

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE BOARD OF DIRECTORS FOR UTILITIES)
OF THE DEPARTMENT OF PUBLIC UTILITIES OF THE)
CITY OF INDIANAPOLIS, AS TRUSTEE OF A PUBLIC)
CHARITABLE TRUST FOR THE WATER SYSTEM, D/B/A)
CITIZENS WATER FOR (1) AUTHORITY TO INCREASE ITS)
RATES AND CHARGES FOR WATER UTILITY SERVICE)
AND APPROVAL OF A NEW SCHEDULE OF RATES AND)
CHARGES APPLICABLE THERETO, INCLUDING A NEW)
RATE FOR LOW-INCOME CUSTOMERS, (2) APPROVAL OF)
A REVISED METHODOLOGY FOR ALLOCATING)
CORPORATE SUPPORT SERVICES COSTS RESULTING IN A)
REVISED ALLOCATION OF SUCH COSTS TO CITIZENS)
WATER, AND (3) APPROVAL OF CERTAIN CHANGES TO)
ITS GENERAL TERMS AND CONDITIONS FOR WATER)
SERVICE.)

CAUSE NO. 44644

APPROVED: APR 20 2016

ORDER OF THE COMMISSION

Presiding Officers:

Carol A. Stephan, Commission Chair

James F. Huston, Commissioner

Jeffery A. Earl, Administrative Law Judge

On June 26, 2015, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the water system, d/b/a Citizens Water ("Citizens Water") filed its Verified Petition in this Cause. Citizens Water also filed the direct testimony and exhibits of the following witnesses:

- Jeffrey A. Harrison, President and Chief Executive Officer of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group ("Citizens Energy Group");
- John R. Brehm, Senior Vice President and Chief Financial Officer at Citizens Energy Group;
- Dr. John R. Boquist, Professor Emeritus at the Indiana University Kelley School of Business;
- Jeffrey A. Willman, Vice President Water Operations at Citizens Energy Group;
- Mark C. Jacob, Vice President Capital Programs and Engineering at Citizens Energy Group;
- LaTona S. Prentice, Vice President Regulatory & External Affairs at Citizens Energy Group;
- Bradley K. Jones, Consulting Principal at McCready and Keene, Inc.;
- Ronnie D. Vincent, Consulting Principal at McCready and Keene, Inc.;
- Jodi L. Whitney, Vice President Human Resources at Citizens Energy Group;
- David J. Wathen, Director, Talent & Rewards Practice Leader at Towers Watson;
- Sabine E. Karner, Vice President and Controller at Citizens Energy Group;
- Michael C. Borchers, Principal Consultant in the Management Consulting Division at Black & Veatch Corporation; and

- Korlon L. Kilpatrick, Director Regulatory Affairs at Citizens Energy Group.

The following parties intervened in this Cause:¹

- The Citizens Water Industrial Group (“Industrial Group”);
- The Town of Pittsboro (“Pittsboro”);
- Brown County Water Utility, Inc. (“Brown County”);
- The Town of Whitestown (“Whitestown”);
- Morgan County Rural Water Corporation (“Morgan County”); and
- The Service Advisory Board (“SAB”).

The Commission held a public field hearing in this Cause at 6:00 p.m. on September 16, 2015, at Emmerich Manual High School, 2405 Madison Avenue, Indianapolis, Indiana. At the field hearing, the Commission received written and oral testimony from the general public.

On October 15, 2015, the Indiana Office of Utility Consumer Counselor (“OUCC”) filed the direct testimony and exhibits of the following witnesses:

- Scott A. Bell, Director of the OUCC’s Water/Wastewater Division;
- Margaret A. Stull, Senior Utility Analyst in the OUCC’s Water/Wastewater Division;
- Greg A. Foster, Utility Analyst II in the OUCC’s Water/Wastewater Division;
- Richard J. Corey, Utility Analyst in the OUCC’s Water/Wastewater Division;
- Jerome D. Mierzwa, Principal and Vice President of Exeter Associates, Inc.; and
- Edward R. Kaufman, Chief Technical Advisor in the OUCC’s Water/Wastewater Division.

On October 15, 2015, the Industrial Group filed the direct testimony and exhibits of Michael P. Gorman, Managing Principal of Brubaker & Associates, Inc. Pittsboro, Brown County, and Morgan County (“PBM Group”) filed the direct testimony and exhibits of Patrick Callahan, President of Callahan CPA Group, P.C., and Brian Kalcic, Principal of Excel Consulting, and Morgan County filed the direct testimony and exhibits of Glen C. Miller, General Manager of Morgan County. Whitestown filed the direct testimony and exhibits of Kerry A. Heid.

On October 16, 2015, the SAB filed a Motion for Leave for late filing the testimony and exhibits of David George, Chairman of the SAB, and Roger Goings, Vice Chairman of the SAB. The Presiding Officers granted the motion by Docket Entry dated October 30, 2015.

On November 12, 2015, Citizens Water filed the rebuttal testimony and exhibits of Mr. Harrison, Mr. Brehm, Dr. Boquist, Mr. Willman, Mr. Jacob, Ms. Prentice, Ms. Whitney, Mr. Wathen, Ms. Karner, Mr. Borchers, and Mr. Kilpatrick.

Also on November 12, 2015, the OUCC filed cross-answering testimony from Mr. Mierzwa; the Industrial Group filed cross-answering testimony from Mr. Gorman; the PBM Group filed cross-answering testimony from Mr. Kalcic; and Whitestown filed cross-answering testimony from Mr. Heid.

On December 23, 2015, Citizens Water, the OUCC, the Industrial Group, the PBM Group, and

¹ The Town of Avon initially intervened in this Cause, but later withdrew its intervention.

Whitestown filed a Stipulation and Settlement Agreement (“Settlement Agreement”). Citizens Water filed settlement testimony from Ms. Prentice and Mr. Borchers, and the OUCC filed the settlement testimony from Mr. Bell and Mr. Mierzwa.

The Commission held a settlement hearing at 9:30 a.m. on January 12, 2016, in Hearing Room 222, 101 West Washington Street, Indianapolis Indiana. The parties appeared and participated in the hearing.

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

1. **Notice and Jurisdiction.** Notices of the hearings in this Cause were given and published by the Commission as required by law. Citizens Water published Notice of the filing of the Petition in this Cause and gave proper notice to its customers, which summarized the nature and extent of the proposed changes in Citizens Water’s proposed rates and charges for water service.

Under Ind. Code §§ 8-1-11.1-3 and 8-1-11.1-3.1, and the Commission’s Final Order in Cause No. 43936, Citizen’s Water is subject to the Commission’s jurisdiction in a manner similar to a municipal utility. Specifically, the Commission has jurisdiction over changes to Citizens Water’s schedules of rates and charges and terms and conditions of service under Ind. Code §§ 8-1-11.1-3(c)(9) and 8-1.5-3-8. Therefore, the Commission has jurisdiction over Citizens Water and the subject matter of this Cause.

2. **Citizens Water’s Characteristics.** Citizens Water is part of the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, which was created by Ind. Code ch. 8-1-11.1. Citizens Water owns and operates water utility assets acquired from the City of Indianapolis, Indiana and the Indianapolis Department of Waterworks pursuant to an Asset Purchase Agreement approved by the Commission’s July 13, 2011 Order in Cause No. 43936. Citizens Water provides water utility service to the public in Indianapolis and surrounding communities in Central Indiana and owns plant, properties, equipment, and facilities used to provide water utility service. Citizens Water’s principal office is located at 2020 North Meridian Street, Indianapolis, Indiana 46202.

3. **Test Year.** The test year for determining Citizens Water’s actual and pro forma operating revenues, expenses, and operating income under present and proposed rates is the 12 months ended December 31, 2014, adjusted for fixed, known, and measurable changes that will occur within 12 months after the end of the test year. We find that the December 31, 2014 test year, as adjusted for fixed, known, and measurable changes, is sufficiently representative of Citizens Water’s normal utility operations to provide reliable data for ratemaking purposes.

4. **Background and Relief Requested.** Citizens Water’s current rates and charges were approved in the March 19, 2014 Order in Cause No. 44306. In its case-in-chief, Citizens Water initially sought Commission approval to increase its rates and charges to generate additional annual operating revenues of \$37,734,536, representing a 22.01% increase in its pro forma operating revenues. Citizens Water proposed that its requested increase in operating revenues be recovered from customer classes based on the results of a cost-of-service study prepared by Black & Veatch. In addition, Citizens Water proposed to create a new rate for low-income residential customers. The proposed low-income rate would essentially result in a 15% reduction to the water bills of eligible low-income customers. In its rebuttal, Citizens Water revised its proposed increase in pro forma operating revenues to \$36,731,531, representing a 21.43% increase in operating revenues.

5. **Citizens Water’s Direct Evidence.** Mr. Harrison testified that Citizens Water’s request for relief in this case is driven almost entirely by three fundamental facts: (1) the water utility has ongoing capital

needs that must be funded; (2) the debt burden of the water utility continues to increase and is not sustainable; and (3) the instability of the water utility's sales volumes has caused it to substantially under-recover the revenue requirement that was authorized by the Commission in the last rate case.

Mr. Harrison discussed some of the major initiatives Citizens Energy Group and Citizens Water are focused on and highlighted certain recent operational achievements. Among those initiatives, Mr. Harrison said that since Citizens Energy Group acquired the water utility in August 2011, it has provided assistance to thousands of low-income water customers through the Warm Heart Warm Home Foundation. Mr. Harrison said that while expanding the scope of Warm Heart Warm Home has been a positive step, he believes Citizens Water can and should do more to help its low-income water customers. Accordingly, Mr. Harrison said Citizens Water was proposing a discounted rate for eligible low-income customers.

Mr. Harrison testified that Citizens Energy Group would begin contributing additional money available from non-utility revenues to create a special fund that will be available exclusively to assist low-income water utility customers and help them weather crises that might otherwise result in them being disconnected from the water system. Citizens Water proposed that revenues received from telecommunications providers and other parties who lease space on Citizens Energy Group's towers and other facilities, in excess of what is reflected in the test year and used as an offset to the water utility's revenue requirement, be available for that fund to assist low-income customers.

Mr. Brehm sponsored the pro forma revenue requirement for debt service and the pro forma amount of revenue funded extensions and replacements ("E&R"). Mr. Brehm also discussed credit rating matters, flow of funds, and sponsored the pro forma amount of interest income. Mr. Brehm testified that Citizens Water has significant ongoing capital needs that must be funded, but due to the former owner's over-reliance on borrowing prior to the transfer of the water utility to Citizens Water, the utility has exceeded its debt capacity and continued reliance on debt as a baseline component of funding E&R is unsustainable. Mr. Brehm said that in order for Citizens Water to overcome the pervasive negative impact of its excessive debt burden, it needs to break its reliance on debt and begin revenue funding the total amount of its E&R spending. Mr. Brehm said Citizens Water included \$49.5 million in its proposed revenue requirement for E&R.

Dr. Boquist testified regarding Citizens Water's debt capacity and the need to maintain a margin of financial flexibility, and the appropriate funding of capital expenditures. Dr. Boquist testified that Citizens Water should not push borrowing above current levels and would be wise to begin building some financial flexibility into its capital structure. Dr. Boquist said that Citizens Water has far exceeded its debt capacity and should work to lower its debt ratio in order to provide a margin of financial flexibility.

Mr. Willman testified regarding Citizens Water's on-going efforts to operate and maintain a safe and reliable water system for current and future generations. Mr. Willman discussed operational improvements Citizens Water has made since acquiring the water system in 2011. He described how Citizens Water has improved the integrity of the water system in two key areas, source and supply and distribution main replacements. Mr. Willman discussed the need to restructure Citizens Water's rates and charges to increase the amount of revenue collected from fixed charges in order to help stabilize revenue; reduce revenue variability associated with weather, customer conservation, and overall declines in average day demand; and ensure adequate funding is available for necessary system improvements.

Mr. Jacob supported the amount of Citizens Water's proposed E&R revenue requirement. Mr. Jacob testified that given the innovations and efficiencies Citizens Water has implemented since acquiring the system, Citizens Water believes it can invest at the same quantity of E&R annually, but at a lower cost.

Therefore, Citizens Water proposed to reduce E&R spending to \$49.5 million. Mr. Jacob testified that an E&R spending level of \$49.5 million would allow Citizens Water to address the same quantity of infrastructure and maintain or improve performance of the water system.

Ms. Prentice sponsored the proposed annual revenue requirements of Citizens Water. Ms. Prentice also addressed Citizens Water's declining sales volume and resulting revenue shortfall. Ms. Prentice said it is imperative that a regulatory structure be designed and implemented that enables Citizens Water to recover the Commission's approved revenue requirement through rates. To address the revenue shortfall being caused by declining sales volume, Ms. Prentice said that Citizens Water is proposing rate design changes that will result in a higher percentage of revenues being generated through fixed charges.

Mr. Jones sponsored the actuarial study Citizens Energy Group used to determine the annual funding amount for the Grantor Trust that is the source from which Citizens Water makes the payments of postretirement medical benefits for certain grandfathered retirees. Mr. Vincent sponsored the actuarial study used to determine the funding amount for the Citizens Energy Group Retirement Plan, and specifically for Citizens Water.

Ms. Whitney and Mr. Wathen explained the changes that Citizens Energy Group made to its executive compensation program since Citizens Water's last rate case. Ms. Whitney explained why she believes the new executive compensation program is an appropriate response to the Commission's Order in Citizens Water's last rate case. Ms. Whitney testified that the pro forma allocable portion of executive compensation of \$1,478,740 is lower than the pro forma amount included in the proposed revenue requirement in Citizens Water's last rate (Cause No. 44306) by approximately \$860,000. Mr. Wathen said that Towers Watson's analysis indicates the level of Citizens Energy Group's executive compensation is generally competitive with the utility peer group's base salary and target total cash compensation but falls slightly below the market competitive range for target total direct compensation.

Ms. Karner sponsored the test year financial statements for Citizens Water. In addition, Ms. Karner sponsored pro forma adjustments related to certain operating expenses, the test year allocation of Shared Services costs to Citizens Water, and the amount of other income. Ms. Karner described the reason why she believes it is appropriate to discontinue the redistribution of allocations to the Authority in excess of the fixed 10%. Ms. Karner said that if the proposed discontinuation of the CSS redistribution is accepted by the Commission in this Cause, it necessarily would be applied to all of Citizens Energy Group's business units that receive CSS allocation and that are currently included in the redistribution calculation.

Mr. Borchers presented the results of the cost-of-service study filed in this proceeding by Citizens Water and discussed the underlying methodology he used to conduct the cost-of-service study. Mr. Borchers also explained Citizens Water's proposed design of rates and charges. Citizens Water provided Black & Veatch with several primary objectives to achieve during the rate design portion of the study. One of those objectives was to design rates to recover 35% of each class' cost-of-service from revenue generated through the Monthly Service Charge. Citizens Water also directed Black & Veatch to determine a low-income Residential rate that provides a 15% bill reduction from the Residential rates and charges derived from the cost-of-service study.

Mr. Kilpatrick sponsored Citizens Water's proposed Terms and Conditions for Water Service, Rate Schedules and Appendices. Mr. Kilpatrick described each of the proposed changes to Citizens Water's Terms and Conditions for Water Service and rate schedules, including Citizens Water's proposed low-income rate. Mr. Kilpatrick also described certain operation synergies that have been achieved by Citizens Energy Group since the acquisition of the water and wastewater systems. Finally, Mr. Kilpatrick described the proposed true-

up process for the debt service costs in the event the principal amount of the bonds, the financing term or the actual interest rate on the bonds vary from the estimated terms used in developing debt service costs reflected in Citizens Water's case-in-chief.

6. **OUC's Direct Evidence.** Mr. Bell provided a high level discussion of the effect on Sale-For-Resale and Irrigation customers that results from Citizens Water's cost of service study and proposed rate design. Mr. Bell testified that while Citizens Water proposed to cap the increase to Sale-For-Resale and Irrigation customers at 45%, there is still a considerable increase for the end-use customers in these two classes. Mr. Bell explained that the only way to further mitigate this significant increase in Citizens Water's cost of service proposal would be to increase the subsidy paid by Citizens Water's other customer classes, with the largest portion reallocated to Citizens Water's largest class, its residential customers. Mr. Bell recommended that Citizens Water should, in its next rate case, investigate ways that could minimize the rate increase to these affected classes.

Mr. Bell also discussed Citizens Water's proposed E&R revenue requirement. Mr. Bell said that although he believes there is a need for Citizens Water to make \$49.5 million in annual capital improvements, he did not believe all capital improvements should be funded 100% by its E&R revenue requirement. Mr. Bell testified that because of Citizens Water's decision to forego the benefits of bond funding at least some of its improvements, Citizens Water proposes to build less total plant but at greater cost to today's ratepayers. Mr. Bell recommended Citizens Water continue to debt fund 25% of its capital improvements.

In addition, Mr. Bell recommended that Citizens Water provide additional detail in future rate cases regarding capital projects whose costs make up the E&R revenue requirement or that will be funded by debt. Mr. Bell said that Citizens Water should provide the following in its case-in-chief: a detailed description of the project, including a concise need statement and the alternatives considered, the project estimate class as defined in Citizens Water's Attachment MCJ-5, an explanation of how the estimated project cost was determined and supporting cost documentation (including design, material, construction, and inspection costs), and any engineering reports or other studies related to the specific project.

