

**BEFORE THE**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF CWA AUTHORITY, INC. FOR (1) )  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR WASTEWATER UTILITY )  
SERVICE IN THREE PHASES AND APPROVAL OF )  
NEW SCHEDULES OF RATES AND CHARGES )  
APPLICABLE THERETO; (2) APPROVAL OF A ) CAUSE NO. 45151  
LOW-INCOME CUSTOMER ASSISTANCE )  
PROGRAM; AND (3) APPROVAL OF CERTAIN )  
CHANGES TO ITS GENERAL TERMS AND )  
CONDITIONS FOR WASTEWATER SERVICE. )**

**STIPULATION AND SETTLEMENT AGREEMENT  
ON LESS THAN ALL ISSUES**

On October 12, 2018, CWA Authority, Inc. (“CWA” or “Petitioner”), filed with the Indiana Utility Regulatory Commission (“Commission”) a Verified Petition requesting the relief set forth in the above-captioned proceeding along with its case-in-chief in support thereof. On October 22, 2018, Citizens Action Coalition of Indiana, Inc. (“CAC”) filed a Petition to Intervene, which the Presiding Officers granted by Docket Entry dated October 26, 2018. On November 29, 2018, CWA Authority Industrial Group (“Industrial Group”)<sup>1</sup> filed a Petition to Intervene, which the Presiding Officers granted by Docket Entry dated December 14, 2018. The Indiana Community Action Association, Inc. (“INCAA”) filed a Petition to Intervene on December 26, 2018, which the Presiding Officers granted by Docket Entry dated January 8, 2019.

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<sup>1</sup> The Industrial Group comprises the following CWA customers: Indiana University, IU Health and Vertellus Agriculture & Nutrition Specialties, Inc.

On January 25, 2019, the Indiana Office of Utility Consumer Counselor (“OUCC”), the Industrial Group and CAC/INCAA filed their respective cases-in-chief. CWA filed its rebuttal testimony and exhibits on February 21, 2019.

Following the filing of CWA’s rebuttal testimony, CWA, the OUCC, the Industrial Group and CAC/INCAA (collectively the “Settling Parties”) conducted face-to-face meetings and otherwise communicated with each other regarding resolution of the issues in this proceeding through a settlement, subject to the Commission’s approval. On March 19, 2019, the Settling Parties notified the presiding Administrative Law Judge that a partial settlement in principle had been reached regarding all matters aside from the OUCC’s recommendation that: “CWA retain ownership of the grinder pumps it has installed and use its maintenance staff to provide emergency response and repairs for the grinder pumps and ongoing pump replacements when they reach the end of their service lives” (OUCC witness Parks, Public’s Exh. No. 4 at 48) and associated recommendations regarding potential additions to Petitioner’s annual revenue requirement relating to such responsibilities (the “Grinder Pump Issue”). The Settling Parties requested that the Commission adopt a procedural schedule in this Cause designed to allow time for the Settling Parties to reduce their settlement in principle to writing and prepare and file supporting settlement testimony and exhibits and present the parties’ respective positions with respect to the unsettled Grinder Pump Issue.

The Settling Parties’ agreement with respect to all issues other than the Grinder Pump Issue is set forth in this Stipulation and Settlement Agreement on Less than All Issues (“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 except for the contested Grinder Pump Issue, subject to incorporation by the Commission into a final, non-appealable order without modification or further condition that may be unacceptable to any Settling Party (“Final Order”).

**I. Phase 1 Operating Revenues and Revenue Requirements**

1. The Settling Parties agree that CWA’s total *pro forma* annual operating revenues from present rates and charges are \$268,338,030. Upon the Commission’s adoption of a Final Order approving the terms and conditions of this Settlement Agreement, the Settling Parties agree CWA’s *pro forma* annual operating revenues should be increased by \$31,869,738 in order to arrive at agreed total annual operating revenues of \$300,207,769 for the period referred to herein as “Phase 1.”

2. The Settling Parties’ agreement with respect to CWA’s *pro forma* Phase 1 revenue requirement is reflected by line item in Column E of Attachment A, attached hereto and incorporated herein by reference.

3. The OUCC proposed reductions to CWA’s *pro forma* operating expenses in the categories of rate case expense, executive compensation, payroll taxes, and other specified expenses including membership dues, storm water costs, and an Indiana Department of Environmental Management (“IDEM”) fine. The Industrial Group proposed reductions to CWA’s *pro forma* labor costs based on (i) lower projected annual pay increases; and (ii) a reduced allocation of shared services labor costs. Through compromise, the Settling Parties have agreed CWA’s *pro forma* operating expenses shall be decreased by a total amount of \$650,000. The Settling Parties have agreed to: (i) a

\$7,000 decrease reflecting removal of a fine of that amount paid to IDEM; (ii) a \$69,980 decrease to *pro forma* labor costs reflecting a compromise between CWA's proposed 3% pay increase and the Industrial Group's proposed 2% pay increase; (iii) a \$558,631 decrease to *pro forma* labor costs reflecting a reduction to STIP payout applicable to all employees; and (iv) a \$14,389 decrease to the amount of *pro forma* rate case expenses. No adjustment was made to the *pro forma* amount of executive compensation included in Petitioner's case-in-chief. The Settling Parties agree for purposes of settlement that the total amount of executive compensation allocated to CWA is reasonable for ratemaking purposes and should be included in CWA's revenue requirement in this Cause. The Settling Parties agree that, based on the foregoing stipulated adjustments, CWA's total *pro forma* operating expenses shall be \$77,247,012.

