC) provided the below fee schedule for Labor Standards Administration Services. SIRPC is a local agency that could provide LSA services for NDWC on this project. They are not currently under contract. The LSA contract is not typically established until after bids are received for a project. Based on the table below, the fees could be as high as $12,000 for the current North Dearborn Water Project. If the Labor Standards Administrator fees come in at $12,000, the additional $2,000 can could out of the contingency budget.

PROPOSED FEE MATRIX (based on IFA's fee matrix for reimbursing communities if funds are available):

Project cost: <$500,000	Fee-$6,000
Project cost: $500,000-$1,000,000	Fee-$9,000
Project cost: $1,000,001-$4,999,999	Fee-$12,000
Project cost: $5,000,000-$9,999,999	Fee-$15,000
Project cost: $10,000,000-$14,999,999	Fee-$16,500
Project cost: $15,000,000-$19,999,999	Fee- $20,000
Project cost: >$20,000,000	Fee- $23,000

Q 3-2: Please describe each cost included in "Cost of issuance" included in "Estimated Non-Construction Costs" per the Schedule of Estimated Project Costs and Funding (Petitioner's Exh. 5, Page 9 of 36). Please also provide the detailed calculation of each such cost.

Response: Please see Workpaper DLB-1 filed on September 28, 2021, Tab COI, titled Cost of Issuance.

Q 3-3: When did North Dearborn's business structure legally change from a nonprofit entity to a water authority? Please provide the resolution adopted by the board of directors that reconstituted the nonprofit water utility as a water authority.

Response: North Dearborn's Board of Directors approved the change to a water authority at the regular Board of Directors meeting on September 13, 2021. The change was approved effective September 17, 2021 03:45PM by Holli Sullivan, Indiana Secretary of State. Filling date was September 21, 2021.

Q 3-4: Will North Dearborn renew the Dover, Superintendent contract? If yes, please distinguish the duties of the General Manager from those included in the Dover contract.

Response: North Dearborn renewed the Dover Water Superintendent's annual contract on November 8, 2021 at the monthly Board of Directors meeting. The Superintendent is responsible for the daily and continuous operation of the well field, water treatment plant, connections with external water suppliers, elevated water storage tanks, transmission lines, customer connections, maintenance and all field functions including water sampling and reporting. The General Manager's responsibilities are associated with strategic business operations as defined in the provided job description supplied as Attachment OUCC DR 1-11. The General Manager is not responsible for field or water delivery system operations. The General Manager and the Superintendent both report directly to the Board of Directors.

Q 3-5: Please explain each type of income included in test year "Miscellaneous income," account 471.11 ($2,715) and provide any contracts or other supporting documentation for this income.

Response: Miscellaneous Income is from two sources; a) meter reading fee to the town of St. Leon for their sewer billing process (reference attached as Attachment OUCC DR 3-5), and b) reconnection fees for water service. Please see tab labelled "Account Detail" in Workpaper DLB-1 filed on September 28, 2021.

Q 3-6: Please provide supporting documentation (e.g., invoices, contracts, etc.) for each transaction included in the attached file (Voucher Review.xlsx).

Response: Please see Attachment OUCC DR 3-6.

Q 3-7: Has Petitioner contacted the Indiana Department of Revenue to determine whether it's conversion to a Water Authority (quasi-governmental entity) makes it subject to utility receipts taxes? Please explain and provide any communication.

investigate field pressure readings and perform hydrant flow testing. For these reasons, a computerized hydraulic distribution system model has not been identified as a need or a priority for the North Dearborn system by its Board or operations staff.

Q-4-4: Has North Dearborn performed an American Water Works Association (AWWA) Water Loss Audit? If yes, please provide results, if no, please explain why not.

Response: **Yes. See Attachment OUCC DR 4-4.**

Q-4-5: Please provide supporting documentation and/or costing methodologies used for the costs appearing in "Table 4.2.1b: Preliminary Opinion of Probable Construction Cost Alternative 1b: Well Capacity Upgrade," of the 2020 preliminary engineering report. Please include contingencies and non-construction costs.

Response: **The cost estimates are based on industry experience on similar projects. This project includes pump upgrades to two (2) existing wells and most of the existing infrastructure will remain in use.**

The contingency budget of 15% is recommended due to the preliminary nature of the design at the time of preparing a Preliminary Engineering Report. Approximately 10% of the contingency is estimated to allow for final design additions, and 5% for unforeseen conditions during construction. The proposed 15% contingency does not provide excess for possible materials increases due to the current volatility in construction material costs.

The non-construction costs were distributed across the individual projects, estimated at 20% of the recommended construction budget. The 20% non-construction costs identified with each recommended alternative total $621,000.

Preliminary Engineering Report Table 6.6.1 Preliminary Estimate of Probable Project Costs provides a breakdown of estimated non-construction costs. The total estimated non-construction cost is $764,500 for the project, which is 24.3% of the estimated construction cost (with contingency). Approximately 5.3% of the non-construction cost are related to the IURC Rate Case Professional fees, and the remaining 19% non-construction costs cover the engineering design, RPR services, and professional services and fees related to the SRF loan.

Q-4-6: Please provide supporting documentation and/or costing methodologies used for the costs appearing in "Table 4.3.1: Preliminary Opinion of Probable Construction

Cost Alternative 3: Water Treatment Plant Improvements," of the 2020 preliminary engineering report. Please include contingencies and non-construction costs.

Response: **The cost estimates are based on industry experience on similar projects. Curry & Associates, Inc. consulted with Bastin-Logan Water Services, Inc., regarding major equipment costs for the package aeralator water treatment plant and high service pumps. The existing facility shall be expanded to re-use existing facility components to the extent possible. See also Data Response 4-5 regarding Contingency and Non-Construction Costs.**

Q-4-7: Please provide supporting documentation and/or costing methodologies used for the costs appearing in "Table 4.4.1: Preliminary Opinion of Probable Construction Cost Alternative 5: County Line Road 12" Water Main," of the 2020 preliminary engineering report. Please include contingencies and non-construction costs.