Mr. Bell also discussed Citizens Water's non-revenue water ("NRW") and the actions it has taken to address the loss of approximately 8.2 billion gallons of water in 2014. Mr. Bell recommended that Citizens Water continue its NRW Initiative and develop a NRW Program consistent with the analysis and recommendations of its NRW consultant, Cavanaugh and Associates. Mr. Bell further recommended Citizens Water be directed to provide to the Commission and the OUC with annual NRW status reports, describing the issues addressed, actions taken, progress made, and money saved. Mr. Bell also provided testimony regarding his concerns relating to Citizens Water's affiliation with Citizens of South Madison, LLC, a for-profit limited liability company that is owned by Citizens Energy Services Company, LLC, which in turn is owned by Citizens Resources, which is ultimately owned by Energy Group.

Ms. Stull presented the overall results of the OUC's analysis of Citizens Water's proposed rate increase of 22.01%. Ms. Stull said that the OUC's analysis yields a proposed rate increase of 11.78%. Ms. Stull recommended the following adjustments to Citizens Water's revenue requirements: (1) rejection of Citizen Water's proposed revenue billing exceptions adjustment; (2) a decrease to test year insurance expense in the amount of \$195,651 to reflect the average recurring level of injury and damage costs; (3) an increase to test year bad debt expense in the amount of \$94,035 to reflect current bad debt experience related to present rate revenues, and an increase of \$229,149 in bad debt expense related to the proposed rate increase; (4) an increase to test year miscellaneous expense in the amount of \$9,531 to reflect pro forma level of groundwater protection fund fees; (5) a decrease to test year miscellaneous expense in the amount of \$153,821 to reflect the

pro forma level of bank fees; (6) an increase to test year utility receipts tax in the amount of \$32,506 to reflect the effective utility receipts tax rate related to present rate revenues and an increase of \$277,888 related to the proposed rate increase; and (7) additional revenue requirement offsets associated with construction advances reclassified as contributions-in-aid of construction and certain other customer advances totaling \$1,355,188.

Ms. Stull testified that Citizens Water's discussion of its proposed revenue adjustments was more comprehensive than it was in Cause No. 44306; however, aspects of Citizens Water's proposed revenue adjustments were vague and confusing. Particularly, Ms. Stull states that Citizens Water's presentation of revenue adjustments in LSP-1 continues to combine several revenue adjustments together, without complete identification and explanation in testimony. Ms. Stull also recommended that the Commission require Citizens Water to report its operating expenses by category, particularly its salary and wage expense, employee benefits expense, and payroll taxes. Ms. Stull recommended the Commission order Citizens Water to re-file all IURC annual reports where its operating expenses were not so reported.

Mr. Foster testified regarding the OUCC's pro forma adjustment to salaries and wage expense. Mr. Foster said that Citizens Water's pro forma salaries and wages expense as of January 31, 2015, does not contain the most recent information available. In addition, Mr. Foster said that the disparity between the percentage of short term incentive plan ("STIP") expense applied to the salaries of Citizens Energy Group's executive and non-executive employees is disproportionately high for executives. Mr. Foster made reference to the Commission's findings in Cause No. 44306, in which the Commission said that Citizens Energy Group should eliminate the disparity of STIP percentages between the executive level and non-executives. By updating base pay, new hires as of August 12, 2015, and adjusting Citizens Energy Group's STIP expense, Mr. Foster recommended a reduction from test year salaries and wages expense of \$1,290,878. Mr. Foster offered the publically available employee compensation data for one of the municipal/public utilities included in Citizens Water's executive compensation comparison group, Sacramento Municipal Utility District, for 2012 and 2013. Mr. Foster recommended that Citizens Water prepare an executive compensation study based on a peer group that consists of only municipal utilities.

Mr. Foster also discussed Citizens Water's proposed rate for low-income customers and Citizens Water's proposal to establish a special fund for low-income water customer assistance. Mr. Foster testified that Citizens Water's proposal to create a rate for low-income water customers is different from the Universal Service Program ("USP") for Citizens Gas because, among other things, the total program costs for the Gas USP are funded 75% by ratepayers and 25% by Citizens Gas, and in this case, Citizens Water has not proposed to provide any funds that would mitigate the subsidy paid by its other ratepayers. Mr. Foster recommended that, because it results in subsidization and is based on unsupported enrollment assumptions and an incomplete showing as to any effect on its bad debt expense, revenues, or operating expenses, Citizens Water's proposed low-income rate should be denied. Mr. Foster testified that Citizens Water's proposal to create a special fund for low-income bill assistance is a more fair and equitable way of assisting low-income water customers, and therefore, he recommended it should be approved, subject to certain modifications. Mr. Foster recommended modifications to Citizens Water's proposed low-income bill assistance fund, including that Citizens Water should introduce a voluntary customer contribution component to the special bill assistance fund (e.g. a bill "round-up" program) and that Citizens Energy Group match each customer donation using non-utility revenue, which would not otherwise be used to offset its water rates.

In addition, Mr. Foster recommended a modification to Citizens Water's Terms and Conditions for Water Service to provide specificity to the time frame in which a customer's deposit is returned. Mr. Foster proposed Rule 4.4 of Citizens Water's Terms and Conditions be modified to include the italicized language below:

4.4 Deposits Applied to Bill. Upon discontinuance of Utility Services, the deposit and earned interest, if any, will be applied to the balance of any outstanding Utility Services bills or unbilled consumption. The remaining unapplied portion, if any, of the deposit and earned interest will be refunded to the Customer *within 30 days of the final read.*

Mr. Corey sponsored adjustments to several expense amounts proposed by Citizens Water. Mr. Corey recommended that test year rate case expense be increased by \$217,105, test year purchased power expense be decreased by \$230,356, and test year purchased chemical expense be decreased by \$117,023.

Mr. Corey proposed an adjustment to Citizens Water's proposed rate case expense for two reasons; first, Citizens Water overstated fees for OUCC consultants by including the same \$70,000 fees twice; and second, Mr. Corey said that Citizens Water incorrectly calculated the amount of unamortized rate case expense from Cause No. 44306. Mr. Corey said that in calculating its pro forma purchase power expense, Citizens Water started with its test year purchased power cost for all providers and then added the estimated increase in Indianapolis Power & Light ("IPL") test year purchase power expense that may occur if the various rate category increases requested by IPL in its current rate case, Cause No. 44576, are granted as originally filed. Mr. Corey said that any possible increase in rates IPL may have proposed is not fixed, known, and measurable and not a proper basis to set pro forma purchased power expense in this Cause. Mr. Corey's proposed chemical expense adjustment related to savings achieved as a result of changing the primary coagulant used in the drinking water treatment process from alum to polyaluminum chloride ("PACL"). Mr. Corey testified that the OUCC accepted Citizens Water's proposed adjustments relating to company use water, property tax expense, and allocated costs from Corporate Support Services and Shared Field Services.

Mr. Mierzwa testified for the OUCC on the class cost-of-service study and rate design proposals included in Citizens Water's case-in-chief. While Mr. Mierzwa testified the class cost-of-service study presented by Mr. Borchers was generally reasonable, he recommended one modification to the study. Mr. Mierzwa said that the study allocates the costs associated with mains with diameters sized 12 inches or greater to all customers, and the costs associated with mains sized less than 12 inches to all classes, except for the Industrial and Sales-for-Resale classes. In his view, this allocation is unreasonable as a significant portion of Industrial customers are served by mains with diameters less than 12 inches. Therefore, Mr. Mierzwa testified Industrial customers should not be excluded from an allocation of mains sized less than 12 inches in diameter. Mr. Mierzwa also recommended that Citizens Water consider using actual maximum day and maximum hour data to determine capacity factors for the Sales-for-Resale class in its next rate case.

Mr. Mierzwa testified that adjusting Citizens Water's class cost-of-service study to reflect his proposed modifications to the allocation of mains would increase the cost-of-service to the Industrial and Sale-For-Resale customer classes. Mr. Mierzwa recommended that Industrial class rates be increased by 45% rather than the 39% proposed by Citizens Water, which would be consistent with the increases proposed by Citizens Water for the Sale-For-Resale and Irrigation classes. Mr. Mierzwa recommended that the Commission reject Citizens Water's proposal to recover 35% of revenues from each class through monthly service charges on the grounds that the proposal violates the principle of gradualism, is contrary to effective conservation efforts, and is inconsistent with efficient competitive pricing, which should govern the setting of utility rates.

Mr. Mierzwa testified that rejecting Citizens Water's proposal to recover 35% of fixed charges through monthly service charges would render Citizens Water's proposal to establish a low-volume Residential charge unnecessary. He recommended that Citizens Water examine inclining block and seasonal rates to evaluate whether these rate structures could delay or reduce future expansion-related capital and operational

expenditures in its next base rate case proceeding.

Mr. Kaufman testified regarding the proportion of capital expenditures Citizens Water should be permitted to include in its revenue requirements. Mr. Kaufman said that Citizens Water proposed to recover 100% of its projected spending on capital projects (\$99 million over two years) through its E&R revenue requirement, which is \$49,500,000 per year. Mr. Kaufman said that funding a portion of Citizens Water's planned capital expenditures with debt is more reasonable and more equitable. Mr. Kaufman said the use of some debt will reduce Citizens Water's proposed rate increase and avoid unnecessarily burdening today's ratepayers to pay for plant additions that also will be used to serve subsequent generations. Mr. Kaufman explained that Citizens Water's financial condition has not so deteriorated since its last rate case to justify a further increase to the proportion of rate funded capital projects.

Mr. Kaufman recommended that \$37,125,000 be used for Citizens Water's annual E&R revenue requirement, a reduction of approximately \$12 million from Citizens Water's proposal. Under the OUCC's proposal, Mr. Kaufman said that Citizens Water would issue debt of \$24,750,000 (excluding debt service reserve and issuance costs). Mr. Kaufman testified that the increase in total debt and annual debt service is relatively small; however, the reduction to the increase on customer's bills is significant. Under the OUCC's proposal, which would limit the cash component of Citizens Water's rates to 75% of the capital plan, Mr. Kaufman explained that Citizens Water's proposed rate increase would be reduced to 15.62% from 22.01%. The OUCC's proposal would allow Citizens Water to fund its capital projects at the same ratio the Commission used in Citizens Water's last rate case where 75% of capital projects were funded through an E&R revenue requirement and 25% were funded through debt. Mr. Kaufman testified that E&R and capital improvements are not synonymous. Mr. Kaufman said that not all capital expenditures should be considered E&R as that term is used in Indiana regulation. Mr. Kaufman testified that Citizens Water's proposed reservoir is an example of a capital project that should be funded by debt and is not E&R. In addition, Mr. Kaufman recommended certain reporting requirements to the extent Citizens Water's custodial agent spends any of the funds from Citizens Water's debt service reserve for any reason other than to make the last payment on its respective debt issuance.

Mr. Kaufman also recommended that certain reporting requirements be put in place regarding Citizens Water's proposed debt issuances. Mr. Kaufman recommended that any funds collected in rates prior to the respective debt being issued should be used to offset the amount of debt issued. Next, Mr. Kaufman proposed that within 30 days of closing on any long-term debt issuance, Citizens Water should file a report with the Commission and serve a copy on the OUCC explaining the terms and purpose of the new loan, the amount of debt service reserve, and the offset to total principal. Mr. Kaufman said that because the precise interest rate and annual debt service will not be known until the debt is issued, Citizens Water's rates should be trued-up to reflect the actual interest rates. Mr. Kaufman recommended that Citizens Water have the right to decline to impose an increase in rates if such increase in Citizen Water's estimation is immaterial. Likewise, Mr. Kaufman recommended the OUCC be entrusted to decide that no decrease in rates need be imposed if it determines any such decrease would be immaterial. In either event, the Commission could order Citizens Water to file revised rates notwithstanding either the OUCC's or Citizens Water's determination that a change is immaterial.

Finally, Mr. Kaufman responded to Citizens Water's testimony regarding Citizens Energy Group's negative savings that occurred from the acquisition in Cause No. 43936, testifying that Mr. Kilpatrick's testimony raises more questions than it answers.

7. **Industrial Group's Direct Evidence.** Mr. Gorman addressed the level of Citizens Water's claimed revenue deficiency, E&R funding mix between sales revenue and utility debt, the cost-of-service study Citizens Water used to spread the proposed revenue deficiency across its rate classes, and several other adjustments including the level of pro forma sales and main breaks.

With respect to cost-of-service, Mr. Gorman testified that Citizens Water's class cost of service study uses customer class base and extra capacity allocation factors that do not reasonably reflect the peak load characteristics of the customer classes because it relies on data collected during an abnormal test year. Mr. Gorman explained that the Company's use of 2014 load to measure these capacity factors is flawed because 2014 was a wet and mild temperature year, meaning that the extra capacity demands derived from that year's data were below average and not reliable. For this reason, Mr. Gorman recommended using the customer class base and extra capacity allocation factors that the Indianapolis Department of Waterworks used in Cause No. 43645.

In response to Citizens Water's claimed revenue deficiency of \$37.7 million, Mr. Gorman proposed several adjustments which resulted in an adjusted deficiency of \$23.6 million. These adjustments included a \$10.2 million adjustment for E&R funding, a \$3.1 million adjustment for test year sales, a \$0.5 million adjustment for incentive compensation, and a \$0.3 million adjustment for main breaks.

Mr. Gorman testified that in order to mitigate the impact of the rate increase on customers, the Commission should continue the E&R funding mix of 75% sales revenue and 25% utility debt that the Commission approved in Citizens Water's last rate case. Mr. Gorman explained that the Commission-approved E&R funding plan has mitigated costs on Citizens Water's customers to fund the E&R programs by reducing the total revenue requirement needed to fund those improvements and by spreading recovery of the cost of the long-lived assets over the life of the assets and generations of ratepayers who will benefit from them. Mr. Gorman further testified that market evidence shows that Citizens Water has maintained a strong credit standing and access to debt capital. Mr. Gorman also testified that the reason Citizens Water did not earn the 1.6x DSC ratio approved by the Commission in the last rate case was in large part caused by Citizens Water overstating sales volumes when it designed its rates. Based on these considerations, Mr. Gorman ultimately recommended against adopting Citizens Water's proposal to switch to 100% rate revenue funding of the E&R revenue requirement because it would be very expensive and likely not benefit customers in the form of improving Citizens Water's credit standing and access to capital or improving Citizens Water's overleveraged balance sheet.

On the issue of pro forma sales levels, Mr. Gorman testified that Citizens Water's sales volumes for fiscal year 2014 were below normal based on Citizens Water's own statements. He therefore recommended rejecting Citizens Water's proposed 1,196,572 CCF pro forma adjustment to sales levels. Because of the migration of customers across rate classes complicating the ability to do a normalization adjustment, he instead recommended using actual billing units for calendar year 2014 as a pro forma level of sales for setting Citizens Water's rates in this case. He said that this is a conservative approach, given the lower than normal sales volumes in 2014.

Mr. Gorman disagreed with Citizens Water's proposal to use 100% of the target payout level for STIP in the cost-of-service. In Mr. Gorman's opinion, the most current experience in 2014, which reflected an average payout of less than 75%, should be used. Accordingly, he recommended using a 75% STIP payout, which reduced the proposed revenue requirement by \$452,000. Mr. Gorman also recommended an adjustment to main break expense to adjust for the higher than average level of main break expense that occurred during the test year as the result of the polar vortex.

Mr. Gorman generally supported Mr. Borchers's class cost-of-service study; however, he said that because 2014 was a wet year, the customer class extra capacity demands the Residential customer class and irrigation class placed on the system were understated and, therefore, the class capacity factors should be corrected. He testified that water utility infrastructure is generally designed to be able to meet the demands of firm customers even when the class demands are increased due to dry and warm weather conditions. Citing to the American Water Works Association ("AWWA") water rate manual, Mr. Gorman testified that standard practice for water cost of service studies is to develop base and extra capacity factors based on customer load characteristics during high demand periods. Years that contain curtailments should also be excluded, because in such years, peak class demands that are driven by discretionary uses such as lawn irrigation, pools, summer recreational uses, and car washing are limited by curtailments.

Mr. Gorman testified that accurate customer class base and extra capacity allocation factors reflecting a dry and hot year or at least an above average demand year could not be produced because Citizens Water's billing data for its classes does not have the detail needed to measure capacity factors across rate classes. He said that this was further complicated by the fact that fiscal year 2012 contained curtailments. As a result, Mr. Gorman recommended the continued use of the base and extra capacity factors used by the Indianapolis Water system in Cause No. 43645.

Mr. Gorman further testified that bad debt expense should be shared equally across all rate classes, and therefore recommended maintaining the allocation of bad debt expense based on customer accounts, rather than total cost of service. With this adjustment and the revised capacity factors, he recommended spreading the amount of the revenue deficiency based on his class cost-of-service study shown on his Exhibit MPG-19.