4. As reflected in Attachment A to this Settlement Agreement, CWA has agreed to reduce the amount of its proposed *pro forma* revenue funded extensions and replacements ("E&R") included in the Phase 1 revenue requirement from \$72 million, as proposed in CWA's case-in-chief and rebuttal, to \$66 million.

5. Attachment A to this Settlement Agreement further reflects the following agreed upon changes that impact CWA's proposed *pro forma* debt service cost: (a) a \$1 million annual reduction in capital spending funded through debt service during Phase 1, as well as Phases 2 and 3 (as respectively defined in paragraphs 7 and 10 hereof) along with the associated annual debt service cost; (b) interest rate assumptions based on the following rates, subject to true-up as described in paragraphs 29 and 30: Phase 1 – 3.55%; Phase 2 – 3.80%; and Phase 3 – 4.05%; and (c) an increase in debt issued related to CWA's agreement to forgo seeking certain System Integrity Adjustment revenues, as

further described in paragraph 12. The Settling Parties agree that, based on the foregoing stipulated adjustments, CWA's Phase 1 *pro forma* debt service shall be \$138,537,726.

6. The Phase 1 rates and charges shall remain in effect until replaced by the Phase 2 rates and charges, as set forth in Section II, below.

## **II. Phase 2 Operating Revenues and Revenue Requirements**

7. The Settling Parties agree a Final Order approving this Settlement Agreement should authorize Petitioner to increase the agreed Phase 1 operating revenues to generate \$13,931,090 of additional revenues to arrive at total annual operating revenues of \$314,138,859 for the period referred to herein as "Phase 2." This increase is based on Petitioner's planned issuance of debt on approximately August 1, 2020, as described in the case-in-chief testimony of John R. Brehm, as well as an increase in the revenue funded E&R revenue requirement from Phase 1 of \$66,000,000 to \$70,000,000 per year and an increase in tax expense related to an increase in Payments in Lieu of Taxes ("PILT") from Phase 1 of \$28,510,840 to \$30,056,855. The Settling Parties' agreement with respect to CWA's *pro forma* Phase 2 revenue requirement is reflected by line item in Column G of Attachment A.

8. CWA will file a notice with the Commission in this Cause indicating it has released the Official Statement for its open-market 2020 bonds and, if applicable, has obtained State Revolving Fund pre-closing and closing documents. Once CWA has released the Official Statement for the 2020 bonds and any State Revolving Fund pre-closing documents, if applicable, CWA may implement the above-described Phase 2 rate increase pursuant to the Phase 2 rates and charges without further action by the Commission or the OUCC. CWA will file the true-up report in accordance with

paragraph 28.

9. The Phase 2 rates and charges shall remain in effect until replaced by the Phase 3 rates and charges as set forth in Section III, below.

### **III. Phase 3 Operating Revenues and Revenue Requirements**

10. The Settling Parties agree a Final Order approving this Settlement Agreement should authorize Petitioner to increase the agreed Phase 2 operating revenues to generate \$11,974,903 of additional revenues to arrive at total operating revenues of \$326,113,762 for the period referred to herein as “Phase 3.” This increase is based on Petitioner’s planned issuance of debt on approximately August 1, 2021, as described in the case-in-chief testimony of John R. Brehm, as well as an increase in the revenue funded E&R revenue requirement from Phase 2 of \$70,000,000 to \$75,000,000 per year and an increase in tax expense related to an increase in PILT from Phase 2 of \$30,056,855 to \$30,678,848. The Settling Parties’ agreement with respect to CWA’s *pro forma* Phase 3 revenue requirement is reflected by line item in Column I of Attachment A.

11. CWA will file a notice with the Commission in this Cause indicating it has released the Official Statement for its open-market 2021 bonds and, if applicable, State Revolving Fund pre-closing and closing documents. Once CWA has released the Official Statement for the 2021 bonds and any State Revolving Fund pre-closing documents, if applicable, CWA may implement the above-described Phase 3 rate increase pursuant to the Phase 3 rates and charges without further action by the Commission or the OUCC. Petitioner will file the true-up report in accordance with paragraph 28.

#### **IV. System Integrity Adjustment (“SIA”)**

12. CWA will not seek to recover Cause No. 44990 SIA 2 revenues uncollected as of the issuance of the Final Order in this Cause. CWA also will not seek to recover any revenue shortfall for the period from August 2018 through July 2019 (*i.e.*, SIA 3) either through the filing of a new SIA petition or through the final reconciliation of the SIA approved in Cause No. 44990. As a result of the foregoing agreement, the Settling Parties agreed to CWA’s increased debt issuance, the cost of which is reflected in Attachment A.

