

**BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION**

**FILED**  
October 30, 2013  
**INDIANA UTILITY  
REGULATORY COMMISSION**

**JOINT PETITION OF CITIZENS WATER OF )  
WESTFIELD, LLC, CITIZENS WASTEWATER OF )  
WESTFIELD, LLC, THE CITY OF WESTFIELD, )  
INDIANA FOR APPROVALS IN CONNECTION )  
WITH THE PROPOSED TRANSFER OF CERTAIN )  
WATER UTILITY ASSETS TO CITIZENS WATER )  
OF WESTFIELD, LLC AND THE PROPOSED )  
TRANSFER OF CERTAIN WASTEWATER UTILITY )  
ASSETS TO CITIZENS WASTEWATER OF )  
WESTFIELD, LLC, INCLUDING: (1) APPROVAL OF )  
THE ACQUISITION BY CITIZENS WATER OF )  
WESTFIELD, LLC AND CITIZENS WASTEWATER )  
OF WESTFIELD, LLC OF CERTAIN WATER AND )  
WASTEWATER UTILITY ASSETS; (2) APPROVAL )  
OF ACCOUNTING AND RATE BASE TREATMENT )  
OF THE WATER AND WASTEWATER ASSETS; (3) )  
APPROVAL OF THE ISSUANCE OF DEBT AND )  
EQUITY BY CITIZENS WATER OF WESTFIELD, )  
LLC AND CITIZENS WASTEWATER OF )  
WESTFIELD, LLC; (4) APPROVAL OF INITIAL )  
RATES AND RULES FOR WATER AND )  
WASTEWATER SERVICE; (5) TO THE EXTENT )  
NECESSARY, APPROVAL OF CERTAIN )  
OPERATING AND AFFILIATE AGREEMENTS; (6) )  
APPROVAL OF DEPRECIATION RATES; (7) )  
APPROVAL OF A CERTIFICATE OF )  
TERRITORIAL AUTHORITY FOR THE PROVISION )  
OF WASTEWATER UTILITY SERVICE BY )  
CITIZENS WASTEWATER OF WESTFIELD, LLC )  
TO CUSTOMERS LOCATED IN RURAL AREAS; )  
AND (6) ANY OTHER APPROVALS NEEDED IN )  
CONNECTION THEREWITH )**

**CAUSE NO. 44273**

**SETTLING PARTIES' VERIFIED JOINT  
RESPONSES TO THE COMMISSION'S QUESTIONS  
SET FORTH IN ITS OCTOBER 25, 2013, DOCKET ENTRY**

Citizens Water of Westfield, LLC and Citizens Wastewater of Westfield, LLC  
(the "Citizens Joint Petitioners"), the City of Westfield (the "City" or "Westfield")  
(Citizens Joint Petitioners and the City collectively the "Joint Petitioners") and the

Indiana Office of Utility Consumer Counselor (the “OUCC”) (the Joint Petitioners and the OUCC collectively the “Settling Parties”) respectfully submit the following joint responses to the questions set forth in the docket entry issued by the Commission on October 25, 2013, in this Cause.

**Question 1:** Please provide a detailed explanation of how the agreed upon fair value increments (i.e., \$6,960,000 for Citizens Water and \$17,040,000 for Citizens Wastewater) were determined.

**Response 1:** The individual provisions of the Settlement Agreement, including the fair value increments, were not negotiated in isolation from one another. This was reflected in Paragraph I.1 of the Settlement Agreement, which states that “each and every term of this Settlement Agreement is in consideration and support of each and every other term.” Rather, the fair value increments were determined through negotiation of the parties involving exchanges of offers and counter offers that were predicated on dollar amounts and proposals on terms that to varying degrees interrelated to the fair value increments.

A more detailed discussion of how the fair value increments were determined would require the Settling Parties to reveal confidential settlement positions and statements. The agreed fair value increments will result in rate base determinations that are within the ranges set forth in evidence.