8. PBM Group's Direct Evidence. Mr. Callahan reviewed the actual billings of Citizens Water to the PBM Group during calendar year 2014 and calculated the impact of the proposed rate increase as presented in Citizens Water's cost-of-service study. He testified that a substantial cause of the percentage increases he identified was the proposed shifting of cost from the volumetric charges to the fixed base charges.

Mr. Kalcic reviewed the cost-of-service study, class revenue allocation and rate design proposals sponsored by Citizens Water and offered some alternative proposals. Mr. Kalcic recommended that the Commission reject Citizens Water's class cost-of-service study and proposed revenue allocation; adopt PBM's recommended class revenue allocation, which includes a uniform increase to all of Citizens Water's rate classes; reject Citizens Water's proposal to recover 35% of the sale for resale class revenue requirement through fixed service charges; and adopt PBM's recommended rate design, which would maintain Citizens Water's existing rate structure for the sale for resale customer class.

Mr. Miller indicated his concern that the proposed rate increase and service charge increases are excessive and the proposed Residential-Low Income discounted rate is inequitable. Mr. Miller also requested that if Citizens Water is granted any of its requested rate relief that Morgan County be granted simultaneous rate relief for any increase in Morgan County's costs resulting from the Commission granting Citizens Water a rate increase.

9. Whitestown Evidence. Mr. Heid testified that the final cost of service and rate design in Citizens Water's preceding rate case, Cause No. 44306, was a non-precedential Settlement Agreement. Therefore, the present rate structure of uniform rates for the Residential and Irrigation customer classes and semi-uniform rates for Commercial and Multi-Family customer classes are the result of the non-precedential

Settlement Agreement and should not be presumed as precedent or the appropriate starting point for rate design in the instant proceeding.

Mr. Heid raised a number of concerns with respect to Ms. Prentice's and Mr. Borchers's testimony and exhibits. For example, Mr. Heid said that Mr. Borchers's cost of service study failed to functionalize certain mains as customer-related and instead classified all mains as either Base- or Extra Capacity-related. Mr. Heid testified that distribution mains 2-inches and smaller in diameter should be classified as customer-related and assigned directly to the customer cost function. Mr. Heid explained that the theory supporting this classification is that in order for a utility to serve even the smallest customer, it would have to install a minimum size system. Therefore, the costs associated with the minimum system are related to the number of customers that are served, instead of the demand imposed by the customers on the system. The rationale is that investment in mains is a function of length, which is a function of number of customers, and size or diameter, which is a function of capacity demands. Mr. Heid also explained that Citizens Water's proposed Service Charge does not fairly and equitably treat compound meters. Compound meters may have two registers, but it is a single meter. Thus, it is inappropriate for Citizens Water to apply two Service Charges to a compound meter.

As a result of those concerns, Mr. Heid recommended that the Commission should reject Citizens Water's proposed Service Charge methodology that includes the Capacity Cost-based component. He also recommended that (1) the Commission adopt his suggested revisions to the Black & Veatch cost-of-service study before the study is used for rate design; (2) the Commission reject Citizens Water's proposal to move all customer classes toward uniform rates and instead suggested that all volumetric rates be adjusted on an across-the-board percentage basis; (3) the Commission approve uniform rates for Citizens Water's Residential and Irrigation classes; (4) non-Service Charge revenue be distributed across-the-board to the Commercial, Industrial, and Sale-For-Resale customer classes based on the present block rates, which were approved in Cause No. 43645; (5) the Commission order Citizens Water to develop demand rates using SCADA data of each Sale-For-Resale customer where that data exists; and (6) the Commission order Citizens Water to initiate action on the Metering and Connection Agreement with Whitestown to arrive at an alternative rate structure, as well as the use of add-on consumption.

10. Service Advisory Board Evidence. Mr. George testified that the SAB was concerned the proposed 15% reduction for low income customers will produce different rates for different areas of the service territory. Mr. George recommended the Commission deny the proposed low-income rate as being counter to the uniform rates Citizens Water agreed to offer out-of-County customers in Cause No. 43936.

Mr. Goings, Noblesville's SAB representative, testified that the SAB was concerned that Citizens Water's proposal to cap E&R expenditures to water revenues and curtail short-term borrowing was tantamount to capital rationing in the suburbs. Mr. Goings further testified that the proposed increase to the Monthly Service Charge seems like backsliding on the conservation effort that the SAB supported.

11. Citizens Water's Rebuttal Evidence. Mr. Harrison testified that the amounts proposed by the OUCC and Industrial Group for the E&R revenue requirement would be a step in the wrong direction compared to the amount included in Citizens Water's revenue requirement for E&R in its last rate case. Mr. Harrison said that in Cause No. 44306, the Commission approved a revenue requirement based on a pro forma test year that reflected \$42 million of revenue funding for E&R. In this case, the OUCC and Industrial Group proposed reducing that amount to \$37.1 million and \$38.2 million, respectively.

Mr. Brehm testified that Citizens Water has too much debt and cannot solve this problem by debt funding a portion of its annual E&R spending requirement as a baseline component of determining revenue

requirements. Mr. Brehm said that a baseline plan of funding the entire annual E&R investment requirement with revenues is the right thing for Citizens Water. Mr. Brehm testified that a practical requirement of achieving financial flexibility is that the debt service coverage ratio must be targeted at a meaningful margin of safety above the bare minimum debt service coverage requirements of the bond indenture to provide the water system a hedge against contingencies, including variations in future consumption levels. Mr. Brehm testified that a 1.60 debt service coverage ratio target for Citizens Water does not provide an adequate hedge to enable Citizens Water to raise necessary new long-term debt on reasonable terms at all times.

Mr. Willman responded to Mr. Bell's recommendations regarding NRW. Mr. Willman testified that in 2015, Citizens Water included an update on its NRW efforts in the Citizens Water Wise Plan Activities Report, which is a compliance filing made annually pursuant to the Order in Cause No. 44240. Mr. Willman said that Citizens Water plans to include similar NRW updates in future reports. Therefore, Mr. Willman recommended that any additional requirements regarding NRW reporting are unnecessary and should not be imposed.

Mr. Willman said that Mr. Corey's proposed adjustment to chemical expense should be rejected because the projected savings of \$210,000 are not fixed, known, and measurable at this time. Mr. Willman said that while he was hopeful that the PACL conversion ultimately will result in future savings, it remains to be seen whether those savings will materialize due to the recent nature of the conversion.

Mr. Jacob testified that the OUCC's recommendation to fund 25% of E&R spending through debt would mean the revenue funded portion of the E&R revenue requirement would be approximately \$37 million, which is \$5 million less than the \$42 million Citizens Water was authorized to recover through its E&R revenue requirement in Cause No. 44306. Mr. Jacob also responded to Mr. Bell's recommendations that additional information regarding E&R projects be provided in Citizens Water's next rate case. Mr. Jacob testified that in this case, Citizens Water attempted to providing sufficiently detailed information, while maintaining the confidentiality of certain information and avoiding attempting to provide a manageable level of information for each project. Mr. Jacob said that a one or two sentence statement as to the need for each project could be provided in Citizens Water's next rate case. In addition, Mr. Jacob said that Citizens Water could provide the latest engineering report to the OUCC in discovery to the extent such reports have been prepared.

Ms. Prentice testified that after reviewing the OUCC's and Industrial Group's recommendations, Citizens Water made adjustments resulting in a \$1,003,005 reduction in Citizens Water's requested revenue requirement increase, bringing it to \$36,731,531. Ms. Prentice disagreed with Mr. Mierzwa's opinion that Citizens Water's proposal to increase fixed cost recovery violates the regulatory principle of gradualism and is contrary to effective conservation efforts. In her view, the percent increase or decrease in each Service Charge and Volumetric Rate bears no relationship to the impact customers will actually experience in their total bill and rate design is just one of many drivers that contribute to conservation and reduced customer usage. Ms. Prentice also responded to Mr. Heid's criticisms regarding the application of the Service Charge to each register of a compound meter. Prior to Citizens Water's acquisition of the water utility assets, Indianapolis applied Service Charges to each register of a compound meter. Citizens Water simply has continued that practice. Ms. Prentice said that if this practice were to change, it would be necessary for Mr. Borchers to recalculate his proposed Service Charges to reflect a lower number of billing instances.

Ms. Whitney testified that in her opinion, Citizens Energy Group executives should have more of their compensation at risk (*i.e.*, tied to incentives) as contrasted with non-executives, because executives have greater responsibility and accountability for meeting the metrics in the STIP than do other employees. Accordingly, Ms. Whitney testified that Citizens Water should not be forced to implement a single STIP percentage for every employee regardless of that employee's responsibilities or duties. Ms. Whitney, therefore,

recommended that Mr. Foster's proposed STIP adjustment be rejected. Ms. Whitney also testified that Mr. Foster's recommendation that Citizens Water be required to complete an executive compensation study including a peer group of only municipal utilities should be rejected. Ms. Whitney said that, by statute, Citizens Water's Board has the power to "fix the compensation of all such employees" and the Board did so for its executive team by using a market peer group that it considers to be appropriate and necessary so as to attract, retain, and motivate executive talent with the capabilities to manage the complex utility systems under the Board's control. Ms. Whitney said that Mr. Foster's comparison of Citizens Energy Group's executive compensation to that of Sacramento Municipal Utility District ("SMUD") was misleading in that it compares total compensation for certain positions at SMUD to total compensation for Citizens Energy Group executives, when only a percentage of their compensation is allocated to the Citizens Water revenue requirement in this rate case. Ms. Whitney said that the total allocation to Citizens Water for the top 17 positions is \$1,802,043, or 57% less than SMUD's executives.

Ms. Whitney said that Mr. Gorman's proposal to cap the STIP payout at 75% should be rejected. She testified that the expected level of performance of all employees is to reach the target (100%) of each measure in the STIP matrix. To provide a lesser payout value of STIP in rates would indicate that the Commission's expectation is for Citizens Water's employees to perform at only 75% of customer expectations. Further, in all prior cases, a 100% STIP payout has been approved. Ms. Whitney said that while the payout percentage was 75.83% for water employees in 2014, the average over the past three years has been 103.61%.

Mr. Wathen testified that if the Board of Directors were to implement Mr. Foster's recommendation to base executive compensation on a peer group of only municipal utilities then it could have potential negative ramifications for Citizens Energy Group's ability to attract, retain, and motivate executive talent. Mr. Wathen said that Citizens Energy Group has recruited executive talent from investor-owned utilities and that it is appropriate for the Board of Directors to include investor-owned utilities in the peer group used for assessing executive compensation. Mr. Wathen said that in his experience, many larger municipal/public power utilities also consider a broader competitive market for executive talent, which is inclusive of investor-owned utilities. He also explained that a flat STIP structure is counter to competitive utility peer practices at both large municipal/public power utilities and investor owned utilities and decreasing the STIP target would result in target STIP opportunities well below market competitive levels.

Ms. Karner recommended that the Commission approve the test year amount of \$6,775,145 as a reasonable representation of total pro forma purchased power expenses, in the absence of an Order establishing the actual amount of the rate increase for IPL. Ms. Karner also agreed that Mr. Gorman's proposed main break adjustment reduces the elevated number of main breaks and associated repair costs in the test year to an average more typical of historic experience and that the OUCC's proposed adjustment to groundwater protection fees was reasonable. Ms. Karner accepted the OUCC's proposed revenue requirement offset for cash contributions in aid of construction.

Mr. Borchers responded to the cost-of-service study and rate design evidence submitted by Messrs. Heid, Mierzwa, Kalcic, and Gorman. On the issue of the capacity factor analysis, Mr. Borchers testified Citizens Water had updated the capacity factor analysis in accordance with the methodology outlined in Appendix A of the AWWA M-1 Manual and the Commission's Order in Cause No. 43645. In Mr. Borchers' opinion, the capacity factor results in this Cause are reasonable for cost-of-service ratemaking purposes and should be approved by the Commission. Mr. Borchers also said that in his opinion Citizens Water's proposed rate design is consistent with the development of industry-standard water rates and charges. He listed numerous rate design principles outlined in AWWA Manual M-1 to support Citizens Water's proposed rate design.

Mr. Kilpatrick also responded to the OUCC's criticisms of the proposed low-income rate. Mr. Kilpatrick said that a program, like that suggested by Mr. Foster, already exists in the form of the Warm Heart Warm Home program. Mr. Kilpatrick testified that Citizens Energy Group currently collects voluntary contributions from its customers, employees, and corporate partners through the Warm Heart Warm Home Foundation. Customers are able to round-up each of their bills or make specific contributions. Citizens Energy Group matches donations up to \$50,000. Accordingly, Mr. Kilpatrick said that the OUCC's recommendation would not result in any additional funds being generated to help low-income customers.

12. Settlement Agreement. On December 23, 2015, the parties filed a Settlement Agreement resolving each of the issues raised in the Verified Petition and Citizens Water's pre-filed testimony and exhibits and certain issues raised in the evidence filed by the other parties.

A. Base Rate Relief. The parties agreed that Citizens Water's total pro forma operating revenues at present rates are \$173,250,000. The parties further agreed that Citizens Water's pro forma operating revenues should be increased by \$27,838,055 in arriving at the total net operating revenues at proposed rates of \$201,088,055, representing an overall 16.07% increase in annual operating revenues as summarized below.

Operation and Maintenance Expense (incl. taxes)	\$88,465,302
Extensions and Replacements	\$42,500,000
Debt Service	<u>\$76,212,508</u>
Total Revenue Requirement	\$207,177,810
Less: Other Income, net	(\$1,929,120)
Tri-County Conservancy	(\$97,680)
Carmel Note	(\$1,072,033)
Contributions to CIAC	(\$132,493)
System Development Charges	<u>(\$3,551,596)</u>
Total Offsets to Revenue Requirement	<u>(\$6,782,922)</u>
Plus: Utility Receipts Tax (1.37% of increase)	\$381,381
Incremental Net-Write-Off Costs	<u>\$311,786</u>
Net Revenue Requirement	\$201,088,055
Less: Revenues at Current Rates Subject to Increase	\$170,985,115
Other Operating Revenues	2,264,885
Net Revenue Increase Required	\$27,838,055
Overall Percent Increase Required	16.07%

B. Revenue Allocation and Cost-of-Service. The parties agreed that rates and charges for water service provided by Citizens Water to its customers should be designed to allocate the approved revenue requirement among the classes of Citizens Water's customers in a fair and reasonable manner consistent with general cost-causation principles. The parties agreed Citizens Water's overall revenue requirement should be allocated to Citizens Water's customer classes according to the table below:

	Agreed Allocation Percentage	Increase Based on Allocation Percentage	Revenue Under Existing Rates	Revenue Under Proposed Rates	Percent Increase to Existing Rates
Residential	52.27%	\$14,550,951	\$97,398,150	\$111,949,101	14.94%
Multi Family	7.93%	\$2,207,558	\$14,776,316	\$16,983,874	14.94%
Commercial	27.96%	\$7,783,520	\$43,537,781	\$51,321,301	17.88%
Industrial	6.24%	\$1,737,095	\$8,556,527	\$10,293,622	20.30%
Sale for Resale	1.66%	\$462,112	\$1,887,743	\$2,349,855	24.48%
Irrigation	2.25%	\$626,356	\$2,554,770	\$3,181,126	24.52%
Private Fire	1.69%	\$470,463	\$2,273,828	\$2,744,291	20.69%
Total	100.00%	\$27,838,055	\$170,985,115	\$198,823,170	16.28%
Plus: Other Operating Revenue			\$2,264,885	\$2,264,885	
Total Operating Revenue			\$173,250,000	\$201,088,055	16.07%

C. Revenue Allocation and Cost-of-service in Next Rate Case. Prior to its next general rate case, Citizens Water agrees to investigate and collaborate with the other parties regarding the scope, effort, and cost related to conducting a load research-based direct demand study for determining future customer class capacity factors. The Settlement Agreement sets forth certain elements that the investigation should include. Citizens Water agreed to discuss the results of the investigation with the parties prior to its next base rate proceeding and no later than 18 months after the entry of the Final Order in this Cause.

In addition, prior to its next general rate case, Citizens Water agreed to perform a customer class demand study using multiple years of monthly billing and system demand data to identify class peak demand capacity factors. Citizens Water also agrees to discuss with the parties the customer class demand study and the monthly billing and system demand data used to perform the study, including the data used in the selection of a year that is most representative of historical peak system demand, including certain data specified in the Settlement Agreement.

D. Rate Design. The parties agreed in the Settlement Agreement that the percentages of fixed revenue to be recovered from the Monthly Service Charges for each customer class should be as follows: Residential 27%, Multi Family 20%, Commercial 35%, Industrial 35%, Sale for Resale 5%, Private Fire 100% and Irrigation 30%. The parties agreed the Volumetric Charge for each class should be designed to recover the difference between the amount of Citizens Water's agreed revenue requirement allocated to each class by agreement of the parties and the amount of revenue recovered under the Monthly Service Charge. The parties further agreed the Volumetric Charge for the Sale-For-Resale class would continue to be designed on the basis of its existing declining block rate structure. In addition, for customers with a compound meter, the parties agreed the Monthly Service Charge will be designed and billed on the basis of the largest size register only. Agreed-upon rate schedules for each rate class setting forth the Monthly Service Charges and Volumetric Charges determined in the manner described above were attached to the Settlement Agreement as Joint Exhibit 3.