#### **V. Balanced Billing Mechanism**

13. The Settling Parties agree the balanced billing mechanism will be replaced with a “lower of” mechanism in which Residential customers will be billed for wastewater service based on their monthly average winter use or actual consumption for that month, whichever is lower. The “lower of” mechanism will not apply to multi-family customers, who will be billed based on their actual consumption on a monthly basis.<sup>2</sup> Accordingly, the Settling Parties agree CWA should incorporate the following language in its Sewer Rate No. 1:

#### **BILLING FOR RESIDENTIAL CUSTOMERS FROM MAY THROUGH NOVEMBER:**

In the case of Residential customers, the monthly billing for Sewage Disposal Service for the Months of May through November (which are billed June – December) shall be based upon the monthly average of the water billed during the previous Months of December through March *or* the Customer’s actual usage, whichever is lower. In the event the monthly average of the water billed during such previous Months of December through March is less than 3,000 gallons (4 CCF), the Customer will pay the Monthly Minimum Charge reflected in the above table. This would

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<sup>2</sup> Multi-family dwellings that are individually metered will continue to be considered residential customers and will be eligible for the “lower of” mechanism.

apply to new Residential customers that did not have usage billed in any or all of the Months of December through March. CCF refers to 100 cubic feet and is approximately equivalent to 750 gallons.

14. As a result of the implementation of the foregoing language and resulting reduction in billed volumes by Sewer Rate No. 1 customers, the Settling Parties agree a reduction of 680,000 CCF (626,182 CCF from Tier 1 and 53,818 from Tier 2) should be made to the *pro forma* billing determinants of the Non-Industrial class to design the rates that will be used to implement the approved revenue requirement. The foregoing revision has been included in the rate design set forth in Section VII, below.

#### **VI. Low-Income Customer Assistance Program**

15. The Settling Parties agree Petitioner's Low-Income Customer Assistance Program is in the public interest. The Settling Parties agree the Commission should authorize CWA to implement a Low-Income Customer Assistance Program in accordance with paragraphs 16 through 18 of this Settlement Agreement.

16. Until a final order has been issued in CWA's next rate case, CWA will operate the Low-Income Customer Assistance Program in accordance with the following: (a) Low-income customers will be eligible for the bill credit component of Petitioner's Low-Income Customer Assistance Program if the customer has applied and is eligible for assistance from the State's Energy Assistance Program; (b) ratepayer funding is designed to be \$1,300,000 annually and will be recovered via a fixed monthly charge of \$0.45 per bill, based on CWA's current bill count; (c) such funding will be recovered from ratepayers receiving service under Sewer Rate Nos. 1, 2 and 5; (d) each year CWA will supply an additional \$200,000 to Petitioner's Low-Income Customer Assistance Program; (e) assistance will be provided to low-income customers as described in

paragraph 17 below; and (f) the Frequently Asked Questions section on customer bills will include the following question and answer:

**Q. Does my bill for wastewater service include a charge to fund the Low-Income Customer Assistance Program?**

A. Yes. As part of your sewer charges, each month you pay 45 cents to fund the Low-Income Customer Assistance Program. The Low Income Customer Assistance Program (“LICAP”) provides a credit on wastewater service to qualified customers. LICAP also provides qualifying customers assistance with water-saving appliances and repairs. More information about our program can be found at: [insert web address here].

17. Customers participating in the Low-Income Customer Assistance Program will receive a bill credit depending on their level of need. Available bill credits will be designed to make wastewater bills more manageable for Petitioner’s low-income customers commensurate with their income level. In addition to the bill credits, \$400,000 of Low-Income Customer Assistance Program funding will be allocated to a wastewater infrastructure fund to be used to help low-income customers keep their bills lower in the long run through infrastructure investment assistance. Eligible and qualifying low-income customers may receive infrastructure investment assistance for: (1) water conservation, such as for water saving appliances; and (2) water- and sewer-related infrastructure repairs, such as leaking service lines. The wastewater infrastructure fund will be administered in the same manner and using the same guidelines for infrastructure-related assistance that is available to low-income gas, water and wastewater customers through Citizens’ Warm Heart Warm Home Foundation with the exception that it will be limited to wastewater customers. Those guidelines include: (a) the customer’s gross household income must be at or below 70% of State Median Income; (b) the customer’s account must be designated as residential wastewater service; (c) the customer must

reside at the service address; and (d) the customer must also own the home at the service address. The Settling Parties agree that unspent funds, if any, shall be set aside and used for the Program in subsequent years. Any such unspent funds shall be in addition to funding as described in paragraph 16.

18. During the term the Low-Income Customer Assistance Program remains in effect, CWA will file a report with the Commission on or before August 31 of each year, which includes information regarding the following metrics for the prior Program year (i.e., July 1 through June 30):

- (a) Participation. The number of customers who participated in the Program during the Program year.
- (b) Value of Assistance. The dollar amount of assistance that was disbursed directly to customers as a result of the program via: (1) the bill credit and (2) the infrastructure fund.
- (c) Demand. The number of customers who requested and received assistance and the number of customers who requested but were unable to receive assistance.
- (d) Money at Risk. The total value of accounts in arrears for customers considered low-income.

