

**FILED**  
April 25, 2022  
INDIANA UTILITY  
REGULATORY COMMISSION

**Petitioner's Exhibit No. S1**

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

**INDIANA UTILITY REGULATORY COMMISSION**

**CAUSE NO. 45632**

**SETTLEMENT TESTIMONY**

**OF**

**ANDRE J. RILEY, CPA**

**SPONSORING ATTACHMENT AJR S1-1 THROUGH AJR S1-2**

**East Chicago Sanitary District  
(Wastewater Division)**

**Cause No. 45632**

**Settlement Testimony of Andre J. Riley**

1 **BACKGROUND**

2 **Q. Please state your name, title, and business address.**

3 A. My name is Andre J. Riley, and I am a director with the firm of Baker Tilly Municipal  
4 Advisors, LLC ("BTMA"). My business address is 8365 Keystone Crossing, Suite 300,  
5 Indianapolis, Indiana 46.240-0458.

6  
7 **Q. Are you the same Andre J. Riley who prepared Direct Testimony and Rebuttal**  
8 **Testimony in this Cause on behalf of the Petitioner, City of East Chicago ("East**  
9 **Chicago")?**

10 A. Yes, I am.

11

12 **Q. What is the purpose of your settlement testimony in this proceeding?**

13 A. The purpose of my testimony is to discuss certain elements of the Joint Stipulation and  
14 Settlement Agreement ("Settlement") between the Board of Sanitary Commissioners of  
15 the Sanitary District of the City of East Chicago, Indiana, ("Petitioner" or "ECSD"), the  
16 Indiana Office of the Utility Consumer Counselor ("OUCC"), and East Chicago Sanitary  
17 District Industrial Group ("Industrial Group") (together, the "Parties" and individually a  
18 "Party"). It is my opinion that the Settlement terms represent an equitable compromise  
19 between the Parties in this proceeding. I will discuss the settlement process and key

1 Settlement terms pertaining to the inclusion of SRF debt, the phased-in rate increases, and  
2 the billing determinants.

3

4 **Q. Are you sponsoring any exhibits with your settlement testimony?**

5 A. Yes, included with my Settlement Testimony is Attachment AJR S1-1, which is the  
6 proposed Settlement Agreement of the Parties, and Attachment AJR S1-2, which  
7 schedules provide the overall revenue requirement and each phase, a pro forma income  
8 statement, and the settlement rate design model and revenue proofs for each respective  
9 phase.

10

11 **SETTLEMENT PROCESS**

12 **Q. Please describe the settlement process.**

13 A. The settlement process included extensive negotiations between the Parties. The Parties  
14 exchanged several settlement proposals and responses, participated in conference calls,  
15 and shared analyses. The Parties recognized the uncertainty associated with litigation and  
16 understood that a well-reasoned compromise between their various positions would result  
17 in an acceptable outcome that avoided the uncertainty and expense of a fully litigated case.  
18 As a result, the Parties successfully addressed and navigated difficult issues and varying  
19 opinions as presented in their respective direct testimonies. Multiple term sheets were  
20 developed and reviewed, with a great deal of information exchanged. The Parties agreed  
21 on a lower total system revenue requirement than originally proposed by ECSD, an  
22 associated lower revenue requirement by class, a modified three-step phase-in of the rate  
23 increase, certain changes to the billing determinants, and inclusion of all of the requested  
24 SRF funding in the debt service and debt service reserve.

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**Q. Please briefly describe the proceedings before the IURC related to the settlement agreement.**

A. The Settlement Agreement is the product of negotiations that began in earnest after ECSD filed its rebuttal testimony and the OUCC filed its cross-answering testimony. On March 28, 2022, the Parties notified the Commission that a settlement-in-principle had been reached; the evidentiary hearing was scheduled to commence the next day. The Commission held a brief hearing as scheduled on March 29, 2022, where the Parties advised the Commission of the key terms of the Settlement and discussed the schedule for submitting settlement testimony.

**CHANGES FROM SETTLEMENT**

**Q. What revenue requirements have the Parties agreed to in the settlement agreement?**

A. The Parties agreed to decrease the net revenue requirement from the amount previously requested by ECSD. The Settlement Agreement sets the overall net revenue requirement at \$9,643,000, which reflects certain adjustments to operating expenses, depreciation expense, and payment in lieu of taxes from Petitioner's initial filing. For Phase I, ECSD's rates will increase based on the costs-of-service on average by 10.00% so as to produce \$753,779 in additional annual operating revenue. In Phase II, ECSD's rates will increase across-the-board by 8.00% so as to produce \$663,903 in additional annual operating revenue. In Phase III, ECSD's rates will increase across-the-board by 7.64% so as to produce \$684,219 in additional annual operating revenue. The schedules reflecting these calculations are attached as page 1 of Attachment AJR S1-2.