Response: **The cost estimate was developed based on industry experience on similar projects. This response applies to Data Requests 4-7 through 4-9, which are all proposed segments of the overall water main project. The estimated unit prices for water main components are in reasonable range for a comparable 12" SDR 17 water main project that Curry & Associates, Inc., designed and received bids for in January 2021. See Attachment OUCC 4-7 for the Bid Tabulation for the LMS Conservancy District Water Project (Bids received January 21, 2021).**

The LMS Project bid was for 12" SDR 17 PVC water main, which has a thicker wall than the proposed 12" SDR 21 PVC water main, thus had a higher material cost than for 12" SDR 21 PVC. The project route of the LMS Conservancy District water main was also across more challenging terrain. The proposed North Dearborn water main routes are primarily open agricultural fields with few existing utility crossings, which allows contractors to accomplish a good production rate of pipe installation.

The project contingency of 15% is included to provide about 10% contingency for final design needs, and 5% contingency for unforeseen conditions. The proposed 15% contingency does not provide excess for possible materials increases due to the current volatility in construction material costs.

The non-construction costs were distributed across the individual projects, estimated at 20% of the recommended construction budget. The 20% non-construction costs identified with each recommended alternative total $621,000.

Preliminary Engineering Report Table 6.6.1 Preliminary Estimate of Probable Project Costs provides a breakdown of estimated non-construction costs. The total estimated non-construction cost is $764,500 for the project, which is 24.3% of the estimated construction cost (with contingency). Approximately 5.3% of the non-construction cost are related to the IURC Rate Case Professional fees, and the remaining 19% non-construction costs cover the engineering design, RPR services, and professional services and fees related to the SRF loan.

Q-4-8: Please provide supporting documentation and explain costing methodologies used for the costs appearing in "Table 4.4.2: Preliminary Opinion of Probable Construction Cost Alternative 6: Central Drive 12" Water Main," of the 2020 preliminary engineering report. Please include contingencies and non-construction costs.

Response: **Please see Data Response 4-7.**

Q-4-9: Please provide supporting documentation and explain any costing methodologies used for the costs appearing in "Table 4.4.3: Preliminary Opinion of Probable Construction Cost Alternative 6: Post 464 Rd. 8" Water Main," of the 2020 preliminary engineering report. Please include contingencies and non-construction costs.

Response: **Please see Data Response 4-7.**

Q-4-10: Referring to Workpaper DLB-3, page 93 of 122, "North Dearborn Water Corporation Budget Estimate Costs", please provide any invoices from the past five years for "Well Cleaning."

Response: **See Attachment OUCC DR 4-10.**

Q-4-11: Referring to Workpaper DLB-3, page 93 of 122, "North Dearborn Water Corporation Budget Estimate Costs", please provide any invoices from the past five years for "Well Pump Repair and Rebuild."

Response: **See Attachment OUCC DR 4-11.**

Q-4-12: Referring to Workpaper DLB-3, page 93 of 122, "North Dearborn Water Corporation Budget Estimate Costs", please provide prior invoices from the past five years for "High Service Pumps-Repair and Rebuild."

Response: **See Attachment OUCC DR 4-12.**

NORTH DEARBORN WATER CORPORATION

PROPOSED SECURED NOTES OF 2022

COSTS OF ISSUANCE

Local Attorney Fees	$15,000.00
Bond Counsel Fees	
Bond Issue	60,000.00
IURC Rate Case	65,000.00
Title Work	20,000.00
Baker Tilly Fees	
Financial Advisory Fees	50,000.00
IURC Rate Case	75,000.00
Attestation - Parity	5,000.00
Trustee or Registrar/Paying Agent Fees	
Acceptance Fee	1,000.00
Annual Fee	1,000.00
OUCC Fees	10,000.00
SRF Counsel	10,000.00
Publications and miscellaneous costs	25,687.00
Total	$337,687.00

Attachment OUCC DR 1-26

bakertilly

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July 28, 2021

North Dearborn Water Corporation
c/o Board of Directors
7484 Christina Drive, Suite 103
West Harrison, IN 47060

RE: Engagement Letter Agreement Related to Services

This letter agreement (the "Engagement Letter") is to confirm our understanding of the basis upon which Baker Tilly US, LLP ("Baker Tilly") and its affiliates are being engaged by North Dearborn Water Corporation, Indiana (the "Client") to assist the Client with advisory services.

Scope, Objectives and Approach

It is anticipated that projects undertaken in accordance with this Engagement Letter will be at the request of the Client. The scope of services, additional terms and associated fee for individual engagements will be contained in a Scope Appendix or Appendices to this Engagement Letter. Authorization to provide services will commence upon execution and return of this Engagement Letter and one or more Appendices.

Management's Responsibilities

It is understood that Baker Tilly will serve in an advisory capacity with the Client. The Client is responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge or experience to oversee the services we provide. The Client is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. The Client is responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

The procedures we perform in our engagement will be heavily influenced by the representations that we receive from Client personnel. Accordingly, false representations could cause material errors to go undetected. The Client, therefore, agrees that Baker Tilly will have no liability in connection with claims based upon our failure to detect material errors resulting from false representations made to us by any Client personnel and our failure to provide an acceptable level of service due to those false representations.

The ability to provide service according to timelines established and at fees indicated will rely in part on receiving timely responses from the Client. The Client will provide information and responses to deliverables within the timeframes established in a Scope Appendix unless subsequently agreed otherwise in writing.

The responsibility for auditing the records of the Client rests with the Client's separately retained auditor and the work performed by Baker Tilly shall not include an audit or review of the records or the expression of an opinion on financial data.