## **VII. Revenue Allocation, Cost of Service and Rate Design**

19. The Settling Parties agree the annual revenue requirement in Phase 1 of \$300,207,769 shall be allocated between and among the customer classes as set forth below and that rates designed to recover the agreed upon allocated revenues consistent with the terms of the Settlement Agreement may be implemented upon the filing and

approval of the Phase 1 Compliance rates following the Commission's issuance of a Final Order approving the Settlement Agreement in its entirety without modification unacceptable to any Settling Party.

| <b>CLASS</b>          | <b>EXISTING REVENUE</b> | <b>AGREED ALLOCATION OF PHASE 1 SETTLEMENT REVENUES</b> | <b>PERCENTAGE CHANGE FROM EXISTING REVENUES</b> |
|-----------------------|-------------------------|---|---|
| <b>NON-INDUSTRIAL</b> | \$220,283,400           | \$251,196,262   | 14.0  |
| <b>SELF-REPORTER</b>  | \$22,939,500            | \$23,883,109  | 4.1   |
| <b>SURCHARGES</b>     |                         |   |   |
| <b>BOD</b>            | \$12,192,100            | \$10,778,659  | -11.6   |
| <b>TSS</b>            | \$2,285,900             | \$2,310,847   | 1.1   |
| <b>NH3-N</b>          | \$280,600               | \$234,592   | -16.4   |
| <b>SEPTIC HAULERS</b> | \$152,600               | \$152,600   | 0   |
| <b>GREASE HAULERS</b> |                         |   |   |
| <b>COMMERCIAL FOG</b> | \$1,374,600             | \$1,374,600   | 0   |
| <b>SATELLITE-K</b>    | \$5,769,900             | \$7,045,100   | 22.1  |
| <b>SATELLITE-T</b>    | \$686,100               | \$858,900   | 25.2  |
| <b>SUBTOTAL</b>       | \$265,964,700           | \$297,834,669   | 12.0  |
| <b>OTHER REVENUE</b>  | \$2,373,100             | \$2,373,100   | 0   |
| <b>TOTAL</b>          | \$268,337,800           | \$300,207,769   | 11.9  |

20. The Settling Parties agree the rates and charges designed to recover the annual revenue requirement in Phase 2 of \$314,138,859 shall be implemented upon the filing of the Official Statement for the open-market 2020 bonds and, if applicable, State Revolving Fund pre-closing and closing documents and allocated between and among the customer classes as set forth below:

|                       | <b>AGREED PHASE 1 REVENUES</b> | <b>AGREED ALLOCATION OF PHASE 2 SETTLEMENT REVENUES</b> | <b>PERCENTAGE CHANGE FROM AGREED PHASE 1 REVENUES</b> |
|-----------------------|--------------------------------|---|---|
| <b>NON-INDUSTRIAL</b> | \$251,196,262                  | \$262,665,381   | 4.6   |
| <b>SELF-REPORTER</b>  | \$23,883,109                   | \$24,851,080  | 4.1   |
| <b>SURCHARGES</b>     |                                |   |   |
| <b>BOD</b>            | \$10,778,659                   | \$10,778,659  |   |
| <b>TSS</b>            | \$2,310,847                    | \$2,310,847   | 0   |
| <b>NH3-N</b>          | \$234,592                      | \$234,592   | 0   |
| <b>SEPTIC HAULERS</b> | \$152,600                      | \$152,600   | 0   |
| <b>GREASE HAULERS</b> |                                |   |   |
| <b>COMMERCIAL FOG</b> | \$1,374,600                    | \$1,374,600   | 0   |
| <b>SATELLITE-K</b>    | \$7,045,100                    | \$8,497,200   | 20.6  |
| <b>SATELLITE-T</b>    | \$858,900                      | \$900,800   | 4.9   |
| <b>SUBTOTAL</b>       | \$297,834,669                  | \$311,765,759   | 4.7   |
| <b>OTHER REVENUE</b>  | \$2,373,100                    | \$2,373,100   | 0   |
| <b>TOTAL</b>          | \$300,207,769                  | \$314,138,859   | 4.6   |

21. The Settling Parties agree the rates and charges designed to recover the annual revenue requirement in Phase 3 of \$326,113,762 shall be implemented upon the filing of the Official Statement for the open-market 2021 bonds and, if applicable, State Revolving Fund pre-closing documents and allocated between and among the customer classes as set forth below:

| <b>CLASS</b>          | <b>AGREED PHASE 2 REVENUES</b> | <b>AGREED ALLOCATION OF PHASE 3 SETTLEMENT REVENUES</b> | <b>PERCENTAGE CHANGE FROM AGREED PHASE 2 REVENUES</b> |
|-----------------------|--------------------------------|---|---|
| <b>NON-INDUSTRIAL</b> | \$262,665,381                  | \$272,065,451   | 3.6   |
| <b>SELF-REPORTER</b>  | \$24,851,080                   | \$25,634,513  | 3.2   |
| <b>SURCHARGES</b>     |                                |   |   |
| <b>BOD</b>            | \$10,778,659                   | \$10,778,659  | 0   |
| <b>TSS</b>            | \$2,310,847                    | \$2,310,847   | 0   |
| <b>NH3-N</b>          | \$234,592                      | \$234,592   | 0   |
| <b>SEPTIC HAULERS</b> | \$152,600                      | \$152,600   | 0   |
| <b>GREASE HAULERS</b> |                                |   |   |
| <b>COMMERCIAL FOG</b> | \$1,374,600                    | \$1,374,600   | 0   |
| <b>SATELLITE-K</b>    | \$8,497,200                    | \$10,256,700  | 20.7  |
| <b>SATELLITE-T</b>    | \$900,800                      | \$932,700   | 3.5   |
| <b>SUBTOTAL</b>       | \$311,765,759                  | \$323,740,662   | 3.8   |
| <b>OTHER REVENUE</b>  | \$2,373,100                    | \$2,373,100   | 0   |
| <b>TOTAL</b>          | \$314,138,859                  | \$326,113,762   | 3.8   |

22. The Settling Parties agree that the monthly base charge for the Non-Industrial rate class will be set at \$21.25 for Phases 1, 2 and 3. The volume charge is designed to recover the remaining class revenue allocation. The rates for unmetered Non-Industrial customers will be designed on the basis of Petitioner's case-in-chief, modified as necessary to reflect the agreed upon revenue requirement and associated class allocations. The monthly Fats, Oils, and Grease Charge (Sewer Rate No. 3) and Grease Hauler charges (Sewer Rate No. 4) should remain the same as those approved by the Commission in Cause No. 44685.