E. Additional Terms.

1. Non-Revenue Water Updates. Citizens Water agreed to include an NRW update in its annual compliance filing in Cause No. 44240 related to the Citizens Water Wise Plan. The first update will be for the 2016 calendar year and will describe the issues addressed, actions taken, and progress made as a result of the implementation of the NRW Program described in Mr. Willman's rebuttal testimony.

2. Required Information for Capital Projects. In future rate cases, Citizens Water agreed that for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenue or debt, Citizens Water will provide the following in its case-in-chief, in a spreadsheet format: (1) project name; (2) project number; (3) a brief description of the project; (4) a brief explanation of the need for the project; (5) a brief description of alternatives considered, if applicable; (6) estimated project start date; (7) estimated completion date; and (8) the total project cost estimate class.

In addition, Citizens Water will be prepared to provide in discovery or otherwise upon request, in a spreadsheet format that references attachments, as applicable: (1) project name; (2) project number; (3) a brief description of the project; (4) estimated project start date; (5) estimated completion date; (6) the project cost estimate class; (7) estimated total project cost (including soft costs), which will be provided confidentially; (8) amount of project cost included in revenue requirement; (9) a brief explanation of how the estimated total project cost was determined; and (10) an identification of the most recently completed engineering report or study related to the need for a specific project that will be provided as outlined below, to the extent such a report or study was developed for the particular projects.

The Settlement Agreement provides that due to the nature or repetitiveness of certain projects, engineering reports explaining the need for these specific projects may not have been developed. To the extent the OUCC has asked for copies or access to reports or studies that exist and are voluminous or difficult to access, Citizens Water will communicate that fact as soon as possible so the parties may work together to find reasonable solutions to avoid unnecessary burden to Citizens Water, while affording reasonable access without undue delay.

3. Debt Service True-up. Citizens Water agreed to file with the Commission a true-up report and revised rate schedules within 30 days of the debt issuance contemplated as a part of this rate case that provides the following details: (1) the terms of the debt issuance, including whether there is a debt service reserve; (2) the interest rate and annualized amount of debt service and revised rate schedules, and (3) tariffs reflecting the actual terms of the debt issuance. The parties agreed that for purposes of the debt service

true-up computation, the portion of the amount of the debt issued to be used to refund the construction line of credit will be based on the pro forma amount on Citizens Water's Attachment JRB-2, line 20 (\$63,891,845).

The parties agree that for purposes of determining whether revised rates need be implemented, the OUCC will determine whether a decrease is immaterial and Citizens Water will determine whether an increase is immaterial. Neither party may seek to overturn the other party's determination of materiality. The Commission in its sole discretion may order Citizens Water to implement revised rates notwithstanding either party's determination that a prospective change is immaterial. The parties agree that no other debt reporting requirements recommended in this proceeding should be imposed.

4. **Terms and Conditions for Service.** The parties agreed that the miscellaneous revisions to Citizens Water's tariffs and General Terms and Conditions for Water Service set forth in Citizens Water's Attachments KLK-3 and KLK-4 and described in Mr. Kilpatrick's testimony are "nondiscriminatory, reasonable, and just," and should be approved by the Commission. In addition to the changes set forth in Attachments KLK-3 and KLK-4, Citizens Water agrees to change Rule 4.4 of its terms and conditions to read as follows:

Deposits Applied to Bill. Following Customer-requested termination of service, the Utility shall: (A) apply the deposit, plus accrued interest, to the final bill; or (B) upon specific request from the Customer, refund the deposit, plus accrued interest, within fifteen (15) days after payment of the final bill; or (C) upon specific request from the Customer transfer the deposit to a new account.

5. **Low-Income Crisis Assistance.** In lieu of implementing the proposed low-income rate, Citizens Water agreed to establish a special fund that will be available exclusively to assist eligible low-income water utility customers (*i.e.*, customers with gross household income of up to 200% of the federal poverty level) and help them pay their water bills and assist those customers to avoid being disconnected from the water system. Citizens Water will make an annual contribution of \$100,000 to this fund from revenues that would otherwise be included in Citizens Water's "Cell Tower and Other Leases" revenue category. The crisis fund will be administered by Citizens Water's customer contact center employees in the same manner crisis funding is managed and made available to low-income gas customers through Citizens Gas' Universal Service Program.

6. **Presentation of Operating Expenses in Annual Reports.** In its Annual Report for 2015 and all future Annual Reports filed with the Commission, Citizens Water agreed to report wages, benefits, and payroll taxes prior to the effect of loadings.

7. **Morgan County Rural Water Corporation Tracker Filing.** The parties do not oppose the Commission providing rate relief to Morgan County Rural Water Corporation through a water tracker simultaneously with the issuance of a Final Order in this case as provided for under Ind. Code 8-1-2-61.6 and as requested by Morgan County in its Water Tracker Application, subject to the water tracker being modified to reflect the rate increase agreed on in the Settlement Agreement.

8. **Agreed Upon Recommendations.** The Settlement Agreement incorporates all recommendations made by the parties' in their respective cases-in-chief that have been agreed on in settlement. The Settlement Agreement reflects that the parties agree that recommendations made by any Party that are not expressly included in the Settlement Agreement should not be approved by the Commission in its Final Order.

13. Evidence Supporting the Settlement Agreement.

A. Citizens Water's Evidence. Ms. Prentice testified that the Settlement Agreement is the product of negotiations that began after Citizens Water filed its rebuttal testimony and the OUCC, Industrial Group, and other Intervenors filed their cross-answering testimony. Ms. Prentice said that the difference in the revenue increase proposed by Citizens Water, the OUCC, and the Industrial Group centered primarily on the amount of the annual revenue requirement necessary and reasonable to cash-fund E&R.

Ms. Prentice said that the parties agreed that the capital projects identified on Citizens Water's Attachment MCJ-4 are reasonable and necessary. However, the difference in the proposed revenue requirement for E&R proposed by each party in their cases-in-chief stemmed from the manner of funding the capital program. The parties agreed that the cash-funded portion of Citizens Water's capital program should be \$42,500,000. Ms. Prentice said that in Cause No. 44306, the Commission approved an annual revenue requirement amount for E&R of \$42,001,167. Ms. Prentice said that the balance of the \$49,504,461 that would not be cash-funded would be funded through debt, which results in an increase to Citizens Water's proposed debt service for a total annual revenue requirement for debt service of \$76,212,508.

Citizens Water agreed to reduce its annual revenue requirement for other O&M expenses, including general and administrative expenses and taxes, by approximately \$1,641,351 from its case-in-chief filing. The adjustment includes the following: \$532,463 of miscellaneous adjustments; \$656,888 of adjustments Citizens Water agreed to in its rebuttal testimony (including adjustments related to purchased power costs, main break costs and rate case expense); and a reduction of \$452,000 to the amount of pro forma STIP pay as recommended by the Industrial Group, which resolves all compensation-related issues.

Ms. Prentice said the rates and charges resulting from the Settlement Agreement are reasonable and just and will produce income sufficient to maintain Citizens Water's utility property in a sound physical and financial condition so as to render adequate and efficient service as required by Ind. Code § 8-1.5-3-8. Ms. Prentice said that the parties' agreements on revenue allocation and rate design are reasonable and in the public interest.

Mr. Borchers testified that the parties agreed on a resolution of the cost-of-service issues that avoids litigation and falls within the range of potential outcomes proposed by the parties. The Settlement Agreement provides that prior to its next general rate case, Citizens Water will investigate and collaborate with the other parties regarding the scope, effort, and cost related to conducting a load research-based direct demand study for determining future customer class capacity factors. Citizens Water will discuss the results of the investigation with the parties prior to its next general rate case, and no later than 18 months after the issuance of a Final Order by the Commission in this Cause. Citizens Water has also agreed to perform a customer class demand study prior to its next rate proceeding to estimate class peak demand capacity factors for use in a cost-of-service study. The parties have agreed to a collaborative process pursuant to which Citizens Water will provide the parties multiple years of data necessary for determining estimated class capacity factors.

Mr. Borchers also described how settlement rates were designed for each customer class. He said that the Monthly Service Charge for each class is intended to recover typical customer-related costs (e.g., billing, customer service, and meters and services costs) consistent with the historical practice of the utility that the Commission has approved in past rate proceedings. The remaining fixed revenue to be recovered from each class is designed by meter size on the basis of meter capacity ratios, as outlined in Citizens Water's case-in-chief. The remaining non-fixed revenue portion of each class' agreed, allocated, portion of the revenue requirement will be recovered via the Volumetric Charge. Mr. Borchers said the design of the Volumetric

Charge is consistent with Citizens Water's case-in-chief for the Residential, Commercial, Multi Family, Industrial, Irrigation, and Private Fire classes. However, the parties agreed to maintain the current declining block structure for the Sale-For-Resale class. Mr. Borchers said that the Settlement Agreement represent a reasonable resolution of the issues raised regarding cost-of-service allocations and rate design issues.

B. OUCC's Evidence. Mr. Bell said that in the Settlement Agreement, the parties agreed that Citizens Water's total pro forma operating revenues at present rates are \$173,250,000. The parties agreed to an overall increase of 16.07% to present rate revenues. This results in an overall increase in revenues of \$27,838,055 for total net operating revenues at proposed rates of \$201,088,055.

Mr. Bell said that the parties agreed to an annual E&R revenue requirement of \$42,500,000. Mr. Bell notes that this amount represents approximately 86% of Citizens Water's projected annual spend of \$49,504,461 on capital improvements. However, Mr. Bell said the parties agree that the projects identified on Attachment MCJ-4 are reasonable and necessary. Accordingly, the parties agreed to an annual revenue requirement for debt service of \$76,212,508. This amount includes debt service on long-term debt that will be issued to fund the difference between Citizens Water's planned capital improvement budget of \$49,504,461 and the agreed upon cash-funded \$42,500,000 portion of its capital program, as well as debt service on long-term debt that will be issued to repay Citizens Water's line-of-credit debt and debt service on outstanding long-term indebtedness.

Mr. Bell testified that the parties agreed to total O&M expenses of \$88,465,302, including taxes. Mr. Bell provided an overview of the O&M adjustments agreed on by the parties, which include: (1) \$1,641,351 in reductions to O&M expenses included in Citizens Water's case-in-chief filing, including a \$452,000 reduction to the amount of pro forma STIP pay recommended by the Industrial Group; (2) \$656,888 of adjustments Citizens Water agreed to in its rebuttal testimony to expenses such as purchased power, main break expense, and rate case expense; and (3) \$532,463 in miscellaneous O&M expense adjustments. Mr. Bell said that the STIP adjustment resolves all compensation related-issues.

Mr. Bell said that the Settlement Agreement also resolved a range of issues that do not directly affect Citizens Water's rates, including: NRW updates, information for capital projects to be provided with Citizens' next base rate request, debt service true-up reporting, agreed changes to Citizens' terms and conditions for service, low-income crisis assistance, and the presentation of operating expenses in Citizens Water's Annual Reports to the Commission. Mr. Bell said that the information for capital projects to be provided with Citizens Water's next base rate request will enable the OUCC and other interested parties to know what specific capital projects are proposed as a reasonable representation of the projects to be completed and the need for each capital project.

Mr. Bell said that in lieu of the proposed low-income rate, Citizens Water agreed to establish a special fund that will be available exclusively to assist eligible low-income water utility customers to help pay water bills and assist those customers to avoid being disconnected from the water system. Customers with a gross household income of up to 200% of the federal poverty level will be eligible to participate. This special crisis fund will be administered by Citizens Water's customer contact center employees in the same manner as crisis assistance is made available to low-income gas customers through its Universal Service Program. Mr. Bell said that Citizens Water agreed to make an annual contribution of \$100,000 to this fund from revenues that would otherwise be included in Citizens Water's "Cell Tower and Other Leases" revenue category.

Mr. Bell concluded that the OUCC recommends the Commission approve the Settlement Agreement in its entirety and find the Settlement Agreement is in the public interest.

Mr. Mierzwa testified that the Settlement Agreement resolves all issues related to cost allocation and rate design raised by the parties in this Cause. Mr. Mierzwa said that the parties' agreement relating to resolution of the cost allocation and rate design issues was structured to reach a mutually acceptable resolution of these issues and avoid the risk, expense, and administrative burden of further litigation. While each Party presenting cost allocation and rate design testimony and exhibits strongly believed in its respective position, Mr. Mierzwa said that they were able to put aside those differences and agree on a resolution of issues that avoids litigation and falls within the range of potential outcomes proposed by the parties, if the case had been litigated.

Mr. Mierzwa said that under the Settlement Agreement, Citizens Water's customer classes will experience the following increases: Residential and Multi-Family—14.94%; Commercial—17.88%; Sale-For-Resale—24.48%; Irrigation—24.52%; Private Fire Protection—20.69%; and Industrial—20.30%. Mr. Mierzwa said that a direct comparison between the parties' litigation positions on the distribution of the revenue increase provided under the Settlement Agreement cannot be made because the parties' litigation positions were based on Citizens Water's proposed operating revenue increase and not the increase provided for under the Settlement Agreement. Nevertheless, Mr. Mierzwa said that Citizens Water initially proposed increases for the Residential and Multi-Family classes which were less than the proposed system average increase of 22.3%, and increases for all other classes which were greater than the system average increase.

Mr. Mierzwa testified that the most controversial rate design issue in this Cause was Citizens Water's proposal to significantly increase the percentage of revenues recovered through monthly fixed charges to 35% of total revenues for each class. Mr. Mierzwa said that the Settlement Agreement generally provides for levels of fixed cost recovery that were within the range of positions taken by the parties in litigation.

Mr. Mierzwa said that the Settlement Agreement also provides that prior to its next general rate case, Citizens Water will investigate and collaborate with the other parties regarding the scope, effort, and cost related to conducting a load research-based direct demand study for determining future customer class capacity factors. Mr. Mierzwa concluded that the Settlement Agreement is in the public interest.

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

Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Ind., Inc. v. Public Service Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

A. **Base Rate Relief.** In its rebuttal evidence, Citizens Water proposed a \$36,731,531 increase in pro forma operating revenues. The OUCC recommended a \$20,459,688 increase, and the Industrial Group recommended a \$23,557,100 increase. The parties agreed to a \$27,838,055 increase.

Based on our review of that evidence and consideration of the provisions in the Settlement Agreement and its exhibits, we find that the agreed upon revenue requirement included in the Settlement Agreement is within the range of the possible outcomes based on our consideration of the evidence and represents a just and reasonable resolution of the issues in this Cause.

One of the significant factors contributing to the need for rate relief is Citizens Water's E&R revenue requirement. Citizens Water proposed an E&R revenue requirement of \$49,504,461. No party disagreed that \$49,504,461 represented an appropriate level of annual spending on Citizens Water's capital program during the term the rates approved in this case will be in effect. The proposed amount is lower than the amounts of capital spending authorized in Cause No. 44306 in which the Commission approved an annual E&R spend of \$56.9 million based on the average of Citizens Water's capital plan for fiscal years 2014 (\$57,986,000) and 2015 (\$55,793,000). Mr. Jacob testified that the innovations and efficiencies Citizens Water has implemented since acquiring the system will allow it to invest at the same quantity of E&R annually, but at a lower cost. Therefore, we find that \$49,504,461 represents an appropriate level of annual spending on Citizens Water's capital program.

The parties disagreed on the amount of E&R to be funded through revenues as opposed to being financed. Citizens Water proposed that the entirety of its capital program be funded through revenues, while the OUCC and Industrial Group proposed that the cash-funded portion of Citizens Water's capital program should be \$37,125,000 and \$38,239,692, respectively. In the Settlement Agreement, the parties agreed that the cash-funded portion of Citizens Water's capital program should be \$42,500,000, which is approximately 86% of the total E&R amount. The remainder of the amount would be funded through debt. As a result, the parties agreed to a \$76,212,508 annual revenue requirement for debt service.

In Cause No. 44306, the Commission approved an annual revenue requirement amount for E&R of \$42,001,167, which was 75% of Citizens Water's total annual E&R spend of \$56.9 million. The amount of cash-funded E&R agreed upon in this case (\$42,500,000) is similar to that approved in Cause No. 44306 (\$42,001,167). Although the cash-funded portion of the total E&R amount is a higher percentage than the Commission typically approves, we find that in this case the higher percentage balances Citizens Water's need to reduce debt while maintaining a reasonable customer rate increase. Therefore, we find that the breakdown of the cash-funded and debt-funded portions of the E&R amount is reasonable.

The parties also presented evidence regarding adjustments agreed upon with respect to O&M expenses. Citizens Water agreed to reduce its annual revenue requirement for other operating and maintenance expenses, including general and administrative expenses and taxes, by approximately \$1,641,351 from its case-in-chief filing. The settlement adjustment includes: \$532,463 of miscellaneous adjustments; \$656,888 of adjustments Citizens Water agreed to in its rebuttal testimony (including adjustments related to purchased power costs, main break costs and rate case expense); and a reduction of \$452,000 to the amount of pro forma short-term incentive plan pay as recommended by the Industrial Group. The parties' cases-in-chief reflect agreement with respect to other adjustments to pro forma revenues and expenses. For instance, the parties agreed to Citizens Water's proposed adjustments relating to company-use water, property tax expense, and allocated costs from Corporate Support Services and Shared Field Services. Those agreements, including the revised allocation of Corporate Support Services and Shared Field Services, are reflected in the total operating expense amount in

the Settlement Agreement, and the evidence presented supports the adjustments. Therefore, we approve the agreed-upon adjustments.