1 **Q. Do these numbers reflect any changes from the information presented at the**  
2 **hearing on March 29, 2022?**

3 A. Yes, one minor adjustment. The Phase III rate increase percentage changed from 7.59%  
4 to 7.64% after a rounding correction.

5  
6 **Q. What adjustments were made to the revenue requirements?**

7 A. Test year operating expenses as shown on pages 2 – 4 on Attachment AJR S1-2 were  
8 adjusted to include an additional \$716,734 of operating expenses. Adjustments were made  
9 to salaries and wages, employee benefits, sludge removal, utility services, shared services,  
10 contractual services and bad debt expense. After accounting for the various adjustment  
11 total pro forma operating expenses to be recovered by the Petitioner are \$5,760,101.

12  
13 **Q. Under the settlement, how are rates being calculated?**

14 A. Settlement revenues are allocated to different classes based on agreed adjustments to  
15 meter charges, volumetric charges, and extra-strength charges. With respect to rate design,  
16 the parties agreed to use the following billing determinants: Tier I (first 100,000 gallons)  
17 billing determinants are based on the test-year billing determinants of 537,290 (i.e., not  
18 adjusted for rate fatigue); Tier II (over 100,000 gallons) billing determinants are 968,276;  
19 Total Suspended Solids (“TSS”) excess strength billing determinants are adjusted to  
20 697,525 pounds (adjusted for W.R. Grace); and Chemical Oxygen Demand (“COD”)  
21 excess strength billing determinants are 388,725 pounds. The rates and charges are  
22 reflected on the schedule attached as page 6 of Attachment AJR S1-2.

23 The calculation of pro forma revenues by phase is reflected on the schedules attached as  
24 pages 7-9 of Attachment AJR S1-2. In comparison to current rates, billing charges, COD,

1 and TSS rates are being reduced while base charges and volumetric rates are being  
2 increased. This provides more stability to the utility's revenue collection.

3

4 **Q. Please briefly describe the Parties' agreement on the Excess Strength Total**  
5 **Suspended Solids billing determinants.**

6 A. The Parties agreed to the Industrial Group's request that the rates for Excess Strength TSS  
7 and COD reflect additional costs for customers that discharge effluent at TSS levels in  
8 excess of the system's normal TSS and COD level than was originally proposed in  
9 Petitioner's initial filing. As noted above, the parties also specifically agreed that the TSS  
10 extra strength billing determinants will be 697,525 pounds.

11

12 **Q. Pursuant to the settlement, what amount of authorized funding of capital**  
13 **improvements may be drawn from funds undertaken for purposes of the guaranteed**  
14 **maximum price contract.**

15 A. The Parties have agreed that the debt service and the debt service reserve used in this  
16 ratemaking should include the full requested borrowing amount of \$7.945 million, and  
17 Petitioner will receive rate recovery for that full amount with corresponding adjustments  
18 discussed herein.

19

20 **Q. Are you providing any other schedules in support of the Settlement?**

21 A. Yes, as requested by the Commission, we are providing a schedule showing rates and  
22 settlement revenue for purposes of the agreed settlement rates. Please see pages 6 of  
23 Attachment AJR S1-2. ECSD does not have specific rates by customer classes. Each

1 ECSD user is charged a billing charge, a meter charge and flow charge based on  
2 consumption. These rates and charges are consistent between classes of customers.

3  
4 **RATE COMPARISONS**

5 **Q. How do ECSD's rates in the Settlement compare with surrounding utilities?**

6 A. ECSD residential rates at all phases are very competitive compared to utilities throughout  
7 the state. Under the Settlement Agreement, ECSD's average monthly bill for a customer  
8 with a 5/8<sup>th</sup> inch meter using 5,000 gallons per month in Phase III will be approximately  
9 \$29.03, substantially below the current statewide average of approximately \$49.00/month.

10  
11 **REPORTING REQUIREMENTS**

12 **Q. Have the Parties agreed on any reporting requirements?**

13 A. Yes, the Parties have agreed to certain reporting on new long-term debt. The details of  
14 that reporting are described in the Settlement at Attachment AJR S1-1.

15  
16 **Q. Does ECSD intend to use any excess funding resulting from a delay in issuing the  
17 proposed bond by more than two months after the Order is received in this case to  
18 fund a portion of its capital projects?**

19 A. Yes. As my rebuttal indicated, ECSD will use any excess funding resulting from a delay  
20 in issuing the proposed bond more than two months after the Order is received in this case  
21 to fund a portion of the projects identified by Mr. Myers' testimony or be held over for  
22 funding any subsequent projects agreed to by East Chicago and the environmental

1 agencies regarding Phase III of the LTCP instead of using the revenues to reduce the  
2 proposed borrowing with the SRF. It is our hope, however, that no such delay will occur.