23. The Settling Parties acknowledge and agree that the foregoing allocation of the revenue requirements among the customer classes and resulting rates are based on a compromise of the revenue requirements set forth in this Settlement Agreement. The Settling Parties agree that in light of the proposed and agreed upon rate design and allocation among customer classes, no specific cost of service model was adopted, and request that the Commission not issue any finding approving any particular cost of service study. Except as otherwise expressly stated in this Settlement Agreement, no Settling Party, by entering into the Settlement Agreement, has acquiesced in or waived any position with respect to the appropriate methodology for determining cost of service, cost allocation, or rate design in any other proceeding, including future CWA proceedings. The Settling Parties reserve all rights to present evidence and advocate positions with respect to cost of service, cost allocation, and rate design issues different from those set forth in this Settlement Agreement in all other proceedings, including future CWA proceedings. As part of its next rate case proceeding, CWA agrees to present a cost of service study reflecting an allocation of Inflow and Infiltration (“I/I”) costs by customer class and wastewater volumes attributable to each class weighted at a minimum of 75% by the number of customer accounts, either as its proposed cost study or as an alternative to its proposal if it proposes an allocation less than 75/25 for I/I costs.

#### **VIII. Capital Improvements and the Septic Tank Elimination Program**

24. In its future rate cases, CWA agrees that for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenue or through the issuance of debt, CWA will provide the following information in its case-in-chief, in a spreadsheet format: (a) project name; (b) project number; (c) a brief

description of the project including an explanation why the project is needed at this time; (d) any prioritization ranking of the project, if applicable; (e) a brief description of alternatives considered, if applicable; (f) whether the project addresses new or existing infrastructure; (g) identification of the project name and number latest, or most applicable, engineering report for the project, if available; (h) estimated project start date; (i) estimated completion date; (j) the total project cost estimate class; (k) estimated total project cost estimate at completion (broken down between construction cost and total non-construction cost (one value)), which will be provided confidentially; (l) a brief explanation of how the estimated total project cost was determined (*i.e.* historical costs; estimated cost from a detailed engineering report; estimate or opinion of typical cost; an assignable balance or budget number; a per unit cost, *etc.*); and (m) amount of project cost included in the annual revenue requirement. The narrative description, which may often times be repetitive due to the nature of the projects, is intended to be sufficient for the OUCC to understand why the project needs to be completed, without unduly burdening CWA in preparing its case-in-chief. Additionally, the listing of projects will be current as of filing CWA's case-in-chief. However, because of the nature and magnitude of capital projects undertaken by this utility, constantly changing needs of the utility, unplanned events and projects, public improvement impacts, *etc.*, the listing of capital projects will be representative of the planned capital program at the time of filing but may not be the actual program that is constructed. An example of the information to be provided is set forth below\*:

| (a) Project Name | (c) Project Description and Need   | (d) Project Rank | (e) Alternatives Considered  | (f) New or Existing Infrastructure             | (g) Relevant Engineering Report  | (k1) Construction Cost | (k2) Non-Constr. Cost | (l) Basis of Cost Estimate     |
|------------------|--|------------------|--|--|--|------------------------|-----------------------|--------------------------------|
| Lift Station 522 | The Lift Station 522 Replacement Project, 92LS01969, will consist of a full replacement of the lift station due to corrosion of the metal dry well, non-standard equipment and insufficient capacity during wet weather. | 4.18 / 5         | The project scope considered a 1) do nothing alternative 2) combining this LS with LS 521 and increasing the capacity of the combined LS 3) rehabilitation of the existing LS as specified | Utilizes predominantly existing infrastructure | L 511 Evaluation Report / Basis of Design Memo<br>Project No.: 20LS2112157 | \$1,200,000            | \$330,000             | Engineer's Report, 20LS2112157 |

*\*Agreed upon and simple, straight forward headings were left off for presentation purposes.*

25. CWA 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 of or access to reports or studies that exist and are voluminous or difficult to access, CWA will communicate that fact as soon as possible so CWA and the OUCC may work together to find reasonable solutions to avoid unnecessary burden to CWA, while affording reasonable access to the OUCC 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 CWA has agreed to provide in this section, including other or historical reports previously completed.

26. In CWA's next rate case, CWA agrees not to object to data request(s) seeking: (1) the date the following projects were completed and the total project cost for: Project Nos. 92BE02095, 92BE02630, 92SO02062, WW-BE-10-001, 92MT01601, 92LS02673, 92LS02675 and 92RR02609; and (2) the amount spent during the Capital Investment Requirements Period (i.e., August 1, 2019 through July 31, 2022) on fleet purchases under 92FL03341. CWA reserves the right to make its data request

response(s) subject to appropriate confidentiality protection. Nothing herein constitutes a limitation on the scope of discovery in any future CWA proceeding.