Based on the evidence presented, we find that the provisions of the Settlement Agreement regarding the proposed increase in Citizens Water's operating revenues are reasonable for purposes of settlement and are amply supported by the evidence of record.

B. Low-Income Crisis Assistance. In the Settlement Agreement, Citizens Water agreed to establish a special fund that will be available exclusively to assist eligible low-income water utility customers (*i.e.*, customers with gross household income of up to 200% of the federal poverty level) and will help them pay their water bills and avoid being disconnected from the water system. Citizens Water will make an annual contribution of \$100,000 to this fund from revenues that would otherwise be included in Citizens Water's "Cell Tower and Other Leases" revenue category.

Mr. Harrison, testified that shortly after the acquisition of the water and wastewater systems, Citizens Energy Group expanded the scope of the Warm Heart Warm Home program so that it also could provide assistance to water and wastewater customers. However, Mr. Harrison said that while expanding the scope of Warm Heart Warm Home has been a positive step, the needs of Citizens Water's low-income water customers still far outweigh the assistance that it can provide. Mr. Harrison said that unlike eligible customers of the gas utility who can take advantage of federal funding from the Low Income Home Energy Assistance Program ("LIHEAP"), there currently is no federal funding similar to LIHEAP available to low-income water customers.

The Commission has previously approved low-income customer assistance programs that are funded by voluntary contributions or other sources that are not included in the utility's revenue requirement. But Citizens Water does not propose such a program. Originally, Citizens Water proposed a special rate for low-income customers. This would result in a discriminatory rate in violation of Ind. Code § 8-1.5-3-8(b) and would require increases to the rates of other customer classes to meet Citizens Water's authorized revenue requirement.

In the Settlement Agreement, Citizens Water agreed to instead create a low-income assistance fund using revenues from the Cell Tower and Other Leases category. Those Cell Tower and Other Leases revenues were originally included as an offset to Citizens Water's revenue requirement and were removed from the revenue requirement calculation in light of the Settlement Agreement. Although the annual amount is relatively small—\$100,000, that additional revenue requirement must still be borne by Citizens Water's customers, most of whom will not benefit from the low-income assistance fund.

While we acknowledge that low-income customers are increasingly in need of assistance to pay their utility bills, we do not believe that it is reasonable to charge captive customers for such assistance. We encourage Citizens Water to continue to work with the parties to develop a low-income assistance program. But such a program must be funded either through voluntary contributions or through a source of funds that does not affect Citizens Water's revenue requirement—for example, proceeds from the Public Charitable Trust or profits from a non-regulated Citizens Energy Group entity. Therefore, we deny the request to establish a low-income assistance fund, and we have made a \$100,000 adjustment to Citizens Waters revenue requirement to factor in the offset for revenues from Cell Tower and Other Leases. If Citizens Water develops a low-income assistance program using an alternative source of funding, it shall notify the Commission and the OUCG of the details of the program.

C. Overall Percent Revenue Increase Required. Based on our discussion above, we find that Citizens Water's overall percent revenue increase required is 16.01%, as shown in the table below:

Operation and Maintenance Expense (incl. taxes)	\$88,465,302
Extensions and Replacements	\$42,500,000
Debt Service	\$76,212,508
Total Revenue Requirement	\$207,177,810
Less: Other Income, net	(\$2,029,120)
Tri-County Conservancy	(\$97,680)
Carmel Note	(\$1,072,033)
Contributions to CIAC	(\$132,493)
System Development Charges	(\$3,551,596)
Total Offsets to Revenue Requirements	(\$6,882,922)
Plus: Utility Receipts Tax (1.37% of increase)	\$379,976
Incremental Net-Write-Off Costs	\$310,638
Net Revenue Requirement	\$200,985,502
Less: Revenues at Current Rates Subject to Increase	\$170,985,115
Other Operating Revenues	2,264,885
Net Revenue Increase Required	\$27,735,502
Overall Percent Increase Required	16.01%

D. Cost-of-Service, Revenue Allocation, and Rate Design. In the Settlement Agreement the parties agreed to an allocation of the agreed upon revenue requirement and resulting rates and charges for each customer class. The parties differed on the proper allocation of the costs of providing water service, rate design, and the revenue requirement increase among Citizens Water's customer classes. This includes divergent views on the validity of the customer class capacity factors used in the Company's cost of service study. But the parties agreed on increases in revenue to each class that fall within the range of increases that are supported by their respective cost-of-service studies. We find that the agreed allocation of the revenue requirement among customer classes and the ratemaking methodology used in this Cause is appropriate with the exception of the \$100,000 adjustment discussed above for revenues from Cell Tower and Other Leases.

Given the disparate viewpoints of the parties about the proper allocation of costs and inputs into the cost of service study, we find that the proposed studies to be performed by Citizens Water as described in the Settlement Agreement, and the proposed framework for pre-rate case dialogue among the parties, are of significant value insofar as they not only encourage active collaboration between Citizens Water and its customers, but also have the potential to reduce the range of issues to be addressed through litigation in future rate cases.

We also find that the parties' agreement with respect to the percentages of fixed revenue to be recovered from the Monthly Service Charges for each customer class is reasonable. In its case-in-chief, Citizens Water proposed to increase to 35% the amount of revenue generated by each customer class through the Monthly

Service Charge. In the Settlement Agreement, Citizens Water agreed to more modest increases to the Monthly Service Charges for most classes.

As discussed above, the proper allocation of costs and inputs into the cost of service study and the proposed rate design of both the volumetric charges and service charges constituted one of the largest sources of disagreement in this proceeding. In the Final Order in Cause No. 44240, we approved Citizens Water's Water Wise Program. That program lists nine rate structures and says that the rate structures will be evaluated as part of the cost of service/rate design study to be conducted in Citizens Water's next rate case. However, Citizens Water did not provide such a study in this case. Therefore, we order Citizens Water to conduct the cost of service/rate design study that it committed to conduct in the Water Wise Program prior to filing its next rate case, and to provide the results of the study with its case-in-chief in that case.

Rates reflecting the parties' agreements with respect to cost-of-service and rate design were attached to the Settlement Agreement as Joint Exhibit 3. Based on the parties' agreement and evidence presented, we find that the rates and charges attached to the Settlement Agreement as Joint Exhibit 3 as modified above are reasonable.

E. Additional Terms.

1. NRW Updates and Required Information for Capital Projects. The sections of the Settlement Agreement relating to NRW Updates and Required Information for Capital Projects promote a collaborative relationship between Citizens Water and the OUCC with respect to future rate cases. The Commission encourages Indiana's regulated utilities to collaborate with the OUCC and other parties on various issues, especially issues related to the utilities' rates and charges. In order to keep the Commission and OUCC apprised of its efforts to reduce NRW, Citizens will include an update about its NRW program in its annual compliance filing in Cause No. 44240. We approve the proposed reporting requirement.

In order to assist the Commission's and the OUCC's understanding of capital projects being undertaken, Citizens Water has agreed that in future rate cases for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenues or debt, Citizens Water will provide certain specified information in its case-in-chief and other additional information in discovery. Mr. Bell said that this information will provide better transparency and will provide for more efficient review of the proposed capital projects. The level of information provided also balances the concerns expressed by Mr. Jacob regarding the need to maintain the confidentiality of certain information and also avoid the need to provide an unmanageable level of information for each project. We approve the parties' agreement regarding the information to be provided, but we see no reason why certain information should only be provided in discovery. Rather, we find that all of the required information regarding capital projects should be provided in with Citizens Water's case-in-chief. To the extent that Citizens Water believes some of that information should be treated as confidential, it may file a motion for confidential treatment.

2. Debt Service True-up. The actual cost of Citizens Water's proposed debt service will not be known precisely until after Citizens Water issues its proposed bond issuances. Accordingly, Citizens Water has agreed that within 30 days of closing on the proposed bonds, it will file a true-up report with the Commission setting forth certain information and implement revised rates under certain terms agreed-upon by the parties. Under the Settlement Agreement, the Commission may order Citizens Water to implement revised rates following the filing of the true-up report. We find that the terms set forth in the Settlement Agreement with respect to the debt service true-up are reasonable.

3. **Terms and Conditions for Service.** The parties agreed that the miscellaneous revisions to Citizens Water's General Terms and Conditions for Water Service set forth in Citizens Water's Attachments KLK-3 and KLK-4 and described in the direct testimony of Mr. Kilpatrick are nondiscriminatory, reasonable, and just, and should be approved by the Commission. In addition, Citizens Water agreed to change Rule 4.4 of its terms and conditions regarding the repayment of deposits following a customer-requested termination of service, which was recommended by the OUCC in its direct testimony.

Mr. Kilpatrick described the need for each of Citizens Water's proposed changes to its Terms and Conditions for Water Service. The modification to Rule 4.4 makes it clear that deposits will be timely returned following a customer-requested termination of service unless the deposit is applied to the final bill or requested by the customer to be transferred to a new account. We find that the miscellaneous revisions to Citizens Water's Terms and Conditions for Water Service agreed to in the Settlement Agreement are reasonable. A revised version of the Terms and Conditions for Water Service was attached to the Supplemental Testimony of Ms. Prentice as Attachment LSP-S2.

4. **Presentation of Operating Expenses in Annual Reports.** For its 2015 and future Annual Reports, Citizens Water has agreed to report wages, benefits, and payroll taxes prior to the effect of loadings. The section of the Settlement Agreement relating to accounting matters promotes a collaborative relationship between Citizens and the OUCC, and we find that Citizens shall include the reporting requirement in its Annual Reports until otherwise notified by the Commission's staff or in a subsequent order.

D. **Conclusion Regarding Settlement Agreement.** Based on our discussion above and our review of the evidence presented, we find that the Settlement Agreement is reasonable, supported by the evidence, and in the public interest. Therefore, we approve the Settlement Agreement consistent with our findings above.

E. **Effect of Settlement Agreement.** The parties agree that the Settlement Agreement should not be used as precedent in any other proceeding or for any other purpose, except to the extent necessary to implement or enforce its terms. Consequently, with regard to future citation of the Settlement Agreement, we find that our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 Ind. PUC LEXIS 459, at *19-22 (IURC March 19, 1997).

F. **Brown County's Request for Simultaneous Tracking Procedure.** On January 5, 2016, Brown County filed Brown County's Request for approval of a procedure to simultaneously track its increase in purchased water costs resulting from Citizens Water's rate increase in this Cause. Brown County's Request proposed the following procedure:

1. Prior to the issuance of the order on the Settlement Agreement in this Cause, Brown County would submit to the Commission's Water/Wastewater Division an Application for Water Tracker in an amount not to exceed its purchased water cost increase calculated under the terms of the Settlement Agreement filed in this Cause.
2. Brown County would then publish the notices required by 170 IAC 6-5-8. The amount of the tracker set forth in the notices would be said as not to exceed its purchased water cost increase calculated under the terms of the Settlement Agreement filed in this Cause.
3. Brown County would submit the proofs of publication of the notices to the Water/Wastewater Division.

4. Brown County's Water Tracker Application would be held until the issuance of the order on the Settlement Agreement in this Cause. If the Commission's order on the Settlement Agreement results in the same water tracker amount proposed in Brown County's Application, the tracker would be approved without change. If the Commission's order on the Settlement Agreement results in a lesser water tracker amount, the water tracker amount would be modified by the Commission Staff so as to conform to the Commission's order on the Settlement Agreement. In either event, Brown County's water tracker would be approved on the same day as the Commission's order on the Settlement Agreement in this Cause.

The Commission may authorize water utilities to track, or pass through, increases in purchased water cost pursuant to Ind. Code 8-1-2-42 and 170 IAC 6-5. For convenience of calculation, utilities purchasing water for resale often track their suppliers' rate increases after the fact. However, nothing in the applicable statute or rule prohibits, or even discourages, the simultaneous tracking of a suppliers' increase. No Party opposed Brown County's Request. The Commission finds that the procedure proposed by Brown County is reasonable. The Presiding Officers granted Brown County's Request on the record at the January 12, 2016, hearing in this Cause. We affirm the Presiding Officers' ruling. Brown County shall file an updated tariff with the Commission's Water and Wastewater Division that is consistent with the findings in this Order.

G. Morgan County's Request for Simultaneous Tracker Relief. On October 15, 2015, Morgan County filed its Simultaneous Tracker Motion, requesting that the Commission waive the 14-day time period for the filing of a request for simultaneous rate relief and requesting that the Commission grant Morgan County a water tracker charge simultaneously with the Order approving Citizens Water's rate increase. On December 23, 2015, Morgan County filed an Unopposed Supplemental Motion For Simultaneous Rate Relief (Tracker Charge) (the "Supplemental Motion") updating Morgan County's tracker charge calculation to reflect the Citizens Water rate increase agreed to within the Settlement Agreement (the "Updated Tracker Charge"). In respect to the Simultaneous Tracker Motion and the Supplemental Motion, the Commission finds as follows:

1. Morgan County is a water utility that serves fewer than 5,000 customers. Under Ind. Code § 8-1-2-61.6, as a wholesale customer of the Citizens Water in this case, Morgan County may complete and file appropriate tracker application forms as part of its response to Citizens Water's rate petition, and the Commission may provide rate relief to Morgan County simultaneously with its Order approving Citizens Water's rate increase.
2. As part of Morgan County's Simultaneous Tracker Charge Motion, Morgan County filed the following required tracker application documents: (1) Verified Statement In Support of Tariff Change (MCRW Tracker Exhibit 1); (2) Schedule of Gallons Purchased and Sold (MCRW Tracker Exhibit 2); (3) Computation of Change in Cost of Wholesale Water Purchased (MCRW Tracker Exhibit 3); (4) Computation of Water Tracking Factor (MCRW Tracker Exhibit 4); (5) Proof of publication of notice (MCRW Tracker Exhibit 5); (6) A copy of the resolution of Morgan County's Board of Directors authorizing the application for water tracker (MCRW Tracker Exhibit 6); and (7) Two copies of Morgan County's current schedule of rates and charges incorporating the water tracker as unmarked Appendix A. But billings from Citizens Water and sales documentation were not provided to support the amounts shown on MCRW Tracker Exhibit 2.
4. Morgan County has provided the Commission with updated water tracker charge calculations for a water tracker charge that reflects the Citizens Water rate increase agreed to within the Settlement Agreement.

5. The “Legal notice of Filing for a Change In Water Rates By Morgan County Rural Water Corporation” (the “Notice”) attached as Exhibit 5 to Morgan County’s Simultaneous Tracker Motion was published in the Mooresville Times and the Martinsville Reporter-Times on October 21, 2015, and published in the Spencer Evening World on October 21, 2015, which is at least twenty (20) days prior to the effective date of the water tracker charge; and the updated water tracker charge, as calculated in the Tracker Charge Calculations, is less than the tracker charge said in the Notice.

Based on the foregoing, we find that the fourteen 14-day time period for the filing of a request for simultaneous rate relief should be waived, and grant Morgan County’s motion for a water tracker charge. Morgan County’s proposed tracking factor of \$0.16 is approved based on the amount of water purchased and sold as shown on Morgan County’s Exhibit 2. However, we require further workpaper documentation to support Exhibit 2. Therefore, within five business days after the effective date of this Order, Morgan County shall file in this Cause, its billings from Citizens Water and sales documentation to support its schedule of gallons purchased and sold. To the extent that the workpapers do not support the data in Exhibit 2, we will take further appropriate action.

H. Executive Compensation. In previous cases involving the utilities of Citizens Energy Group, the Commission has repeatedly questioned the level of executive compensation, and specifically the use of a compensation study that includes both municipal and investor-owned, for-profit utilities. In the Final Order in Cause No. 44306, the Commission raised serious concerns about Citizens Water’s use of a compensation study that included only for-profit utilities finding that Citizens Water’s status as a not-for-profit public charitable trust is inconsistent with a for-profit compensation model and the resulting allocation of for-profit-based costs to municipal utility ratepayers. In Cause No. 44306, the Commission directed Citizens Water to “present an allocation of executive compensation that is consistent with municipal-based expenses, and considers the level of compensation (base and incentive pay) as well as the number of executive salaries allocated to the municipal utility.”

In this case, Citizens Water presented a compensation study that included data from 15 investor-owned utilities and 7 municipal utilities. The aggregate annual revenues of the municipal utilities in the peer group ranged from approximately one-half to two times Citizens Energy Group’s aggregate annual revenues. On August 21, 2015, the Presiding Officers issued a docket entry instructing Citizens Water to provide the executive compensation report in its entirety, including the supporting data in excel format or to submit a compensation study that excluded investor-owned utilities from the peer group. Citizens Water provided neither. While ordinarily Citizens Water may choose what testimony and evidence it submits to the Commission to support its case, it may not completely ignore or disobey direct orders from the Commission.

Therefore, as authorized by Ind. Code § 8-1-2-62, we order Citizens Water to submit a compensation study of executive salaries that includes only municipal utilities. Citizens Water may utilize the existing Towers Watson study but remove the 15 investor-owned utilities, or it may create a new study. Citizens Water shall comply with this directive within 60 days from the effective date of this Order.