Attachment OUCC DR 1-26

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Ownership of Intellectual Property

Unless otherwise stated in a specific Scope Appendix, subject to Baker Tilly's rights in Baker Tilly's Knowledge (as defined below), Client shall own all intellectual property rights in the deliverables developed under the applicable Scope Appendix or Appendices ("Deliverables"). Notwithstanding the foregoing, Baker Tilly will maintain all ownership right, title and interest to all Baker Tilly's Knowledge. For purposes of this Agreement "Baker Tilly's Knowledge" means Baker Tilly's proprietary programs, modules, products, inventions, designs, data, or other information, including all copyright, patent, trademark and other intellectual property rights related thereto, that are (1) owned or developed by Baker Tilly prior to the Effective Date of this Agreement or the applicable Scope Appendix or Appendices ("Baker Tilly's Preexisting Knowledge") (2) developed or obtained by Baker Tilly after the Effective Date, that are reusable from client to client and project to project, where Client has not paid for such development; and (3) extensions, enhancements, or modifications of Baker Tilly's Preexisting Knowledge which do not include or incorporate Client's confidential information. To the extent that any Baker Tilly Knowledge is incorporated into the Deliverables, Baker Tilly grants to Client a non-exclusive, paid up, perpetual royalty-free worldwide license to use such Baker Tilly Knowledge in connection with the Deliverables, and for no other purpose without the prior written consent of Baker Tilly. Additionally, Baker Tilly may maintain copies of its work papers for a period of time and for use in a manner sufficient to satisfy any applicable legal or regulatory requirements for records retention.

The supporting documentation for this engagement, including, but not limited to work papers, is the property of Baker Tilly and constitutes confidential information. We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to required third parties, the Client hereby authorizes us to do so.

Timing and Fees

Specific services will commence upon execution and return of a Scope Appendix to this Engagement Letter and our professional fees will be based on the rates outlined in such Scope Appendix.

Unless otherwise stated, in addition to the fees described in a Scope Appendix the Client will pay all of Baker Tilly's reasonable out-of-pocket expenses incurred in connection with the engagement. All out of pocket costs will be passed through at cost and will be in addition to the professional fee.

Dispute Resolution

Except for disputes related to confidentiality or intellectual property rights, all disputes and controversies between the parties hereto of every kind and nature arising out of or in connection with this Engagement Letter or the applicable Scope Appendix or Appendices as to the existence, construction, validity, interpretation or meaning, performance, nonperformance, enforcement, operation, breach, continuation, or termination of this Agreement or the applicable Scope Appendix or Appendices as shall be resolved as set forth in this section using the following procedure: In the unlikely event that differences concerning the services or fees provided by Baker Tilly should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by engaging in mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute resolution procedure. Each party shall bear their own expenses from mediation and the fees and expenses of the mediator shall be shared equally by the parties. If the dispute is not resolved by mediation, then the parties agree to expressly waive trial by jury in any judicial proceeding involving directly or indirectly, any matter (whether sounding in tort, contract, or otherwise) in any way arising out of, related to, or connected with this Agreement or the applicable Scope Appendix or Appendices as or the relationship of the parties established hereunder.

Attachment OUCC DR 1-26

Because a breach of any the provisions of this Engagement Letter or the applicable Scope Appendix or Appendices as concerning confidentiality or intellectual property rights will irreparably harm the non-breaching party, Client and Baker Tilly agree that if a party breaches any of its obligations thereunder, the non-breaching party shall, without limiting its other rights or remedies, be entitled to seek equitable relief (including, but not limited to, injunctive relief) to enforce its rights thereunder, including without limitation protection of its proprietary rights. The parties agree that the parties need not invoke the mediation procedures set forth in this section in order to seek injunctive or declaratory relief.

Limitation on Damages

To the extent allowed under applicable law, the aggregate liability (including attorney's fees and all other costs) of either party and its present or former partners, principals, agents or employees to the other party related to the services performed under an applicable Scope Appendix or Appendices shall not exceed the fees paid to Baker Tilly under the applicable Scope Appendix or Appendices to which the claim relates, except to the extent finally determined to have resulted from the gross negligence, willful misconduct or fraudulent behavior of the at-fault party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter or the applicable Scope Appendix or Appendices as even if the other party has been advised of the possibility of such damages.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

Other Matters

E-Verify Program
Baker Tilly participates in the E-Verify program. For the purpose of this paragraph, the E-Verify program means the electronic verification of the work authorization program of the Illegal Immigration Reform and Immigration Responsibility Act of 1996 (P.L. 104-208), Division C, Title IV, s.401(a), as amended, operated by the United States Department of Homeland Security or a successor work authorization program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work authorization status of newly hired employees under the Immigration Reform and Control Act of 1986 (P.L. 99-603). Baker Tilly does not employ any "unauthorized aliens" as that term is defined in 8 U.S.C. 1324a(h)(3).

Investments
Baker Tilly certifies that pursuant to Indiana Code 5-22-16.5 *et seq.* Baker Tilly is not now engaged in investment activities in Iran. Baker Tilly understands that providing a false certification could result in the fines, penalties, and civil action listed in I.C. 5-22-16.5-14.

Attachment OUCC DR 1-26

bakertilly

Non-Discrimination
Pursuant to Indiana Code §22-9-1-10, Baker Tilly and its subcontractors, if any, shall not discriminate against any employee or applicant for employment to be employed in the performance of this Engagement Letter, with respect to hire, tenure, terms, conditions or privileges of employment or any matter directly or indirectly related to employment, because of race, religion, color, sex, disability, national origin, ancestry, or veteran status. Breach of this covenant may be regarded as a material breach of this Engagement Letter.

Baker Tilly certifies that, except for de minimis and non-systematic violations, it has not violated the terms of I.C. 24-4.7, I.C. 24-5-12, or I.C. 24-5-14 in the previous three hundred sixty-five (365) days, even if I.C. 24-4.7 is preempted by federal law, and that Baker Tilly will not violate the terms of I.C. 24-4.7 for the duration of the Engagement Letter, even if I.C. 24-4.7 is preempted by federal law. Baker Tilly further certifies that any affiliate or principal of Baker Tilly and any agent acting on behalf of Baker Tilly or on behalf of any affiliate or principal of Baker Tilly, except for de minimis and non-systematic violations, has not violated the terms of I.C. 24-4.7 in the previous three hundred sixty-five (365) days, even if I.C. 24-4.7 is preempted by federal law, and will not violate the terms of I.C. 24-4.7 for the duration of the Engagement Letter, even if I.C. 24-4.7 is preempted by federal law.