27. As part of the annual Septic Tank Elimination Program (“STEP”) report that CWA files with the Commission pursuant to Paragraph 10 of the final Order in Cause No. 44305, in which the Commission directed CWA to submit a detailed, prioritized list of planned STEP projects, CWA will provide the following information: (a) how many homes could be served by each STEP project, (b) how many homeowners CWA actually connects, (c) how many septic systems CWA permanently closes, (d) total amount invested in each STEP project; and (e) the cumulative amount invested in all STEP projects.

#### **IX. Debt Service True Up and Other Matters**

28. Petitioner will file with the Commission true-up reports and revised rate schedules within 30 days of the issuance of debt contemplated in each Phase as a part of this rate case 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 revised rates need not be implemented following the issuance of debt if both the OUCC and CWA agree in writing that the rate change need not be implemented due to the immateriality of the change. The Commission in its sole discretion may order CWA to implement revised rates notwithstanding the agreement of CWA and the OUCC.

29. CWA represents that for Phase 1 it anticipates issuing open market debt in August of 2019 and SRF debt thereafter. The Settling Parties agree not to seek any

mechanism to address potential over-collection between the implementation of the Phase 1 rates and initial borrowing(s), so long as the Phase 1 SRF debt is issued on or before November 1, 2019. If, however, the Phase 1 SRF debt issuance is not completed on or before November 1, 2019, CWA will use incremental revenues (incremental revenues defined as the revenues attributable to the Phase 1 SRF debt service) as a result of the Phase 1 increase authorized pursuant to this Settlement Agreement and realized between the date a Final Order is issued and the date the Phase 1 SRF debt issuance is closed as an offset to the funds borrowed in connection with the Phase 1 SRF debt issuance.

#### **X. Changes to Terms and Conditions for Service**

30. The Settling Parties agree that the miscellaneous revisions to CWA's General Terms and Conditions for Wastewater Service set forth in Petitioner's Attachments KLK-2 and KLK-3 and described in the case-in-chief testimony of Korlon L. Kilpatrick II are "nondiscriminatory, reasonable, and just," and should be approved by the Commission.

#### **XI. Detailed Billing Information**

31. CWA will add the following question and answer to the Frequently Asked Questions section on customer bills:

**Q: Can I obtain a more detailed list of the charges on my bill?**

- A. Yes. Upon request, Citizens will provide monthly bills with more detail on specific charges. You can request a detailed bill by contacting a customer service representative at (317) 924-3311 or selecting the option on-line at <https://www.citizensenergygroup.com/My-Account/My-Profile/Billing-Preferences>. There is no additional charge for a detailed bill.

In addition, once per year, CWA will include in customer bills an explanation of how customers may request the detailed billing option and a sample of a detailed bill.

**XII. Settlement Agreement -- Scope and Approval**

32. 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.

33. 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 necessary to enforce its terms, is without prejudice to and shall not constitute an admission or waiver of any position any of the Settling Parties may take with respect to any or all issues resolved herein in any future regulatory or other proceedings.

34. 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.

35. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged and inadmissible. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged and inadmissible.

36. 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.

37. CWA and the OUCC shall, and the other Settling Parties may, offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party and the Settling Parties will waive cross-examination of each other's witnesses regarding such testimony.

38. The Settlement Agreement is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or

condition that is unacceptable to any Settling Party. Each term of the Settlement Agreement is in consideration and support of each and every other term. If the Commission does not approve the Settlement Agreement in its entirety, or if the Commission makes modifications that are unacceptable to any Settling Party, the Settlement Agreement shall be null and void and shall be deemed withdrawn upon notice in writing by any party within fifteen (15) days after the date of the Final Order stating that a modification made by the Commission is unacceptable to the Settling Party.

39. The Settling Parties will work together to prepare an agreed-upon proposed order to be submitted in this Cause. The Settling Parties will request that the Commission issue a Final Order promptly accepting and approving this Settlement Agreement in accordance with its terms. The Settling Parties also will coordinate and work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

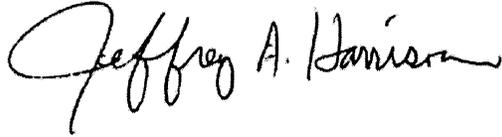
40. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement so approved in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

41. This Settlement Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute the same instrument.

Accepted and Agreed on this 12<sup>th</sup> day of April, 2019.

CWA Authority, Inc.

Indiana Office of Utility Consumer  
Counselor



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Jeffrey A. Harrison  
President and Chief Executive Officer  
CWA Authority, Inc.

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An Attorney for the Indiana Office of  
Utility Consumer Counselor

CWA Authority Industrial Group

Citizens Action Coalition of Indiana, Inc.  
and Indiana Community Action  
Association, Inc.

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An Attorney for the CWA Authority  
Industrial Group

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An Attorney for Citizens Action Coalition  
of Indiana, Inc. and Indiana Community  
Action Association, Inc.

Accepted and Agreed on this 12<sup>th</sup> day of April, 2019.