In addition, in its next rate case Citizens Water shall include with its case-in-chief an updated compensation study of executive salaries that includes only municipal utilities. This requirement does not prevent Citizens Water from also providing testimony and evidence in its next rate case about why it disagrees with the municipal-only compensation study or from submitting an additional, alternative study.

I. **Confidentiality.** On June 26, 2015 and September 17, 2015, Citizens Water filed motions for protective orders, seeking confidential protection of certain information that it intended to submit. Citizens Water supported both motions with affidavits indicating that the documents at issue contain confidential, proprietary, and competitively sensitive trade secrets. The motions were granted on a preliminary basis by Docket Entries on July 1, 2015 and September 17, 2015 respectively. The documents were then submitted to the Commission under seal.

On October 19, 2015, the Industrial Group filed a motion for protective order, seeking confidential protection of certain information that it intended to submit. The Industrial Group supported its motion with an affidavit indicating that the documents at issue contain confidential, proprietary, and competitively sensitive trade secrets. The motion was granted on a preliminary basis by Docket Entry on October 27, 2015. The documents were then submitted to the Commission under seal.

Having reviewed the documents submitted under seal by both parties, we find that the documents qualify as confidential trade secret information within the scope of Ind. Code § 5-14-3-4(a) and (9) and Ind. Code § 24-2-3-2. Pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2, these documents are exempt from public access and disclosure by Indiana law and should be held confidential and protected from public access and disclosure by the Commission.

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

1. The Settlement Agreement, a copy of which is attached to this Order, is approved consistent with our findings above.
2. Citizens Water is authorized to increase its rates and charges for water utility service so as to generate additional revenues of \$27,735,504 to arrive at total operating revenues of \$200,985,502, representing a 16.01% overall increase in its pro forma operating revenues.
3. The proposed changes to Citizens Water's Terms and Conditions for Water Service, which are reflected in Citizens Water's Attachment LSP-S2, are approved.
4. The Presiding Officer's ruling granting Brown County's request for simultaneous rate relief is affirmed and Brown County's request is granted, consistent with Finding Paragraph No. 14(F) above.
5. The Presiding Officer's bench ruling on January 12, 2016, granting Morgan County's request for simultaneous rate relief is affirmed and Morgan County's request is granted consistent with Finding Paragraph No. 14(G) above.
6. Prior to implementing the authorized rates, Citizens Water shall file the applicable rate schedules under this Cause for approval by the Commission's Water and Wastewater Division.
7. Within 60 days of the effective date of this Order, Citizens Water shall provide an executive compensation study that includes a peer group of only municipal utilities as discussed in Finding Paragraph 14(H) above.
8. The documents identified in paragraph 12 of the findings qualify as confidential trade secret information within the scope of Ind. Code § 5-14-3-4(a) and (9) and Ind. Code § 24-2-3-2 and pursuant to Ind.

Code § 5-14-3-4 and Ind. Code § 24-2-3-2, these documents are exempt from public access and disclosure by Indiana law and shall be held confidential and protected from public access and disclosure by the Commission.

9. Citizens Water shall pay the following itemized charges within twenty (20) days of the date of this Order to the Secretary of this Commission:

Commission charges:	\$ 21,025.08
OUCG charges:	\$145,822.04
Legal charges:	<u>\$ 55.12</u>
Total	\$166,902.24

Citizens Water shall pay all charges prior to placing into effect the rates and charges approved herein.

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

STEPHAN, HUSTON, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:

APPROVED:

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



Mary M. Becerra
Secretary of the Commission

BEFORE THE

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF THE BOARD OF DIRECTORS FOR)
UTILITIES OF THE DEPARTMENT OF PUBLIC)
UTILITIES OF THE CITY OF INDIANAPOLIS, AS)
TRUSTEE OF A PUBLIC CHARITABLE TRUST FOR)
THE WATER SYSTEM, D/B/A CITIZENS WATER)
FOR (1) AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER UTILITY SERVICE)
AND APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES APPLICABLE THERETO,)
INCLUDING A NEW RATE FOR LOW-INCOME)
CUSTOMERS, (2) APPROVAL OF A REVISED)
METHODOLOGY FOR ALLOCATING CORPORATE)
SUPPORT SERVICES COSTS RESULTING IN A)
REVISED ALLOCATION OF SUCH COSTS TO)
CITIZENS WATER, AND (3) APPROVAL OF)
CERTAIN CHANGES TO ITS GENERAL TERMS AND)
CONDITIONS FOR WATER SERVICE.)**

CAUSE NO. 44644

STIPULATION AND SETTLEMENT AGREEMENT

On June 26, 2015, the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as Trustee of a Public Charitable Trust for the Water System d/b/a Citizens Water ("Citizens Water" or "Petitioner"), filed with the Indiana Utility Regulatory Commission ("Commission") its Verified Petition requesting the relief set forth in the above caption along with testimony and exhibits in support of its Verified Petition.

On July 17, 2015, the Citizens Water Industrial Group ("Industrial Group") filed a Petition to Intervene in this proceeding, which the Presiding Officers granted by Docket Entry dated July 30, 2015. Petitions to Intervene also were filed by the following Citizens Water sales for resale customers: the Town of Pittsboro, Brown County Water

Utility, Inc., the Town of Whitestown and Morgan County Rural Water Corporation (collectively, the “Wholesale Intervenors”), all of which were granted by Docket Entry of the Presiding Officers. On August 7, 2015, the Service Advisory Board (“SAB”) of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group filed its Petition to Intervene, which the Presiding Officers granted by an August 21, 2015 Docket Entry.

Pursuant to the terms of the Prehearing Conference Order, the Indiana Office of the Utility Consumer Counselor (“OUCC”), Industrial Group and Wholesale Intervenors filed their direct testimony in this Cause on October 15, 2015. The SAB filed its direct testimony on October 16, 2015. Citizens Water filed its rebuttal testimony and exhibits on November 12, 2015. Also, on November 12, 2015, the OUCC, Industrial Group and Wholesale Intervenors filed their respective cross-answering testimony.

Following submission of Citizens Water’s rebuttal testimony and exhibits and the OUCC’s, Industrial Group’s and Wholesale Intervenors’ cross-answering testimony, Citizens Water, the OUCC, Industrial Group, Wholesale Intervenors’ and SAB (collectively the “Settling Parties”) conducted face-to-face meetings and otherwise communicated with each other regarding the resolution of the issues in this proceeding through a settlement, subject to the Commission’s approval.

On December 2, 2015, certain Settling Parties notified the presiding Administrative Law Judge that a settlement in principle had been reached on certain issues, which would affect the evidentiary hearings that were scheduled to commence on December 8, 2015. Specifically, Citizens Water indicated it had reached an agreement in principle with the OUCC and Industrial Group regarding the amount of the annual

increase to Citizens Water's pro forma operating revenues, as well as certain other issues. The Settling Parties thereafter had further discussions regarding the resolution of the remaining outstanding issues through settlement.

The Settling Parties ultimately reached an agreement with respect to the manner in which the total annual revenue requirement should be allocated among the customer classes, as well as issues related to rate design and the amount of revenues to be recovered through the Monthly Service Charge. The Settling Parties notified the Presiding Administrative Law Judge on December 3, 2015 of a settlement in principle of all issues, subject to the incorporation of the terms in a definitive settlement agreement. The Administrative Law Judge indicated the evidentiary hearings would be continued until January 12, 2016, at which time a hearing would be held on the settlement.

The Settling Parties' agreement is set forth in this Stipulation and Settlement Agreement ("Settlement Agreement"). The Settling Parties solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Commission into a final, non-appealable order without modification or further condition that may be unacceptable to any Settling Party. If the Commission does not approve this Settlement Agreement, in its entirety without change, the entire Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

I. Operating Revenue and Revenue Requirements

The Settling Parties' agreement with respect to Citizens Water's pro forma operating revenue and its revenue requirements under Ind. Code § 8-1.5-3-8 are reflected by line item in Joint Settlement Exhibit 2, which is attached hereto, and is summarized below:

1. ***Petitioner's Operating Revenue.*** The Settling Parties agree that Citizens Water's total pro forma operating revenues at present rates are, and shall be, \$173,250,000. Upon the Commission's adoption of a Final Order approving the terms and conditions of this Settlement Agreement, the Settling Parties agree that Citizens Water's pro forma operating revenues should be increased by \$27,838,055 in arriving at the total net operating revenues at proposed rates of \$201,088,055, representing an overall 16.07% increase in annual operating revenues.

2. ***Citizens Water's Annual Revenue Requirements.*** The Settling Parties agree Citizens Water's annual revenue requirement is as summarized below:

a. ***Operating Expenses including Taxes.*** Citizens Water's annual revenue requirement for other operating and maintenance expenses, including general and administrative expenses and taxes before including the incremental amount of Indiana Utility Receipts Tax is \$88,465,302. For purposes of settlement, Citizens Water agreed to reduce its annual revenue requirement for these other operating and maintenance expenses, including general and administrative expenses and taxes by approximately \$1,641,351 from its case-in-chief filing. The foregoing settlement adjustment includes: \$532,463 of miscellaneous adjustments; \$656,888 of adjustments Citizens Water agreed to in its rebuttal testimony (including adjustments relating to

purchased power costs, main break costs and rate case expense); and a reduction of \$452,000 to the amount of pro forma short-term incentive plan pay recommended by the Industrial Group, which resolves all compensation-related issues. Agreement on the annual revenue requirement for these other operating and maintenance expenses, including general and administrative expenses and taxes, including Indiana Utility Receipts Tax is \$88,465,302 resolves all O&M and tax expense related issues among the Settling Parties in this case.

b. *Extensions and Replacements.* The Settling Parties agree the projects identified on Attachment MCJ-4 are reasonable and necessary and Citizens Water acknowledges that the Settling Parties' agreement as to the revenue requirement is based on Citizens Water's representation that \$49,504,461 represents an appropriate level of annual spending on Citizens Water's capital program during the term the rates approved in this case will be in effect. The Settling Parties agree that, for purposes of setting the revenue requirement for extensions and replacements, the cash-funded portion of Citizens Water's capital program is \$42,500,000. Notwithstanding the foregoing, no party has waived its right to argue in a future case that certain capital projects may or may not constitute extensions and replacements nor waived its right to propose and advocate for a different ratio of debt to rate revenue funding of the capital program.

c. *Debt Service.* The Settling Parties agree that Citizens Water's annual revenue requirement for debt service should be \$76,212,508, which includes debt service on outstanding long term indebtedness and additional debt service on the long term debt that will be issued to refund the line of credit debt and fund the difference

between Citizens Water's planned capital budget of \$49,504,461 and the agreed upon cash-funded \$42,500,000 portion of its capital program.

d. *Other Income.* The Settling Parties agree that Petitioner's total annual revenue requirement should be offset by Petitioner's pro forma interest income and other income in the total amount of \$6,782,922 from the sources identified in the table attached as Joint Settlement Exhibit 2.

e. *Incremental Utility Receipts Tax.* The Settling Parties agree that Citizens Water's total revenue requirement should be increased by \$381,381 to account for the increase in Indiana Utility Receipts Tax resulting from the proposed rate increase.

f. *Incremental Bad Debt Expense.* The Settling Parties agree that Citizens Water's total revenue requirement should be increased by \$311,786 to account for the increase in net write-offs resulting from the proposed rate increase.

3. *Citizens Water's Aggregate Annual Revenue Requirement.* The Settling Parties agree that Citizens Water's annual net revenue requirement, incorporating the specific agreed terms above, and as detailed in Joint Settlement Exhibit 2, is \$201,088,055.

4. *Amount of Stipulated Rate Increase and Approval of Changes to Rate Schedules.* The Settling Parties agree that Citizens Water's current rates and charges for service should be increased upon the Commission's adoption of a Final Order approving the terms and conditions of this Settlement Agreement so as to produce additional operating revenues of \$27,838,055, and total pro forma operating revenues of \$201,088,055, representing an overall 16.07% increase in operating revenues, as shown in Joint Settlement Exhibit 2.

II. Revenue Allocation and Cost of Service

5. The Settling Parties acknowledge and agree that rates and charges for water service provided by Citizens Water to its customers should be designed in order to allocate the approved revenue requirement between and among the classes of Citizens Water's customers in a fair and reasonable manner consistent with general cost-causation principles. The Settling Parties further acknowledge and agree that a variety of methods were utilized by the Settling Parties in their respective testimony and exhibits on cost-of-service and rate design issues, including without limitation cost allocation by rate class, and that, absent this Settlement Agreement, the respective Settling Parties are prepared to present evidence in this proceeding utilizing different cost-of-service and rate design proposals, and that such evidence would support a range of possible outcomes in an ultimate determination on cost-of-service and rate design by the Commission in a litigated proceeding.

6. The Settling Parties stipulate that the various cost-of-service and rate design proposals that have been filed in this proceeding utilize cost-of-service methodologies and cost allocation proposals that the Commission has previously considered, may properly consider, and can potentially adopt. The Settling Parties agree that Citizens Water's overall revenue requirement, including the increase agreed to in Section I, should be allocated to Citizens Water's customer classes according to the table set forth below:

	(1)	(2)	(3)	(4)	(5)
	Agreed Allocation Percentage	Increase Based on Allocation Percentage	Revenue Under Existing Rates	Revenue Under Proposed Rates	Percent Increase to Existing Rates

Residential	52.27%	\$14,550,951	\$97,398,150	\$111,949,101	14.94%
Multi Family	7.93%	\$2,207,558	\$14,776,316	\$16,983,874	14.94%
Commercial	27.96%	\$7,783,520	\$43,537,781	\$51,321,301	17.88%
Industrial	6.24%	\$1,737,095	\$8,556,527	\$10,293,622	20.30%
Sale for Resale	1.66%	\$462,112	\$1,887,743	\$2,349,855	24.48%
Irrigation	2.25%	\$626,356	\$2,554,770	\$3,181,126	24.52%
Private Fire	1.69%	\$470,463	\$2,273,828	\$2,744,291	20.69%
Total	100.00%	\$27,838,055	\$170,985,115	\$198,823,170	16.28%
Plus: Other Operating Revenue			\$2,264,885	\$2,264,885	
Total Operating Revenue			\$173,250,000	\$201,088,055	16.07%

7. The Settling Parties further stipulate that the resulting revenue allocations among the customer classes set forth above fall within the cost-of-service methodology allocations advanced by the parties in this proceeding and are just and reasonable. The Settling Parties specifically agree, solely for purposes of this Settlement Agreement that, unless otherwise specified in Section III, the resulting revenue allocations among the

customer classes resolve all cost-of-service study issues among the Settling Parties in this matter.

8. Prior to its next general rate case, Citizens Water will investigate and collaborate with the other Settling Parties regarding the scope, effort, and cost related to conducting a load research-based direct demand study (“Demand Study”) for determining future customer class capacity factors. This investigation should include, without limitation, elements such as: (a) the general approach and scope of work necessary for determining class capacity factors; (b) the estimated number of sampling sites needed by class to develop a statistically significant analysis; (c) additional infrastructure, (e.g. and without limitation, the automated meters necessary to perform the Demand Study, software, programming, installation costs, and prospective operations and maintenance expenses associated with maintaining such additional infrastructure); (d) company personnel resources needed to perform the Demand Study; (e) consulting resources needed to perform the Demand Study; (f) estimated time needed to conduct the Demand Study; and (g) overall cost to perform the Demand Study. Citizens Water will discuss the results of the investigation with the Settling Parties prior to its next base rate proceeding, but in no event later than eighteen (18) months after the entry of the Final Order in this Cause.

9. Prior to its next general rate case, Citizens Water further agrees it will: (a) perform a customer class demand study using multiple years of monthly billing and system demand data to identify class peak demand capacity factors; and (b) for discussion purposes with the Settling Parties provide to and discuss with the Settling Parties the customer class demand study and the monthly billing and system demand data

used to perform such study, including the data used in the selection of a year that is most representative of historical peak system demand. The discussion of a year that is most representative of historical peak system demand will include but will not be limited to presentation of maximum day and maximum hour class demand (or the best estimate of this information if not available) and the following comparative data on a monthly basis for each year since Citizens Water acquired the water utility: billing data; data related to system demand; rainfall; maximum day and maximum hour demand for all treatment and storage facilities, to the extent available; gains and losses of significant customers consistent with Citizens Water's reporting in past rate cases, subject to needed protection of confidential information; the number of cooling degree days; and whether voluntary and or mandatory curtailments were imposed on customers, including Citizens Water's customers located outside of Marion County (based on Tier 1 – Tier 4 voluntary requests and mandatory restrictions as defined in the Drought Management Plan approved in Cause No. 44392). The foregoing data and meeting contemplated under this subsection 9(b) will be provided and occur within a reasonable amount of time prior to Citizens Water's filing its next rate case. The data provided may be used by any Settling Party in the rate case, subject to Paragraph 10 below.