Anti-Nepotism
The Firm is aware of the provisions under IC 36-1-21 et seq. with respect to anti-nepotism in contractual relationships with governmental entities. The Firm is not aware of any relative (as defined in IC 36-1-21-3) of any elected official (as defined in IC 36-1-21-2) of the Client who is an owner or an employee of the Firm.

In the event Baker Tilly is requested by the Client; or required by government regulation, subpoena, or other legal process to produce our engagement working papers or its personnel as witnesses with respect to its Services rendered for the Client, so long as Baker Tilly is not a party to the proceeding in which the information is sought, Client will reimburse Baker Tilly for its professional time and expenses, as well as the fees and legal expenses incurred in responding to such a request.

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the 'written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

In the event that any provision of this Engagement Letter or statement of work contained in a Scope Appendix hereto is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of any relevant jurisdiction, the validity of the remaining provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Engagement Letter or statement of work did not contain the particular provisions held to be unenforceable. The unenforceable provisions shall be replaced by mutually acceptable provisions which, being valid, legal and enforceable, come closest to the intention of the parties underlying the invalid or unenforceable provision. If the Services should become subject to the independence rules of the U.S. Securities and Exchange Commission with respect to Client, such that any provision of this Engagement Letter would impair Baker Tilly's independence under its rules, such provision(s) shall be of no effect.

Attachment OUCC DR 1-26

bakertilly

Termination

Both the Client and Baker Tilly have the right to terminate this Engagement Letter or any work being done under an individual Scope Appendix at any time after reasonable advance written notice. On termination, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and Baker Tilly, the scope of services provided in a Scope Appendix will terminate 60 days after completion of the services in such Appendix.

Important Disclosures

Incorporated as Attachment A and part of this Engagement Letter are important disclosures. These include disclosures that apply generally and those that are applicable in the event Baker Tilly is engaged to provide municipal advisory services.

This Engagement Letter, including the attached Disclosures as updated from time to time, comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals, oral or written, and all other communications between the parties. Both parties acknowledge that work performed pursuant to the Engagement Letter will be done through Scope Appendices executed and made a part of this document.

Any rights and duties of the parties that by their nature extend beyond the expiration or termination of this Engagement Letter shall survive the expiration or termination of this Engagement Letter or any statement of work contained in a Scope Appendix hereto.

If this Engagement Letter is acceptable, please sign below and return one copy to us for our files.

Sincerely,

Doug L. Baldessari, Partner

Signature Section:

The terms as set forth in this Engagement Letter are agreed to on behalf of the Client by:

Name: ______________________________
Title: ______________________________
Date: ______________________________

Attachment OUCC DR 1-26

Both the Client and Baker Tilly have the right to terminate this Engagement Letter or any work being done under an individual Scope Appendix at any time after reasonable advance written notice. On termination, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and Baker Tilly, the scope of services provided in a Scope Appendix will terminate 60 days after completion of the services in such Appendix.

Important Disclosures

Incorporated as Attachment A and part of this Engagement Letter are important disclosures. These include disclosures that apply generally and those that are applicable in the event Baker Tilly is engaged to provide municipal advisory services.

This Engagement Letter, including the attached Disclosures as updated from time to time, comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals, oral or written, and all other communications between the parties. Both parties acknowledge that work performed pursuant to the Engagement Letter will be done through Scope Appendices executed and made a part of this document.

Any rights and duties of the parties that by their nature extend beyond the expiration or termination of this Engagement Letter shall survive the expiration or termination of this Engagement Letter or any statement of work contained in a Scope Appendix hereto.

If this Engagement Letter is acceptable, please sign below and return one copy to us for our files.

Sincerely,

Doug L. Baldessari, Partner

Signature Section:

The terms as set forth in this Engagement Letter are agreed to on behalf of the Client by:

Name: STEWARD J CLINE
Title: PRESIDENT NDWC BOARD OF DIRECTORS
Date: 22 AUGUST 2021

Attachment OUCC DR 1-26

Attachment A
Important Disclosures

Non-Exclusive Services

Client acknowledges and agrees that Baker Tilly, including but not limited to Baker Tilly US, LLP, Baker Tilly Municipal Advisors, LLC, Baker Tilly Capital, LLC, and Baker Tilly Investment Services, LLC, is free to render municipal advisory and other services to the Client or others and that Baker Tilly does not make its services available exclusively to the Client.

Affiliated Entities

Baker Tilly US, LLP is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly US, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly US, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

Baker Tilly Investment Services, LLC ("BTIS"), a U.S. Securities and Exchange Commission ("SEC") registered investment adviser, may provide services to the Client in connection with the investment of proceeds from an issuance of securities. In such instances, services will be provided under a separate engagement, for an additional fee. Notwithstanding the foregoing, Baker Tilly may act as solicitor for and recommend the use of BTIS, but the Client shall be under no obligation to retain BTIS or to otherwise utilize BTIS relative to Client's investments. The fees paid with respect to investment services are typically based in part on the size of the issuance proceeds and Baker Tilly may have incentive to recommend larger financings than would be in the Client's best interest. Baker Tilly will manage and mitigate this potential conflict of interest by this disclosure of the affiliated entity's relationship, a Solicitation Disclosure Statement when Client retains BTIS's services and adherence to Baker Tilly's fiduciary duty and/or fair dealing obligations to the Client.

Baker Tilly Capital, LLC ("BTC") Baker Tilly Capital, LLC ("BTC") is a limited service broker-dealer specializing in merger and acquisition, capital sourcing, project finance and corporate finance advisory services. BTC does not participate in any municipal offerings advised on by its affiliate Baker Tilly Municipal Advisors. Any services provided to Client by BTC would be done so under a separate engagement for an additional fee.