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Accepted and Agreed on this 12<sup>th</sup> day of April, 2019.

CWA Authority, Inc.

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Counselor

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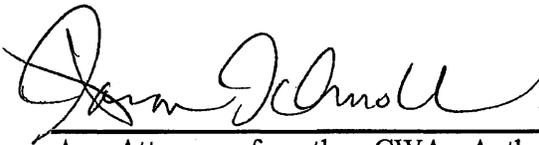
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CWA Authority  
Summary of Pro Forma Revenue Requirement

| Line No.                               | Description  | A<br>Actual<br>per Books | B<br>Phase I<br>Pro Forma<br>Adjustments<br>Increase<br>(Decrease) | C<br>Phase I<br>Pro forma Results<br>Based on Current<br>Rates | D<br>Phase I<br>Pro Forma<br>Adjustments<br>Increase<br>(Decrease) | E<br>Phase I<br>Pro forma Results<br>Based on Proposed<br>Rates | F<br>Phase II<br>Pro Forma<br>Adjustments<br>Increase<br>(Decrease) | G<br>Phase II<br>Pro forma Results<br>Based on Proposed<br>Rates | H<br>Phase III<br>Pro Forma<br>Adjustments<br>Increase<br>(Decrease) | I<br>Phase III<br>Pro forma Results<br>Based on Proposed<br>Rates | J<br>Reference   |
|--|--|--------------------------|--|--|--|---|---|--|--|---|------------------|
| <b>Operating Revenues</b>              |  |                          |  |  |  |   |   |  |  |   |                  |
| 1                                      | Test Year Revenues   | \$277,912,032            |  |  |  |   |   |  |  |   |                  |
| 2                                      | Billing Exceptions   |                          | \$364,245  |  |  |   |   |  |  |   | page 6           |
| 3                                      | Consumption Adjustment Redistribution                                |                          | (1,149,586)  |  |  |   |   |  |  |   | page 6           |
| 4                                      | STEP   |                          | 159,800  |  |  |   |   |  |  |   | page 6           |
| 5                                      | New/Departing Customers, Post Test Year (Non-Industrial)             |                          | 278,805  |  |  |   |   |  |  |   | page 6           |
| 6                                      | Test Year Customer Growth Adjustment (Non-Industrial)                |                          | 171,267  |  |  |   |   |  |  |   | page 6           |
| 7                                      | Lower Of   |                          | 0  |  |  |   |   |  |  |   |                  |
| 8                                      | Special Contract - Excessive Strength                                |                          | (235,597)  |  |  |   |   |  |  |   | page 6           |
| 9                                      | Self-reporter Minimum Volumes  |                          | (24,076)   |  |  |   |   |  |  |   | page 6           |
| 10                                     | QSSD Adjustment  |                          | (74,060)   |  |  |   |   |  |  |   | page 6           |
| 11                                     | Industrial Self-Reporter   |                          | (180,720)  |  |  |   |   |  |  |   | page 6           |
| 12                                     | Rate Normalization   |                          | 2,880,478  |  |  |   |   |  |  |   | page 6           |
| 13                                     | Residential Flat Rate  |                          | 770  |  |  |   |   |  |  |   | page 6           |
| 14                                     | Miscellaneous Revenues   |                          | (53,679)   |  |  |   |   |  |  |   | page 9           |
| 15                                     | Other Adjustments  |                          | (11,731,651)   |  |  |   |   |  |  |   | page 8           |
| 16                                     | Increase in Satellite Special Contract Revenue                       |                          |  |  | \$1,275,200  |   | \$1,452,100   |  | \$1,759,500  |   | PNK              |
| 17                                     | Decrease in Retail Customer Revenue                                  |                          |  |  | (1,275,200)  |   | (1,452,100)   |  | (1,759,500)  |   | PNK              |
| 18                                     | Revenue requirement increase   |                          |  |  | \$31,869,738   |   | \$13,931,090  |  | \$11,974,903   |   |                  |
| 19                                     | Total Operating Revenues   | \$277,912,032            | (\$9,574,002)  | \$268,338,030  | \$31,869,738   | \$300,207,769   | \$13,931,090  | \$314,138,859  | \$11,974,903   | \$326,113,762   |                  |
| <b>Other Operating Expenses</b>        |  |                          |  |  |  |   |   |  |  |   |                  |
| 20                                     | Test Year Other Operating Expense                                    | \$74,529,220             |  |  |  |   |   |  |  |   |                  |
| 21                                     | Salaries and Wages   |                          | 1,032,893.41   |  |  |   |   |  |  |   | SEK              |
| 22                                     | Benefits   |                          | 862,878  |  |  |   |   |  |  |   | SEK              |
| 23                                     | Purchased Power  |                          | 467,693  |  |  |   |   |  |  |   | SEK              |
| 24                                     | Bad Debt Expense   |                          | 767,833  |  | \$213,527  |   | \$93,338  |  | \$80,232   |   | page 12, 14 & 16 |
| 25                                     | Chemicals  |                          | (404,262)  |  |  |   |   |  |  |   | SEK              |
| 26                                     | Normalize Expense  |                          | (52,270)   |  |  |   |   |  |  |   | SEK              |
| 27                                     | Out of Period Expense  |                          | 240,220  |  |  |   |   |  |  |   | SEK              |