Moreover, each party can be expected to have its own subjective understanding on how it determined that a certain finding with respect to fair value should be agreed upon. In general and without revealing any privileged settlement discussions, Citizens Joint Petitioners would state that the fair value increments were derived through negotiations that when combined with the stipulations regarding the net original cost of Utility Plant as of December 31, 2011 will provide the Citizens Joint Petitioners an opportunity to earn a fair return on the utility plant that existed as of December 31, 2011 at levels agreed to by the Settling Parties as in the public interest.

**Question 2:** Please provide the individual rate base components and associated amounts that total the net original cost of Utility Plant for the water system of \$12,470,000 and wastewater system of \$30,530,000 and explain how they were determined.

**Response 2:** Without revealing the substance of confidential settlement discussions, in reaching a settlement, the parties did not agree on individual rate base components.

Pursuant to Paragraph A.2 of the Settlement Agreement, the Citizens Joint Petitioners will file reports listing the utility plant that existed as of December 31, 2011 that is conveyed as part of the acquired assets. The Settling Parties did not reach agreement as to any particular finding or value with respect to CIAC, but simply agreed on a net original cost value for the purpose of reaching settlement on all issues in controversy. Therefore, any CIAC amounts that will be recorded by the Citizens Joint Petitioners may be considered simply a result of the Settling Parties' net original cost agreements set forth in Paragraph A(1) and do not constitute an acceptance by any Settling Party of any other Settling Party's methodology for defining and accounting of items as contribution in aid of construction or contributed property. The CIAC amounts and other utility plant accounting entries that will result from the Settlement Agreement are within the ranges presented by the Settling Parties in their pre-settlement testimony and are therefore supported by record evidence.

**Question 3:** Under Section A(5) of the Settlement, the parties agree that if either Citizens Water or Citizens Wastewater seeks a finding that the fair value of the Utility Plant set forth on Part(a) of Schedule 12.10(b) of the applicable Asset Purchase Agreement as of December 31, 2011 exceeds the fair value increment, the OUCC is not precluded from providing evidence on the fair value of the utility's rate base. Does this imply that Citizens Water or Citizens Wastewater may, in a future rate case, request a finding that the fair value increment is greater than that agreed upon in the Settlement? If so, please explain the purpose of the parties' agreement in Section A(3) of the Settlement.

**Response 3:** Paragraph A(5) of the Settlement Agreement memorializes the Settling Parties' agreement that either of the Citizens Joint Petitioners could request in a future rate case fair value rate base determinations that result in fair value findings that exceed the fair value increments agreed to in Paragraph A(3), in which case the OUCC would not be precluded from providing any evidence as to any fair value of the utility's rate base, subject to the other stipulations set forth in Paragraph A(5). If the Citizens Joint Petitioners choose not to exercise the right in a future rate case to request fair value findings as set forth in Paragraph A(5), the stipulations set forth in Paragraph A(3) and the purpose of Paragraph A(3) would be unaffected.

**Question 4:** Please confirm that neither Citizens Water nor Citizens Wastewater will have a System Development Charge.

**Response 4:** Confirmed.

**Question 5:** Section D(1) of the Settlement indicates that the Raw Water Purchase Agreement between Citizens Water and Westfield will be transferred from Westfield to Citizens Water. Thus, Westfield will retain the raw water wells. Mr. Burtron, in

his supplemental testimony (at p. 6), indicates that regional water planning is of “extreme importance to Westfield.” Please explain the consideration given by the parties to the impact that Westfield’s continued ownership of the raw water wells will have on Citizens Energy Group’s ability to plan and address regional water supply issues (as Citizens Water will not control all of the wells that supply its customers)

**Response 5:** There will be no impact, because the City will not retain continued ownership of the raw water wells. Paragraph D(1) of the Settlement Agreement simply recognizes that, pursuant to the Asset Purchase Agreement between the City and Citizens Water of Westfield, the City will convey its raw water wells to Citizens Water of Westfield and therefore recommends approval of the assignment of the Raw Water Purchase Agreement to Citizens Water of Westfield. Citizens Water of Westfield’s acquisition of those water supply resources will place them under Citizens Energy Group’s management and control pursuant to the proposed Management and Operating Agreement between those two entities. Citizens Energy Group will then be in a position to jointly manage the resources of Citizens Water and Citizens Water of Westfield, which will enhance its ability to plan and address regional water supply issues.