Baker Tilly Municipal Advisors ("BTMA") is registered as a "municipal advisor" pursuant to Section 15B of the Securities Exchange Act and rules and regulations adopted by the SEC and the Municipal Securities Rulemaking Board ("MSRB"). As such, BTMA may provide certain specific municipal advisory services to the Client. BTMA is neither a placement agent to the Client nor a broker/dealer. The offer and sale of any Bonds is made by the Client, in the sole discretion of the Client, and under its control and supervision. The Client acknowledges that BTMA does not undertake to sell or attempt to sell bonds or other debt obligations and will not take part in the sale thereof.

Baker Tilly, may provide services to the Client in connection with human resources consulting, including, but not limited to, executive recruitment, talent management and community survey services. In such instances, services will be provided under a separate scope of work for an additional fee. Certain executives of the Client may have been hired after the services of Baker Tilly were utilized and may make decisions about whether to engage other services of Baker Tilly or its subsidiaries. Notwithstanding the foregoing, Baker Tilly may recommend the use of Baker Tilly or a subsidiary, but the Client shall be under no obligation to retain Baker Tilly or a subsidiary or to otherwise utilize either relative to the Client's activities.

Attachment OUCC DR 1-26

Conflict Disclosure Applicable to Municipal Advisory Services Provided by BTMA

Legal or Disciplinary Disclosure. BTMA is required to disclose to the SEC information regarding criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation involving BTMA. Pursuant to MSRB Rule G-42, BTMA is required to disclose any legal or disciplinary event that is material to the Client's evaluation of BTMA or the integrity of its management or advisory personnel.

There are no criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations or civil litigation involving BTMA. Copies of BTMA filings with the SEC can currently be found by accessing the SEC's EDGAR system Company Search Page which is currently available at https://www.sec.gov/edgar/searchedgar/companysearch.html and searching for either Baker Tilly Municipal Advisors, LLC or for our CIK number which is 0001616995. The MSRB has made available on its website (www.msrb.org) a municipal advisory client brochure that describes the protections that may be provided by MSRB rules and how to file a complaint with the appropriate regulatory authority.

Contingent Fee. The fees to be paid by the Client to BTMA are or may be based on the size of the transaction and partially contingent on the successful closing of the transaction. Although this form of compensation may be customary in the municipal securities market, it presents a conflict because BTMA may have an incentive to recommend unnecessary financings, larger financings or financings that are disadvantageous to the Client. For example, when facts or circumstances arise that could cause a financing or other transaction to be delayed or fail to close, BTMA may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction.

Hourly Fee Arrangements. Under an hourly fee form of compensation, BTMA will be paid an amount equal to the number of hours worked multiplied by an agreed upon billing rate. This form of compensation presents a potential conflict of interest if BTMA and the Client do not agree on a maximum fee under the applicable Appendix to this Engagement Letter because BTMA will not have a financial incentive to recommend alternatives that would result in fewer hours worked. In addition, hourly fees are typically payable by the Client whether or not the financing transaction closes.

Fixed Fee Arrangements. The fees to be paid by the Client to BTMA may be in a fixed amount established at the outset of the service. The amount is usually based upon an analysis by Client and BTMA of, among other things, the expected duration and complexity of the transaction and the work documented in the Scope Appendix to be performed by Baker Tilly. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, Baker Tilly may suffer a loss. Thus, Baker Tilly may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives.

BTMA manages and mitigates conflicts related to fees and/or other services provided primarily through clarity in the fee to be charged and scope of work to be undertaken and by adherence to MSRB Rules including, but not limited to, the fiduciary duty which it owes to the Client requiring BTMA to put the interests of the Client ahead of its own and BTMA's duty to deal fairly with all persons in its municipal advisory activities.

To the extent any additional material conflicts of interest have been identified specific to a scope of work the conflict will be identified in the respective Scope Appendix. Material conflicts of interest that arise after the date of a Scope Appendix will be provide to the Client in writing at that time.

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

RE: **Municipal Advisory Services
IURC Rate and Financing Case and Debt Issuance**

DATE: July 28, 2021

This Scope Appendix is attached by reference to the above named engagement letter (the "Engagement Letter") between North Dearborn Water Corporation, Indiana (the "Client") and Baker Tilly US, LLP and relates to services to be provided by Baker Tilly Municipal Advisors, LLC.

SCOPE OF WORK
Baker Tilly Municipal Advisors, LLC ("BTMA") will perform the following services:

A. Preliminary Financial Plan for Project (Municipal Advisory Services)

BTMA agrees to furnish and perform the following services with respect to the preliminary study for the proposed Utility improvement project (the "Project").

1. Analyze from available records, historical recorded financial information for the most recent calendar year (the "test year").

2. Detail from available records, a schedule of flow of funds for the test year for the purpose of determining trends, amounts of revenue, operation and maintenance expenses, debt service requirements and expenditures for improvements to the Utility property and plant.

3. Provide estimates of future annual revenue requirements for consideration by representatives of the Client.

4. Obtain information from the consulting engineer, attorneys and Utility officials in order to suggest to officials estimated project costs, including contract amounts, land, contingencies, engineering and inspection costs, legal and accounting costs, administrative and other costs in connection with the Project.

5. Analyze various financing alternatives available to the Utility including:

   a. Competitive Sale of a loan or interim notes.

   b. Indiana State Revolving Loan Fund Program (SRF).

   c. Other revenues of the Utility.

   d. Available cash on hand.

6. Work with the engineer and officials on developing project costs and funding estimates based on alternative projects of varying size.

7. Estimate the rates and charges necessary to fund projects of varying size as estimated in 4 above to assist the Utility in selecting the appropriate scope of project.

8. Estimate the possibility of doing the Project in phases and estimate the rates and charges necessary for each phase of the Project.