10. No Settling Party, by entering into this Settlement Agreement, has: (1) endorsed, acquiesced to, or waived its right to assert or proffer any position with respect to the appropriate methodology for determining cost-of-service issues in any other proceeding (including future Citizens Water rate proceedings); (2) waived its right to challenge the appropriateness or applicability of any of the information specified in paragraphs 8 and 9 for purposes of developing a demand study, cost-of-service study,

allocation factors or capacity factors; or (3) waived its right to challenge the demand study, cost-of-service study, allocation factors or capacity factors resulting from the process described in paragraphs 8 and 9. Further, the Settling Parties' agreement to participate in the process described in paragraphs 8 and 9 shall not be used as evidence of agreement or acquiescence to the results, or appropriateness of the process for purposes of, developing a demand study, cost-of-service study, allocation factors or capacity factors. A Settling Party's comments or positions taken during discussions held under the processes outlined in Paragraphs 8 and 9, or level of involvement in such process, may not be used against any Settling Party in any proceeding as evidence of their agreement or acquiescence to the results of, or appropriateness of the process for developing, a cost of service study, allocation factors or capacity factors. The Settling Parties may, however, use any information provided by Citizens Water as part of the processes described in Paragraphs 8 and 9 for any purpose in the next Citizens Water general rate case. Except as otherwise stated herein, the Settling Parties reserve all rights to present evidence, including the customer class demand study and data presented in Paragraph 9, and advocate positions with respect to cost-of-service issues in future Citizens Water base rate proceedings. No Settling Party, by entering into this Settlement Agreement, has acquiesced in or waived any position with respect to cost-of-service issues in any other proceeding, including future Citizens Water rate proceedings. The Settling Parties reserve all rights to present evidence and advocate positions with respect to cost-of-service issues in all other proceedings, including future Citizens Water rate proceedings.

III. Rate Design

11. In addition to the agreement regarding the revenue allocation among customer classes in Section II above, the Settling Parties further agree that the percentages of fixed revenue to be recovered from the Monthly Service Charges for each customer class are as follows: Residential 27%, Multi Family 20%, Commercial 35%, Industrial 35%, Sale For Resale 5% and Irrigation 30%. The Monthly Service Charge for each customer class shall consist of a charge to recover customer-related costs as derived by the Citizens Water cost-of-service study using meter cost ratios, and an additional fixed charge component to recover the balance of each class' fixed revenue requirement that is designed using meter capacity ratios as outlined in the cost-of-service study submitted by Citizens Water.

	Revenue Under Proposed Rates	Fixed Revenue Percentage	Class Fixed Revenue
Residential	\$111,949,101	27.00%	\$30,226,257
Multi Family	\$16,983,874	20.00%	\$3,396,775
Commercial	\$51,321,301	35.00%	\$17,962,455
Industrial	\$10,293,622	35.00%	\$3,602,768
Sale For Resale	\$2,349,855	5.00%	\$117,493
Irrigation	\$3,181,126	30.00%	\$954,338
Private Fire	\$2,744,291	100.00%	\$2,744,291
Total	\$198,823,170		\$59,004,377

12. The Volumetric Charge for each class shall be designed to recover the difference between the amount of Petitioner's agreed revenue requirement allocated to each class by agreement of the Settling Parties and the amount of revenue recovered under the Monthly Service Charge. The Volumetric Charge for the Residential, Multi Family, Commercial, Industrial, and Irrigation classes shall be designed on the basis of Citizens Water's cost of service study. The Volumetric Charge for the Sale for Resale class will be designed on the basis of its existing declining block rate structure. For customers with a compound meter, the Settling Parties agree that the Monthly Service Charge will be designed and billed on the basis of the largest size register only, and the pro forma billing determinants will be adjusted accordingly.

13. Joint Settlement Exhibit 3 includes a summary schedule along with the agreed-upon rate schedules for each rate class setting forth the Monthly Service Charges and Volumetric Charges determined in the manner described above.

14. The Settling Parties' agreement to use Citizens Water's cost of service study for purposes of calculating certain components of the customer classes' rates shall not constitute agreement with the cost of service study presented by Citizens Water in this case. Further, no Settling Party by such agreement, shall be deemed to have waived any right or reservation of right preserved under Section II.

15. No Settling Party, by entering into this Settlement Agreement, has acquiesced in or waived any position with respect to proper rate design in any other proceeding, including future Citizens Water rate proceedings. The Settling Parties reserve all rights to present evidence and advocate positions with respect to proper rate design in all other proceedings, including future Citizens Water rate proceedings.

16. The Settling Parties agree that Citizens Water's proposed low-income rate (Water Rate No. 9) and reduced monthly surcharge for customers using less than 3 CCF should not be approved in light of certain agreements made herein.

IV. Additional Terms

17. *Non-Revenue Water Updates.* Citizens Water agrees to include a Non-Revenue Water update in its annual compliance filing in Cause No. 44240 related to the Citizens Water Wise Plan. The first update will be for the 2016 calendar year and will describe the issues addressed, actions taken and progress made as a result of the implementation of the Non-Revenue Water Program described in the rebuttal testimony of Petitioner's witness Jeffrey A. Willman.

18. *Required Information for Capital Projects.* In its future rate cases, Citizens Water agrees that for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenue or debt, Citizens Water will provide the following in its case-in-chief, in a spreadsheet format: (a) project name; (b) project number; (c) a brief description of the project; (d) a brief explanation of the need for the project; (e) a brief description of alternatives considered, if applicable; (f) estimated project start date; (g) estimated completion date; and (h) the total project cost estimate class as defined in Attachment MCJ-5 to the direct testimony of Petitioner's witness Mark C. Jacob.

In addition, Petitioner will be prepared to provide in discovery or otherwise upon request, in a spreadsheet format that references attachments, as applicable: (a) project name; (b) project number; (c) a brief description of the project; (d) estimated project start date; (e) estimated completion date; (f) the project cost estimate class; (g) estimated total

project cost (including soft costs), which will be provided confidentially; (h) amount of project cost included in revenue requirement; (i) a brief explanation of how the estimated total project cost was determined; and (j) an identification of the most recently completed engineering report or study related to the need for a specific project that will be provided as outlined below, to the extent such a report or study was developed for the particular project.

Citizens Water represents that due to the nature or repetitiveness of certain projects, engineering reports explaining the need for these specific projects may not have been developed. To the extent the OUCC has asked for copies or access to reports or studies that exist and are voluminous or difficult to access, Citizens Water will communicate that fact as soon as possible so the parties may work together to find reasonable solutions to avoid unnecessary burden to Citizens Water, while affording reasonable access without undue delay. Nothing herein shall be construed as prohibiting the OUCC from specifically identifying and asking for more detail, documents or information other than what Citizens Water has agreed to provide in this section, including other or historical reports previously completed.

19. *Debt Service True-up.* Petitioner will file with the Commission a true-up report and revised rate schedules within 30 days of the debt issuance contemplated as a part of this rate case, as described in paragraph 2(c) of this Settlement Agreement, that provides the following details: the terms of the debt issuance, including whether there is a debt service reserve, the interest rate and annualized amount of debt service, as well as revised rate schedules and, to the extent necessary, tariffs reflecting the actual terms of the debt issuance. The Settling Parties agree that for purposes of the debt service true-up

computation, the portion of the amount of the debt issued to be used to refund the construction line of credit will be based on the pro forma amount on Petitioner's Attachment JRB-2, line 20 (\$63,891,845). The Settling Parties agree that for purposes of determining whether revised rates need not be implemented, the OUCC will determine whether a decrease is immaterial and Citizens Water will determine whether an increase is immaterial. The Settling Parties agree that neither party may seek to overturn the other party's determination of materiality. The Commission in its sole discretion may order Citizens Water to implement revised rates notwithstanding either Settling Party's determination that a prospective change is immaterial. The Settling Parties agree that no other debt reporting requirements should be imposed.

20. *Terms and Conditions for Service.* The Parties agree that the miscellaneous revisions to Citizens Water's tariffs and General Terms and Conditions for Water Service set forth in Petitioner's Attachments KLK-3 and KLK-4 and described in the direct testimony of Korlon L. Kilpatrick are "nondiscriminatory, reasonable, and just," and should be approved by the Commission. In addition to the changes set forth in Attachments KLK-3 and KLK-4, Citizens Water agrees to change Rule 4.4 of its terms and conditions to read as follows: "Deposits Applied to Bill. Following Customer-requested termination of service, the Utility shall: (A) apply the deposit, plus accrued interest, to the final bill; or (B) upon specific request from the Customer, refund the deposit, plus accrued interest, within fifteen (15) days after payment of the final bill; or (C) upon specific request from the Customer transfer the deposit to a new account."

21. *Low-Income Crisis Assistance.* In lieu of proposed Water Rate No. 9, Citizens Water will establish a special fund that will be available exclusively to assist

eligible low-income water utility customers (*i.e.*, customers with gross household income of up to 200% of the federal poverty level) and help them pay their water bills and assist those customers to avoid being disconnected from the water system. Citizens Water will make an annual contribution of \$100,000 to this fund from revenues that would otherwise be included in Citizens Water's "Cell Tower and Other Leases" revenue category. The crisis fund will be administered by Petitioner's customer contact center employees in the same manner crisis funding is managed and made available to low-income gas customers through Citizens Gas's Universal Service Program.

22. *Presentation of Operating Expenses in Annual Reports.* In its Annual Report for 2015 and all future Annual Reports filed with the Commission, Citizens Water will report wages, benefits and payroll taxes prior to the effect of loadings.

23 *Morgan County Rural Water Corporation Tracker Filing.* The Settling Parties do not oppose the Commission's providing rate relief to Morgan County Rural Water Corporation ("Morgan County") through a water tracker simultaneously with the issuance of an Final Order in this case as provided for under Ind. Code 8-1-2-61.6 and as requested by Morgan County in its Water Tracker Application, subject to the water tracker being modified to reflect the rate increase agreed upon in this Settlement Agreement as contemplated under 170 IAC 6-5-11.

24. *Settlement Agreement Incorporates All Agreed Upon Recommendations.* This Settlement Agreement incorporates all recommendations made by the Settling Parties in their respective cases-in-chief that have been agreed upon in settlement. The Settling Parties agree that recommendations made by any Settling Party that are not expressly included herein should not be approved by the Commission in its Final Order.

V. Settlement Agreement -- Scope and Approval

25. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein. The terms of this Settlement Agreement relating to extensions and replacements and debt service are not and should not be construed as a concession or admission by any Settling Party as to the appropriateness of designating capital projects as extensions and replacements or otherwise.

26. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

27. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Parties on the provisions contained herein and in the attached exhibits.

28. The communications and discussions during the negotiations and conferences attended only by any or all of the Settling Parties, their attorneys, and their consultants have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

29. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

30. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

31. Citizens Water and the OUCC shall and the other Settling Parties may, offer supporting testimony for the approval of this Settlement Agreement in this proceeding and will request that the Commission issue a Final Order promptly accepting and approving the same in accordance with its terms. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

32. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Party (or related orders

to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

Accepted and Agreed on this 23rd day of December, 2015.

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*



By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana

By: James A.L. Buddenbaum
Parr Richey Obremskey Frandsen
& Patterson LLP

An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

By: John M. Davis
Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board

*Indiana Office of the Utility Consumer
Counselor*

By: Tiffany Murray
Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Nikki G. Shoultz
Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.

By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group

By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana

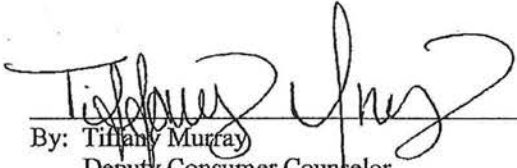
By: James A.L. Buddenbaum
Parr Richey Obremskey Frandsen
& Patterson LLP

An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

By: John M. Davis
Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board



By: Tiffany Murray
Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Nikki G. Shoultz
Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.

By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group

By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Tiffany Murray

Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana

By: Nikki G. Shultz

Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.

By: James A.L. Buddenbaum
Parr Richey Obremskey Frandsen
& Patterson LLP

An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

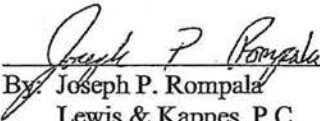
By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group

By: John M. Davis
Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board



By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

By: Tiffany Murray

Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Morgan County Rural Water Corporation

Town of Whitestown, Indiana



By: Stephen K. Watson

By: Nikki G. Shultz

Bose McKinney & Evans LLP

Attorney for Morgan County Rural Water
Corporation

An attorney for the Town of Whitestown,
Indiana

Town of Pittsboro, Indiana

Brown County Water Utility, Inc.

By: James A.L. Buddenbaum
Parr Richey Obremskey Frandsen
& Patterson LLP

By: Mark W. Cooper

An attorney for the Town of Pittsboro, Indiana

An attorney for the Brown County Water
Utility, Inc.

Indianapolis Water Service Advisory Board

Citizens Water Industrial Group

By: John M. Davis
Church, Church, Hittle & Antrim

By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Indianapolis Water Service
Advisory Board

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Tiffany Murray

Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana



By: James A.L. Buddenbaum
R.P. Parr Richey Obremskey Frandsen
& Patterson LLP

An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

By: Nikki G. Shoultz

Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.

By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group

By: John M. Davis
Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board

By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Tiffany Murray

Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana

By: Nikki G. Shultz

Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.



By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group

By: James A.L. Buddenbaum

Parr Richey Obremskey Frandsen
& Patterson LLP

An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

By: John M. Davis

Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board

By: Joseph P. Rompala

Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

[CAUSE NO. 44644 STIPULATION AND SETTLEMENT AGREEMENT SIGNATURE PAGE]

*The Board of Directors for Utilities of the
Department of Public Utilities of the City of
Indianapolis, as Trustee of a Public Charitable
Trust for the Water System d/b/a Citizens Water*

*Indiana Office of the Utility Consumer
Counselor*

By: Michael E. Allen

An attorney for Citizens Water

Morgan County Rural Water Corporation

By: Tiffany Murray

Deputy Consumer Counselor
Indiana Office of Utility Consumer
Counselor

Town of Whitestown, Indiana

By: Stephen K. Watson

Attorney for Morgan County Rural Water
Corporation

Town of Pittsboro, Indiana

By: Nikki G. Shoultz

Bose McKinney & Evans LLP

An attorney for the Town of Whitestown,
Indiana

Brown County Water Utility, Inc.

By: James A.L. Buddenbaum
Parr Richey Obremskey Frandsen
& Patterson LLP

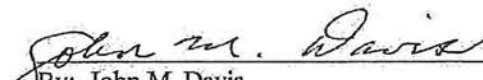
An attorney for the Town of Pittsboro, Indiana

Indianapolis Water Service Advisory Board

By: Mark W. Cooper

An attorney for the Brown County Water
Utility, Inc.

Citizens Water Industrial Group


By: John M. Davis
Church, Church, Hittle & Antrim

An attorney for the Indianapolis Water Service
Advisory Board

By: Joseph P. Rompala
Lewis & Kappes, P.C.