**Question 6:** Prior to the filing of the Settlement, the OUCC had opposed or raised issues of concern with several aspects of Joint Petitioners’ requested relief. Please explain why the Settlement is a reasonable resolution of the issues raised by the OUCC, is in the public interest and should be approved by the Commission.

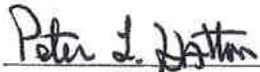
**Response 6:** The OUCC made clear it does not oppose the proposed acquisitions, but rather stated “its goal is to ensure the transaction is as transparent as possible and contains a framework that will protect Westfield’s current ratepayers in order that they may continue to receive safe, adequate and reliable service at a reasonable price on an ongoing basis.” Public’s Exh. No. 1 at page 4. The Settling Parties believe the utility plant and fair value increment stipulations discussed above as well as other stipulations set forth in the Settlement Agreement, including the stipulations reached regarding the rates and charges the Settling Parties recommend be approved, the agreement that revenues received from the cell tower contracts be used as an offset to the water utility’s revenue requirement in future rate cases and the reporting requirements for debt issuances achieve the transparency and transactional framework goals initially established by the OUCC. As set forth in Paragraph A.3 of the Settlement Agreement, the OUCC believes the acquisitions are reasonable and in the public interest. Consequently, the OUCC likewise believes the Settlement Agreement is in the public interest and should be approved by the Commission.

Respectfully submitted,

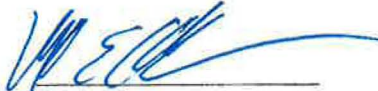
CITY OF WESTFIELD

CITIZENS WATER OF  
WESTFIELD, LLC AND  
CITIZENS WASTEWATER  
OF WESTFIELD, LLC

INDIANA OFFICE OF  
UTILITY CONSUMER  
COUNSELOR



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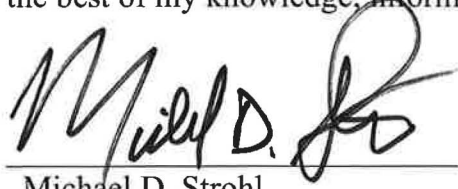
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Consumer Counselor  
115 W. Washington St.  
Suite 1500 South  
Indianapolis, IN 46204

### **VERIFICATION**

I, Michael D. Strohl, President of Citizens Water of Westfield, LLC and Citizens Wastewater of Westfield, LLC, affirm under penalties of perjury that the foregoing responses are true and correct to the best of my knowledge, information and belief.

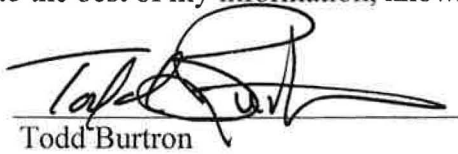
A handwritten signature in black ink, appearing to read "Michael D. Strohl", written over a horizontal line.

Michael D. Strohl

## VERIFICATION

I verify under the penalties of perjury that the foregoing representations are true and correct to the best of my information, knowledge and belief.

Signed:

  
Todd Burtron

Dated:

10.30 2013

**VERIFICATION**

I, Scott Bell, Director of Water/Wastewater Division of the Indiana Office of Utility Consumer Counselor, affirm under penalties of perjury that the foregoing responses are true and correct to the best of my knowledge, information and belief.

A handwritten signature in cursive script that reads "Scott A. Bell". The signature is written in dark ink and is positioned above a horizontal line.

Scott Bell



**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served by electronic mail this 30th day of October, 2013, to the following:

Mark W. Cooper  
1449 N. College Avenue  
Indianapolis, Indiana 46202  
attymcooper@indy.rr.com

By: \_\_\_\_\_