Attachment OUCC DR 1-26

9. Meet with the Client to discuss findings and recommendations.

10. Prepare a written report for the Utility.

B. Analysis of Costs and Revenues (Rate Analysis)

1. Prepare from available records historical balance sheets and/or historical recorded financial information for a period of three (3) calendar years and the most recent twelve (12) month period available (the "test year").

2. Prepare from available records a schedule of flow of funds for the past three (3) calendar years and the test year for the purpose of determining trends, amounts of revenue, cash operation and maintenance expenses, debt service requirements and expenditures for improvements to the utility property and plant.

3. Analyze expenses of the test year in order to locate and adjust items which should be properly capitalized, expensed or reclassified.
4. Analyze accounts, invoices and pertinent documents and interview Client personnel and/or consulting engineers made available by the Client to determine possible changes in expenses and the possible effects of those changes.

5. Obtain information from Client officials, engineers and/or other available sources to suggest to the Client adjustments to test year cash operating expenses such as additional labor, power costs, chemical costs, additional taxes and other fixed, known and measurable expense changes.

6. Schedule monthly revenues of the test year in order to locate and adjust unusual and significant fluctuations in such revenue.

7. Prepare amortization schedules of presently outstanding funded debt extending over the life of the remaining years of payment and obtain information from loan documents or other documents relating to such funded debt.

8. Obtain information from the rate resolutions, tariffs and loan documents now in effect.

9. Assist in the development of a capital improvements program including the Project and determine alternative financial programs leading to the obtaining of funds necessary to meet the capital improvement requirements through funds now available and/or future revenues of the system and/or the use of debt financing.

10. Provide alternative estimates of future annual revenue requirements for consideration by the Client and calculate the across-the-board increase required.

11. Prepare comparative information concerning the present and possible future rate structure of the Client in comparison with other utilities in Indiana.

C. Meetings and Reports

1. Meet with officials of the Client to discuss findings and recommendations.

2. Prepare an accounting report summarizing the results of the Firm's studies for submission to the Client.

3. Provide financial information (including a new schedule of rates and charges, if required) to the Client's

attorneys for preparation of resolutions as may be required.

4. Prepare the written accounting and financial testimony and exhibits constituting the Utility's Case-in-Chief.

D. **General Municipal Advisory Services**
Unless otherwise agreed to by the parties, in connection with any request for services relative to any financial topic, new project concept planning or other financially related topic or project (each referred to herein as a "Project"), BTMA shall perform the following services, as applicable:

1. Provide general financial advice relative to a Project.

2. Survey the resources available to determine the financial feasibility of a Project.

3. Assist in the development of a plan including alternative approaches for a particular Project that may be available and appropriate for such Project.

4. Assist the Client in selecting an approach for a Project.

5. Advise the Client generally on current market conditions, financial impacts of federal, state or other laws, and other general information and economic data that might be relevant to a Project.

6. Assist Client, as requested, in identifying other professional services that may be necessary to a Project.

7. Assist Client in coordinating the activities of the working group for a Project as needed.

8. Assist with the review of documents provided that are relevant to the development of a plan and alternative approaches for a Project.

9. Assist the Client with other components of a Project as requested and agreed upon.

E. **Securities Issuance**
Unless otherwise agreed to by the parties, in connection with any request for services relative to any debt issuance including modifying or refunding of a prior issuance or other financings (each referred to herein as a "Transaction"), BTMA shall perform the following services, as applicable:

1. Develop a preliminary estimate of project costs and provide a financial feasibility to assist the Client in its determination of what type of financing is most suitable to meet the needs of the Client for the particular issuance ("Debt Obligation").

2. Assist the Client in determination of an appropriate method of sale for the Debt Obligation (e.g. competitive, negotiated, private placement.)

3. Provide for the Client's consideration an amount, the security, maturity structure, call provisions, estimated pricing, and other terms and conditions of the Debt Obligation.

4. Advise the Client on current market conditions, financial impacts of federal, state or other laws, and other general information and economic data that might normally be expected to influence the ability to borrow or interest rates of the Debt Obligation.

5. Assist the Client in the analysis of advisability of securing a credit rating, and the selection of a credit rating firm or firms for the Debt Obligation and further assist in the development and presentation of information to obtain a credit rating or credit ratings for the Debt Obligation.

Attachment OUCC DR 1-26

6. Assist the Client in the analysis of utilizing credit enhancement and provide assistance in seeking such credit enhancement if such credit enhancements would be advantageous to the Client.

7. Assist Client in coordinating the financing activities between various parties to any Transaction as needed.

8. Assist Client in identifying other professional services that may be necessary for the issuance or post-issuance requirements of the Debt Obligation.

9. Assist the Client in connection with the preparation, composition, review and distribution of an offering document (e.g. Preliminary and Final Official Statement, Offering Circular, Term Sheet, or Private Placement Memorandum, as applicable) of the type and nature generally prepared in connection with the sale of municipal securities, which will disclose technical data, information and schedules relating to the Client, the project and the Debt Obligation.

10. Provide relevant information for and assist with the review of other primary financing documents, including but not limited to the relevant governing body issuance resolutions/ordinances, bond purchase agreement, and official notice of sale.

11. Communicate with potential underwriters or investors, as appropriate to any Transaction, to ensure that each is furnished with information the Client has deemed to be material in order to render an independent, informed purchase or investment decision concerning the Client's proposed financing.

12. Facilitate the sale of Debt Obligations through receipt and analysis of bids in a competitive sale or analysis of pricing and terms offered by an underwriter or purchaser in a negotiated or private placement sale.

13. Coordinate with the proper parties to ensure the efficient delivery of the Debt Obligations to the applicable purchaser and receipt of proceeds.

F. State Revolving Fund (SRF) Application (Municipal Advisory Services and Compilation Accounting Services)

1. Assist with the preparation of the financial portions of the application to the SRF disclosing technical data, information and schedules concerning the Bonds and the Client needed by the SRF.