An attorney for the Citizens Water Industrial
Group

Agreed-Upon Revenue Requirement

Operation and Maintenance Expense (incl. taxes)	\$88,465,302
Extensions and Replacements	\$42,500,000
Debt Service	<u>\$76,212,508</u>
Total Revenue Requirement	\$207,177,810
Less: Other Income, net	(\$1,929,120)
Tri-County Conservancy	(\$97,680)
Carmel Note	(\$1,072,033)
Contributions to CIAC	(\$132,493)
System Development Charges	<u>(\$3,551,596)</u>
	<u>(\$6,782,922)</u>
Plus: Utility Receipts Tax (1.37% of increase)	\$381,381
Incremental Net-Write-Off Costs	<u>\$311,786</u>
Net Revenue Requirement	\$201,088,055
Less: Revenues at Current Rates Subject to Increase	\$170,985,115
Other Operating Revenues	2,264,885
Net Revenue Increase Required	\$27,838,055
Percent Increase Required	16.07%

**Joint Settlement Exhibit 3
Proposed Rates**

Line No.	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Residential	Multi-Family	Commercial	Industrial	Sale for Resale	Irrigation	Hydrant Charge	Metered Fire Protection	Unmetered Fire Protection
Monthly Rates										
Monthly Service Charge										
1	5/8"	\$ 8.73	\$ 18.44	\$ 21.46	\$ 63.10	\$ 9.84	\$ 17.33			
2	3/4"	\$ 9.99	\$ 24.55	\$ 29.08	\$ 91.54	\$ 11.65	\$ 22.89			
3	1"	\$ 11.99	\$ 36.26	\$ 43.81	\$ 147.91	\$ 14.76	\$ 33.49			
4	1.5"	\$ 19.74	\$ 68.29	\$ 83.39	\$ 291.59	\$ 25.29	\$ 62.74			
5	2"	\$ 25.25	\$ 102.93	\$ 127.09	\$ 460.21	\$ 34.13	\$ 94.05			\$ 0.80
6	2.5"	\$ 59.67	\$ 176.19	\$ 212.43	\$ 712.11	\$ 72.99	\$ 162.87			\$ 1.44
7	3"	\$ 63.24	\$ 247.73	\$ 305.11	\$ 1,096.27	\$ 84.33	\$ 226.64			\$ 2.32
8	4"	\$ 90.82	\$ 420.96	\$ 523.64	\$ 1,939.40	\$ 128.56	\$ 383.22	\$ 47.00		\$ 4.95
9	6"	\$ 208.89	\$ 956.56	\$ 1,189.10	\$ 4,395.38	\$ 294.36	\$ 871.09	\$ 14.37	\$ 109.54	\$ 14.37
10	8"	\$ 295.48	\$ 1,582.05	\$ 1,982.20	\$ 7,499.50	\$ 442.55	\$ 1,434.98			\$ 30.63
11	10"	\$ 419.80	\$ 2,556.00	\$ 3,220.40	\$ 12,381.20	\$ 664.00	\$ 2,311.80			\$ 55.08
12	12"									\$ 88.98
13	14"									\$ 133.46
14	16"									\$ 189.61
Volumetric Charge (per Ccf)										
15	Block 1 - First 15 Ccf	\$ 3.690	\$ 2.504	\$ 2.221	\$ 1.639	\$ 3.723	\$ 3.062			
16	Block 2 - Next 185 Ccf	\$ 3.690	\$ 2.504	\$ 2.221	\$ 1.639	\$ 3.595	\$ 3.062			
17	Block 3 - Next 800 Ccf	\$ 3.690	\$ 2.504	\$ 2.221	\$ 1.639	\$ 3.274	\$ 3.062			
18	Block 4 - Next 4,000 Ccf	\$ 3.690	\$ 2.090	\$ 2.146	\$ 1.364	\$ 2.215	\$ 3.062			
19	Block 5 - Over 5,000 Ccf	\$ 3.690	\$ 1.771	\$ 1.808	\$ 1.302	\$ 1.688	\$ 3.062			
Volumetric Charge (per Mgal.)										
20	Block 1 - First 11.25 Mgal.	\$ 4.920	\$ 3.339	\$ 2.961	\$ 2.185	\$ 4.964	\$ 4.083			
21	Block 2 - Next 138.75 Mgal.	\$ 4.920	\$ 3.339	\$ 2.961	\$ 2.185	\$ 4.793	\$ 4.083			
22	Block 3 - Next 600 Mgal.	\$ 4.920	\$ 3.339	\$ 2.961	\$ 2.185	\$ 4.365	\$ 4.083			
23	Block 4 - Next 3,000 Mgal.	\$ 4.920	\$ 2.787	\$ 2.861	\$ 1.819	\$ 2.953	\$ 4.083			
24	Block 5 - Over 3,750 Mgal.	\$ 4.920	\$ 2.361	\$ 2.411	\$ 1.736	\$ 2.251	\$ 4.083			

Note: Mgal. = thousand gallons

WATER RATE NO. 1

RESIDENTIAL METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Residential Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service. All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per</u>
		<u>CCF</u>
All	CCF	\$3.690

<u>Monthly Consumption</u>		<u>Rate per</u>
		<u>Mgal</u>
All	Mgal.	\$4.920

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	8.73
3/4	inch meter	9.99
1	inch meter	11.99
1 ½	inch meter	19.74
2	inch meter	25.25
2 ½	inch meter	59.67
3	inch meter	63.24
4	inch meter	90.82
6	inch meter	208.89
8	inch meter	295.48
10	inch meter	419.80

WATER RATE NO. 2

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY:

This schedule applies to all Citizens Water ("Utility") Customers who receive Private Fire Protection Water Service. Private Fire Protection Water Service will be provided only to Customers who receive metered water service from the Utility for uses other than Private Fire Protection Services. All accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

MONTHLY HYDRANT CHARGE:

	<u>Monthly Hydrant Charge</u>
Private hydrants, each	\$14.37

METERED PRIVATE FIRE PROTECTION SERVICE:

A Customer receiving Private Fire Protection Service through a Service Pipe in which a Fire Meter is installed shall pay, in addition to the Volumetric Charge specified on rate schedule Metered Water Service, the Monthly Hydrant Charge for each private hydrant, if any, attached to said Service Pipe, plus a Monthly Metered Fire Protection Service Charge based on the size of the Fire Meter in accordance with the following schedule:

	<u>Monthly Metered Fire Protection Service Charge</u>
4 inch meter	\$47.00
6 inch meter	109.54

PRIVATE FIRE PROTECTION SERVICE (Cont'd)

UNMETERED PRIVATE FIRE PROTECTION SERVICE:

A Customer receiving Private Fire Protection Service through an unmetered fire Service Pipe or Pipes (including bypass pipes equipped with post indicator valves) shall pay as follows:

- (a) If the unmetered Service Pipe or Pipes serve only private hydrants, the Customer shall pay the Monthly Hydrant Charge for each private hydrant connected to the Service Pipe or Pipes.
- (b) If the unmetered Service Pipe or Pipes serve only a sprinkler system and / or hose cabinets, the Customer shall pay the Monthly Unmetered Fire Protection Service Charge set forth in the table below for each Service Pipe connected to the Utility's Main through which the Customer receives Private Fire Protection Service.
- (c) If the unmetered Service Pipe or Pipes serve both private hydrants and a sprinkler system and/or hose cabinets, the Customer shall pay the Monthly Hydrant Charge for each private hydrant connected to the Service Pipe or Pipes, plus the Monthly Unmetered Fire Protection Service Charge set forth in the table below for each pipe connected to the Utility's Main through which the Customer receives Private Fire Protection Service.

	Monthly Unmetered Fire Protection Service Charge
2 inch connection	0.80
2 ½ inch connection	1.44
3 inch connection	2.32
4 inch connection	4.95
6 inch connection	14.37
8 inch connection	30.63
10 inch connection	55.08
12 inch connection	88.98
14 inch connection	133.46
16 inch connection	189.61

WATER RATE NO. 3

INTERRUPTIBLE RAW WATER SERVICE AT MORSE RESERVOIR

APPLICABILITY:

This schedule applies to a fee owner of land which abuts the water's edge at Morse Reservoir ("Reservoir") on an interruptible basis from April 1 through November 30 of each year ("withdrawal period"). All accounts will be billed annually.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

To obtain service under this rate schedule, the Customer shall enter into a written contract in form and substance satisfactory to the Utility. Water withdrawn from the Reservoir under this rate schedule and such contract shall be used only for irrigation of lawn and landscaped areas of lakefront property. The amount of such land to be irrigated shall not exceed 4 acres. The water shall not be sold or given away by the Customer.

ANNUAL SERVICE CHARGE:

The Annual Charge for service under this rate schedule shall be based on the size of the area to be irrigated and in accordance with the following schedule:

<u>Area to be Irrigated</u>	<u>Annual Charge</u>
Up to 1.0 acres	\$30.00
1.01 to 2.0 acres	60.00
2.01 to 3.0 acres	90.00
3.01 to 4.0 acres	120.00

All charges shall be paid annually by the Customer on or before April 1 of each year thereafter in which the service is to be used, or within 30 days after billing in the case of Customers newly acquiring the property to be irrigated.

WITHDRAWAL FACILITIES:

The Customer shall furnish the piping or hose arrangement, pump and appurtenances for withdrawal of the water. Each Customer shall be limited to one pipe or hose in the water and one pumping system. Such non-potable water system shall be installed and maintained by the Customer entirely separate and distinct from the Customer's potable water piping system, and no direct connection between the two systems will be permitted.

INTERRUPTIBLE RAW WATER SERVICE AT MORSE RESERVOIR (Cont'd)

INTERRUPTION OF SERVICE:

The Utility shall have full right and authority to interrupt the service whenever, in its judgment, continuing withdrawals by lakefront owners may adversely affect the Utility's dependable supply of water for water utility purposes. Notice of interruptions shall be made by mail to the address of the Customer as indicated in the Customer's contract for water service. When Customers are notified by the Utility that the service is to be interrupted, Customer shall immediately cease water withdrawals and remove all pumps owned or installed by Customer in the Reservoir or disconnect said withdrawal systems in the manner satisfactory to the Utility. Said pumps shall not be reinstalled, or the system reconnected, until the Utility notifies the Customer that withdrawals may be resumed.

WATER RATE NO. 4

COMMERCIAL METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Commercial Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per CCF</u>
First	1,000 CCF	\$2.221
Next	4,000 CCF	2.146
Over	5,000 CCF	1.808

<u>Monthly Consumption</u>		<u>Rate per Mgal</u>
First	750 Mgal.	\$2.961
Next	3,000 Mgal.	2.861
Over	3,750 Mgal.	2.411

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	21.46
3/4	inch meter	29.08
1	inch meter	43.81
1 ½	inch meter	83.39
2	inch meter	127.09
2 ½	inch meter	212.43
3	inch meter	305.11
4	inch meter	523.64
6	inch meter	1,189.10
8	inch meter	1,982.20
10	inch meter	3,220.40

WATER RATE NO. 5

INDUSTRIAL METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Industrial Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per CCF</u>
First	1,000 CCF	\$1.639
Next	4,000 CCF	1.364
Over	5,000 CCF	1.302

<u>Monthly Consumption</u>		<u>Rate per Mgal</u>
First	750 Mgal.	\$2.185
Next	3,000 Mgal.	1.819
Over	3,750 Mgal.	1.736

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	63.10
3/4	inch meter	91.54
1	inch meter	147.91
1 ½	inch meter	291.59
2	inch meter	460.21
2 ½	inch meter	712.11
3	inch meter	1,096.27
4	inch meter	1,939.40
6	inch meter	4,395.38
8	inch meter	7,499.50
10	inch meter	12,381.20

WATER RATE NO. 6

IRRIGATION METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Irrigation Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per CCF</u>
All	CCF	\$3.062

<u>Monthly Consumption</u>		<u>Rate per Mgal</u>
All	Mgal.	\$4.083

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	17.33
3/4	inch meter	22.89
1	inch meter	33.49
1 ½	inch meter	62.74
2	inch meter	94.05
2 ½	inch meter	162.87
3	inch meter	226.64
4	inch meter	383.22
6	inch meter	871.09
8	inch meter	1,434.98
10	inch meter	2,311.80

WATER RATE NO. 7

MULTI-FAMILY METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Multi-Family Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per CCF</u>
First	1,000 CCF	\$2.504
Next	4,000 CCF	2.090
Over	5,000 CCF	1.771

<u>Monthly Consumption</u>		<u>Rate per Mgal</u>
First	750 Mgal.	\$3.339
Next	3,000 Mgal.	2.787
Over	3,750 Mgal.	2.361

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	18.44
3/4	inch meter	24.55
1	inch meter	36.26
1 ½	inch meter	68.29
2	inch meter	102.93
2 ½	inch meter	176.19
3	inch meter	247.73
4	inch meter	420.96
6	inch meter	956.56
8	inch meter	1,582.05
10	inch meter	2,556.00

WATER RATE NO. 8

SALE FOR RESALE METERED WATER SERVICE

APPLICABILITY:

This rate schedule applies to all metered water service rendered by Citizens Water ("Utility") to Sale for Resale Customers. Metered accounts will be billed monthly.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

All Meters will be read monthly.

VOLUMETRIC CHARGE:

Each Customer shall pay a monthly Volumetric Charge based on the amount of water consumed, as follows:

<u>Monthly Consumption</u>		<u>Rate per CCF</u>
First	15 CCF	\$3.723
Next	185 CCF	3.595
Next	800 CCF	3.274
Next	4,000 CCF	2.215
Over	5,000 CCF	1.688

<u>Monthly Consumption</u>		<u>Rate per Mgal</u>
First	11.25 Mgal.	\$4.964
Next	138.75 Mgal.	4.793
Next	600 Mgal.	4.365
Next	3,000 Mgal.	2.953
Over	3,750 Mgal.	2.251

METERED WATER SERVICE (Cont'd)

MONTHLY SERVICE CHARGE:

Each Customer shall pay a Monthly Service Charge in accordance with the following applicable size of Meter installed:

<u>Meter Size</u>		<u>Monthly Service Charge</u>
5/8	inch meter	9.84
3/4	inch meter	11.65
1	inch meter	14.76
1 ½	inch meter	25.29
2	inch meter	34.13
2 ½	inch meter	72.99
3	inch meter	84.33
4	inch meter	128.56
6	inch meter	294.36
8	inch meter	442.55
10	inch meter	664.00

APPENDIX A

MISCELLANEOUS SERVICE CHARGES

APPLICABILITY:

This schedule applies to all Citizens Water ("Utility") Customers.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

1. SYSTEM DEVELOPMENT CHARGE:

Each Customer shall pay a System Development Charge based upon the larger of the size of the Service Pipe or the size of the Meter installed upon tapping onto the water system, as follows:

5/8	inch connection	\$1,200.00
3/4	inch connection	1,800.00
1	inch connection	3,000.00
1 1/2	inch connection	6,000.00
2	inch connection	9,600.00
3	inch connection	18,000.00
4	inch connection	30,000.00
6	inch connection	60,000.00
8	inch connection	96,000.00
10	inch connection	138,000.00

2. ESTABLISH ACCOUNT AND INSTALL METER:

Each Customer shall pay a fee for establishing an account and installing a Meter, based upon the size of the Meter installed, as follows:

<u>Meter Size</u>		
5/8 or 3/4	inch meter	\$19.00
1	inch meter	68.00
1 1/2	inch meter	81.00
2	inch meter	95.00
3	inch meter	160.00
4	inch meter	200.00
6	inch meter	337.00

MISCELLANEOUS SERVICE CHARGES (Cont'd)

- 3. SPECIAL METER READ AT CUSTOMER REQUEST \$16.00 per request

- 4. METER TEST AT CUSTOMER REQUEST WITHIN
36 MONTHS OF FIRST TEST \$58.00 per request

- 5. MULTIPLE METER AGGREGATED BILLING \$0.75 per meter
per month in excess of one

- 6. TEMPORARY HYDRANT CONNECTION / BULK FILLING
(exclusive of water consumption) \$50.00 per connection

Bulk Fill volume charge The Commercial Volumetric Charge
that is in effect at the time of the service

- 7. TEMPORARY HYDRANT METER DEPOSIT \$50.00 per meter

- 8. AREA RATE SURCHARGES:

The Area Rate Surcharges apply to Customers receiving water service through a Main extension installed under the Utility's Rule 12.16. The Area Rate Surcharges are in addition to the rates and charges under rate schedule Metered Water Service.

Area Rate Tap Fee	\$200.00
Secondary Connector Fee	\$500.00
Monthly Area Rate Surcharge:	

The Monthly Area Rate Surcharge will be determined by dividing the Main extension cost by the number of potential Customers in the designated area and dividing the resulting remainder by no fewer than 120 months.

Citizens Water
2020 North Meridian Street
Indianapolis, Indiana 46202

Original Page No. 201C

MISCELLANEOUS SERVICE CHARGES (Cont'd)

9. PRIVATE FIRE PROTECTION SERVICE CONNECTION CHARGES:

Establish Account and Install Fire Meter	\$827.00
Establish Account and Turn on Unmetered Fire Line	
New installation or modification of existing installation	\$150.00
Turn on only	79.00

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 44644

Effective: _____

APPENDIX B

NON-RECURRING CHARGES

APPLICABILITY:

This schedule applies to all Citizens Water ("Utility") Customers.

SPECIAL PROVISIONS:

Incorporated herein, and made part of this rate schedule, are the Terms and Conditions for Water Service, as amended from time to time. Capitalized terms used in this rate schedule are defined in the Terms and Conditions for Water Service.

1. LATE PAYMENT CHARGE: 10% of first \$3.00
3% of excess

All bills for Utility Services and Private Fire Protection Service not paid within seventeen (17) days from the date the bill is mailed, shall be subject to the Late Payment Charge of ten percent (10%) of the first three dollars (\$3.00) of water service charges and three percent (3%) on the amount in excess of three dollars (\$3.00).

2. DELINQUENT ACCOUNT COLLECTION CHARGE: \$14.00 per visit
A single charge may be made for each visit to the Customer's Premises to collect a delinquent account for applicable Utility Services.

3. RECONNECTION CHARGE: \$25.00 per reconnection

In addition to the cost of excavation, after any water service is discontinued to any Customer serviced by the Utility for any reason, whether at the request of the Customer, or because of failure to pay water or sewage disposal service bills, there shall be imposed a charge for turning on the water service.

4. RETURNED CHECK CHARGE: \$11.00 per returned check

Each Customer that causes a check for Utility Services to be returned by their financial institution due to their account not having sufficient funds to allow such check to be processed, shall be charged eleven dollars (\$11) to cover the cost the Utility incurs to re-process the original transaction.

5. LATE REPORTING OF TEMPORARY HYDRANT
METER WATER USAGE \$25.00 per occurrence

6. USAGE INFORMATION CHARGE: \$18.00 per customer usage
Summary per Meter

A summary of Customer usage by Meter for the most recent twenty-four (24) month period may be accessed at www.citizensenergygroup.com. A Usage Information Charge shall be assessed to the Customer for requests for usage summary by Meter beyond the twenty-four (24) month period.

Citizens Water
2020 North Meridian Street
Indianapolis, Indiana 46202

Original Page No. 202B

NON-RECURRING CHARGES (Cont'd)

7. DAMAGED METER REPLACEMENT:

	<u>Charge per Meter Replaced</u>
5/8 inch meter	\$49.00
3/4 inch meter	70.00
1 inch meter	133.00
Over 1 inch meter	Cost of time and materials

Current rates effective pursuant to
I.U.R.C. Order in Cause No. 44644

Effective: _____