| 28                                     | Non-Recurring Expense  |                          | (167,612)  |  |  |   |   |  |  |   | SEK              |
| 29                                     | Non-Allowed Expense  |                          | (28,211)   |  |  |   |   |  |  |   | SEK              |
| 30                                     | Amortized Regulatory Expenses  |                          | (1,169)  |  |  |   |   |  |  |   | SEK              |
| 31                                     | Total Other Operating Expenses                                       | \$74,529,220             | \$2,717,793  | \$77,247,012   | \$213,527  | \$77,460,540  | \$93,338  | \$77,553,878   | \$80,232   | \$77,634,110  | w/p S640-2       |
| <b>Depreciation &amp; Amortization</b> |  |                          |  |  |  |   |   |  |  |   |                  |
| 32                                     | Test year Depreciation & Amortization                                | \$74,958,701             |  |  |  |   |   |  |  |   |                  |
| 33                                     | Depreciation adjustment  |                          | (19,203,713)   |  |  |   |   |  |  |   | SEK              |
| 34                                     | Amortization adjustment  |                          | 302,656  |  |  |   |   |  |  |   | SEK              |
| 35                                     | Pro forma Depreciation & Amortization                                | \$74,958,701             | (\$18,901,057)   | \$56,057,645   | \$0  | \$56,057,645  | \$0   | \$56,057,645   | \$0  | \$56,057,645  |                  |
| <b>Taxes</b>                           |  |                          |  |  |  |   |   |  |  |   |                  |
| 36                                     | Test Year Taxes other than PILOT                                     | \$1,628,965              |  |  |  |   |   |  |  |   |                  |
| 37                                     | Payroll Taxes  |                          | \$105,368  |  |  |   |   |  |  |   | SEK              |
| 38                                     | Non-Recurring Expense  |                          | (1,205)  |  |  |   |   |  |  |   | SEK              |
| 39                                     | Payments in Lieu of Taxes (PILOT)                                    | 23,945,082               |  |  |  |   |   |  |  |   |                  |
| 40                                     | Pro forma change in PILOT  |                          | 2,832,631  |  |  |   | \$1,546,015   |  | \$621,993  |   | SEK              |
| 41                                     | Pro forma Taxes  | \$25,574,047             | \$2,936,793  | \$28,510,840   | \$0  | \$28,510,840  | \$1,546,015   | \$30,056,855   | \$621,993  | \$30,678,848  |                  |
| 42                                     | <b>Operating Income</b>  | \$102,850,064            | \$3,672,469  | \$106,522,533  | \$31,656,211   | \$138,178,744   | \$12,291,737  | \$150,470,481  | \$11,272,678   | \$161,743,159   |                  |
| <b>Other Income, Net</b>               |  |                          |  |  |  |   |   |  |  |   |                  |
| 43                                     | Interest Income  | (\$2,069,372)            |  | (\$2,069,372)  | \$0  | (\$2,069,372)   |   | (\$2,069,372)  |  | (\$2,069,372)   | SEK              |
| 44                                     | Other Income, Net  | (516,531)                | \$405,654  | (110,877)  | 0  | (110,877)   |   | (110,877)  |  | (110,877)   | SEK              |
| 45                                     | Total Other Income, Net  | (\$2,585,903)            | \$405,654  | (\$2,180,250)  | \$0  | (\$2,180,250)   |   | (\$2,180,250)  |  | (\$2,180,250)   |                  |
| <b>Other Funds Requirements</b>        |  |                          |  |  |  |   |   |  |  |   |                  |
| 46                                     | Long-Term Interest and Principal                                     |                          | 138,537,726  | \$138,537,726  |  | \$138,537,726   | \$8,291,737   | \$146,829,463  | \$6,272,678  | \$153,102,141   | JRB-2            |
| 47                                     | Debt Service   |                          | \$138,537,726  | \$138,537,726  | \$0  | \$138,537,726   | \$8,291,737   | \$146,829,463  | \$6,272,678  | \$153,102,141   |                  |
| 48                                     | Extensions and Replacements  |                          | \$66,000,000   | \$66,000,000   | \$0  | \$66,000,000  | \$4,000,000   | \$70,000,000   | \$5,000,000  | \$75,000,000  | JRB-2            |
| <b>Cash Requirement Offsets</b>        |  |                          |  |  |  |   |   |  |  |   |                  |
| 49                                     | Connection Fee Offset  |                          |  | (\$8,121,088)  |  | (\$8,121,088)   |   | (\$8,121,088)  |  | (\$8,121,088)   | w/p S640-1       |
| 50                                     | Depreciation & Amortization  |                          |  | (\$6,057,645)  | 0  | (\$6,057,645)   |   | (\$6,057,645)  |  | (\$6,057,645)   | - In 34          |
| 51                                     | Pro forma Revenue Requirement Increase Before Write-Off Increase     |                          |  | \$31,856,211   | \$31,856,211   | \$0   | \$0   | \$0  | (\$0)  | (\$0)   |                  |
| 52                                     | Percentage Increase/(Decrease) by Phase                              |                          |  |  | 11.88%   |   | 4.64%   |  | 3.81%  | 21.53%  |                  |
| 53                                     | Percentage Increase/(Decrease) by Phase, revenue subject to increase |                          |  |  | 11.98%   |   | 4.68%   |  | 3.84%  | 21.72%  |                  |