2. Issue a compilation accounting report in connection with the issuance of the Bonds compiling a projection of debt service coverage resulting from the first full year of operation of the newly constructed improvements. The report will be prepared in accordance with standards established by the American Institute of Certified Public Accountants for inclusion in the SRF Financial Due Diligence if the SRF is the funding source of the improvements.

3. Provide additional information to the SRF or others as may be needed throughout the period between filing the application and closing the Bonds.

4. Analyze the terms proposed by the SRF and, when appropriate, suggest modifications of such terms for the Bonds.

5. Make recommendations to the Client for options to finance non-eligible project costs.

6. Prepare and submit at pre-closing, on behalf of the Client, the initial disbursement request form and supporting documentation.

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

G. Additional Services Required for IURC Approval (of Across-the-Board Rate Increase to Existing Rates if necessary and Long-Term Debt Financing

1. If necessary, meet with the Office of the Utility Consumer Counselor's (the "OUCC") staff and IURC's staff to discuss the written accounting and financial testimony and exhibits and to make available copies of our work papers in support of the Utility's Case-In-Chief.

2. Assist in the preparation of all accounting related responses to "Discovery Requests" from the OUCC and/or IURC.

3. Review all the OUCC and IURC's respective staffs written testimony and exhibits and prepare timely written rebuttal testimony for prefiling in accordance with the prehearing conference Order.

4. Attend the evidentiary hearing when the Utility's Case-in-Chief is presented and be prepared to be cross-examined upon the accounting and financial evidence of record.

5. Assist in the preparation and review of any settlement agreements and/or final orders from the IURC.

H. Parity Report (Agreed Upon Procedures) (If Necessary)

1. Determine the provisions of the Bond Ordinance of the now outstanding bonds which govern the issuance of the subsequent debt debentures on parity with the existing bonds.
2. Advise the Client of the requirements necessary for meeting the parity provisions of the above documents.
3. Conduct such test, if eligible, of the Client's records as are necessary for the issuance of the proposed Bonds on parity with the now outstanding bonds.
4. Prepare a written report of the above tests for submission to the Client's attorneys for the inclusion in official transcripts of the proceedings in connection with the issuance of the Bonds.

I. Multi-Year Capital Asset Financial Planning (Municipal Advisory and Compilation Accounting Services)

1. Using historical and projected financial information developed as part of services provided under A, compile a projection of the future multi-year financial model (the "Projection") covering a period established by the Client (the "Projected Period").

2. Assist the Client with the establishment of policies regarding maintaining minimum cash and investment balances over the Projected Period (the "Minimum Balance Requirements") that are consistent with legal requirements as well as good business practices.

3. Assist the Client with the development of assumptions regarding changes to revenue during the Projected Period derived from changes to the customer base, taking into account:

   a. Prediction of customer growth.
   b. Trending in system utilization, particularly for customers in the Industrial user class.

4. Assist the Client with the development of estimates of operating expenses for the Projected Period using:

   a. Data generated as part of the services provided under A.
   b. Changes due to inflation that may have an impact during the Projected Period.
   c. Other increases or decreases in costs due to factors that may materialize during the Projected Period.

Attachment OUCC DR 1-26

5. Analyze the impact of debt service payments on the financial results of the Utility taking into account:

    a. Existing annual debt service payments by debt issue.
    b. The potential impact of refinancing and/or restructuring existing debt.
    c. The potential impact of issuance of new debt.

6. Based on information from the Client and/or the consulting engineer, identify the estimated capital asset investment cost by year for the Projected Period, and develop potential funding plans for capital taking into consideration:

    a. Scenarios developed for cash funding and debt financing.

    b. Scenarios developed that assume various sources for borrowed funds including Federal and State loan programs and the use of open market financing.

7. Using the data generated from services defined in A, 3, 4, 5 and 6 above, create inputs for the Projection to produce estimated cash and investment fund balances. Analyze the resulting cash and investment balances occurring during the Projected Period to the Minimum Balance Requirements; and,

    a. Identify periods when the Client may not be in compliance with their Minimum Balance Requirements.

    b. Identify actions the Client may need to implement to keep in compliance with their Minimum Balance Requirements including, but not limited to, implementing adjustments to rates and charges.

8. Verify billing follows adopted rate ordinance by pulling sample bills for each user class, as well as the Utility's ten largest users.

9. Meet with officials of the Client to discuss findings and recommendations.

10. Furnish a financial report summarizing the results of the Asset Management study.

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

COMPENSATION AND INVOICING

BTMA's fees for services set forth in the Scope Appendix will be:

	Service	Fees
A	Preliminary Financial Plan for Project	Time & Expense*
B. – C.	Analysis of Costs and Revenues and Meetings and Reports	Time & Expense*
D.	General Municipal Advisory Services	Time & Expense*
E.	Securities Issuance	Time & Expense*
F.	State Revolving Fund (SRF) Application	Time & Expense*
G.	Additional Services Required for IURC Approval	Time & Expense*
H.	Parity Report (If necessary)	$4,000
I.	Multi-Year Capital Asset Financial Planning	Time & Expense*

*BTMA's fees will be billed at BTMA's standard billing rates based on the actual time and expenses incurred.

Standard Hourly Rates by Job Classification
1/1/2021

Partners / Principals / Directors	$240.00	to	$500.00
Managers	$200.00	to	$325.00
Senior Consultants	$150.00	to	$250.00
Consultants	$135.00	to	$200.00
Municipal Bond Disclosure Specialists	$120.00	to	$190.00
Support Personnel	$110.00	to	$150.00
Interns	$90.00	to	$110.00

- *Billing rates are subject to change periodically due to changing requirements and economic conditions. Actual fees will be based upon experience of the staff assigned and the complexity of the engagement.*

The above fees shall include all expenses incurred by BTMA with the exception of expenses incurred for mileage which will be billed on a separate line item. No such expenses will be incurred without the prior authorization of the Client. The fees do not include the charges of other entities such as rating agencies, bond and official statement printers, couriers, newspapers, bond insurance companies, bond counsel and local counsel, and electronic bidding services, including Parity®. Coordination of the printing and distribution of Official Statements or any other Offering Document are to be reimbursed by the Client based upon the time and expense for such services.

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

Nonattest Services

As part of this engagement, we will perform certain nonattest services. For purposes of the Engagement Letter and this Scope Appendix, nonattest services include services that the *Government Auditing Standards* refers to as nonaudit services.

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

- Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- Evaluate the adequacy and results of the nonattest services we perform.
- Accept responsibility for the results of our nonattest services.
- Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

Conflicts of Interest

Attachment A to the Engagement Letter contains important disclosure information that is applicable to this Scope Appendix.

We are unaware of any additional conflicts of interest related to this Scope Appendix that exist at this time.

Termination

Notwithstanding termination provisions contained in the Engagement Letter, this Scope Appendix is intended to be ongoing and applicable individually to specific services including financings, arbitrage computations, and/or continuing disclosure engagement, ("Sub-engagements") as if they are the sole subject of the Scope Appendix. As such, termination may occur for a specific Sub-engagement without terminating the Scope Appendix itself. On termination of a Sub-engagement or the Scope Appendix, all fees and charges incurred prior to termination shall be paid promptly. Unless otherwise agreed to by the Client and Baker Tilly, the scope of services provided in a Sub-engagement performed under this Scope Appendix will terminate 60 days after completion of the services for such Sub-engagement.

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

If this Scope Appendix is acceptable, please sign below and return one copy to us for our files. We look forward to working with you on this important project.

Sincerely,

Doug L. Baldessari, Partner

Signature Section:

The services and terms as set forth in this Scope Appendix are agreed to on behalf of the Client by:

Name: ______________________________
Title: ______________________________
Date: ______________________________

Sincerely,

Attachment OUCC DR 1-26

Doug L. Baldessari, Partner

Signature Section:

The services and terms as set forth in this Scope Appendix are agreed to on behalf of the Client by:

Name: STEWARD J CLINE
Title: PRESIDENT NDWC BOARD DIRECTORS
Date: 22 AUGUST 2021

Attachment OUCC DR 1-26

**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

RE: Compilation, Projection and Agreed-Upon Procedures Accounting Services

Compilation of Historical Financial Statements

Our Responsibilities:

The objective of our engagement is to apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America or the cash basis of accounting based on information provided by you.

We will conduct our compilation engagement in accordance with the Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care when performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We in our sole professional judgement, reserve the right to refuse any procedure or take any action that could be construed as assuming management responsibilities.

Your Responsibilities:

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America or with the cash basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the cash basis of accounting or accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.

2. The preparation and fair presentation of financial statements in accordance with the cash basis of accounting or accounting principles generally accepted in the United States of America.

3. The election to omit substantially all disclosures normally included in the financial statements in accordance with the cash basis of accounting or accounting principles generally accepted in the United States of America.

4. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.

5. The prevention and detection of fraud.

6. To ensure that the Client complies with the laws and regulations applicable to its activities.

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**SCOPE APPENDIX to
Engagement Letter dated: July 28, 2021
Between North Dearborn Water Corporation, Indiana and
Baker Tilly US, LLP**

7. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.

8. To provide us with –

   - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   - additional information that we may request from you for the purpose of the compilation engagement.

   - unrestricted access to persons within the Client of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our compilation of your financial statements. You are also responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report:

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to the inclusion of the report, to ask our permission to do so.

Compilation of a Projection Accounting Services

We will compile, in accordance with attestation standards established by the American Institute of Certified Public Accountants, from information management provides, the projected operating revenues, cash operating and maintenance expenses, non-operating revenues, and debt service coverage, and summary of significant assumptions and accounting policies of the Client. A compilation is limited to presenting, in the form of a financial projection, information that is the representation of management. We will not examine the projected financial information and therefore, will not express any form of assurance on the achievability of the projection or reasonableness of the underlying assumptions.

A compilation of a financial projection involves assembling the projection based on management's assumptions and performing certain other procedures with respect to the projection without evaluating the support for, or expressing an opinion or any form of assurance on, the assumptions underlying it.

If for any reason we are unable to complete our compilation of your financial projection, we will not issue a report on it as a result of this engagement.

A financial projection presents, to the best of management's knowledge and belief, the Client's expected operating revenues, cash operating and maintenance expenses, non-operating revenues, and debt service coverage for

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the projected period assuming the construction and financing of the proposed improvement projects. It is based on management's assumptions, reflecting conditions it expects to exist and the course of action it expects to take during the projection period assuming management's assumptions concerning future events and circumstances.

Management is responsible for representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the projected results.

Even if the Client construction and financing of the proposed improvement projects were to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Our report will contain a statement to that effect.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

In order for us to complete the engagement, management must provide assumptions that are appropriate for the projection. If the assumptions provided are inappropriate and have not been revised to our satisfaction, we will be unable to complete the engagement, and, accordingly, we will not issue a report on the projection.

We understand that the projection and our report thereon will be used only for presentation to the Indiana State Revolving Program or other designated entities. If management intends to reproduce the projection and our report thereon, they must be reproduced in their entirety, and both the first and subsequent corrected drafts of the document containing the projection and any accompanying material must be submitted to us for approval.

We will assist in preparing the above-described projection of debt service coverage and summaries of significant assumptions and accounting policies of the Client based on information provided by you. The preparation of a financial projection involves the computer (or manual) processing of, and the mathematical and other clerical functions related to, the presentation of the projection which is based on management's assumptions. The other services are limited to the preparation services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the projection preparation services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience, evaluate the adequacy and results of the services; and accept responsibility for them.

Applying Agreed-Upon Procedures Accounting Services

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report and we will require an acknowledgment in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the agreed-upon procedures do not constitute an examination or review, we will not express an opinion or conclusion in our report. In addition, we have no obligation to perform any procedures beyond those listed in the procedures letter.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to the Client and other specified parties and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.