3  
4 **Q. What does the Settlement Agreement provide with respect to the true-up process**  
5 **discussed by Mr. Dellinger in his testimony?**

6 A. Petitioner shall prepare and file a report within thirty (30) days of closing on its long-term  
7 debt issuance explaining the terms of the new loan, the balance actually incurred to that  
8 date. The report should include a revised tariff (if necessary, as discussed below),  
9 amortization schedule and also calculate the rate impact similar to the Petitioner's  
10 schedules filed in my rebuttal testimony.

11 In addition, the Parties have agreed that with respect to the true-up, each of them shall  
12 have the right to determine whether the change in rates resulting from the true-up is  
13 immaterial and therefore the true-up should not be implemented. In all circumstances this  
14 right does not signify that the Commission could not override such a decision. To that  
15 point, the Settlement Agreement expressly states that regardless of the determination  
16 made by either party, the Commission could order East Chicago to file revised rates based  
17 on the true-up.

18  
19 **CONCLUSION**

20 **Q. What are your recommendations?**

21 A. I recommend that the Settlement be accepted and approved by the Commission. The  
22 Parties involved in the settlement process worked very hard to agree on an outcome that  
23 represented the best possible result for customers and ECSD.



1

2 **Q. Does this conclude your testimony?**

3 A. Yes.

**VERIFICATION**

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

  
\_\_\_\_\_  
Andre J. Riley

Date: 4/22/22

STATE OF INDIANA  
INDIANA UTILITY REGULATORY  
COMMISSION

PETITION OF THE BOARD OF )  
SANITARY COMMISSIONERS OF )  
THE SANITARY DISTRICT OF THE )  
CITY OF EAST CHICAGO, )  
INDIANA, FOR AUTHORITY TO ) Cause No. 45632  
INCREASE ITS RATES AND )  
CHARGES FOR WASTEWATER )  
SERVICE, AND FOR APPROVAL )  
OF NEW SCHEDULES OF )  
WASTEWATER RATES AND )  
CHARGES )

**JOINT STIPULATION AND SETTLEMENT AGREEMENT**

On October 22, 2021, the Board of Sanitary Commissioners of the Sanitary District of the City of East Chicago, Indiana, ("Petitioner" or "ECSD") filed with the Commission its Petition initiating this Cause and its case-in-chief. The Indiana Office of the Utility Consumer Counselor (the "OUCC"), the Intervenor Industrial Group ("Intervenors"), and Petitioner, being all of the parties to this cause (ECSD, Intervenors, and the OUCC, collectively, the "Parties," and individually, a "Party"), have, after arms-length settlement negotiations, reached an agreement with respect to all of the issues before the Indiana Utility Regulatory Commission (the "Commission") in this Cause. The Parties therefore stipulate and agree for purposes of resolving all the issues in this Cause to the terms and conditions set forth in this Joint Stipulation and Settlement Agreement (this "Settlement").

**1. Borrowing**

- A. Long-Term Debt. The Parties stipulate and agree that the debt service and the debt service reserve reflected in this ratemaking will include the full intended borrowing amount of \$7,945,000.

B. Reporting. Within thirty (30) days of closing on long-term debt issuance, ECSD will file a report explaining the terms of the new loan, the balance actually borrowed, the amount of debt service reserve and an itemized account of all issuance costs, including issuance costs actually incurred to that date. The report should include a revised tariff (if necessary, as discussed below), amortization schedule and a calculation of the rate impact presented in a manner similar to that included in Petitioner's schedules.

- i. Subject to paragraph B.(ii) below, Parties have agreed that with respect to the true-up, rates need not be revised if all settling parties agree in a writing filed with the Commission in this Cause that the change in rates indicated by the true-up report need not be implemented for lack of materiality.
- ii. Parties acknowledge the Commission may override such a decision made pursuant to paragraph B.(i) above, and thus could order East Chicago to file revised rates based on the true-up.
- iii. Any objection to Petitioner's true-up filing shall be submitted to the Commission within twenty-one (21) days of said filing.
- iv. Petitioner shall respond to any objection to the true-up filing within twenty-one (21) days of said filing.

## 2. Stipulated Rates and Revenues

- A. Test Year Operating Revenues. The Parties stipulate and agree that ECSD's test year operating revenue at present rates shall be \$7,541,099, as depicted on page 1 in ECSD's Attachment AJR S1-2.
- B. Revenue Requirement. The Parties stipulate and agree that ECSD's current rates and charges are inadequate and that ECSD's rates and charges should be increased as follows:
- i. Phase I: Immediately upon the issuance of the Commission Order, ECSD's rates should be increased by 10.00% so as to produce \$753,779 in additional annual operating revenue.
  - ii. Phase II: Effective as of September 1, 2023, ECSD's rates should be increased by 8.00% so as to produce \$663,903 in additional annual operating revenue.
  - iii. Phase III: Effective as of September 1, 2024, ECSD's rates should be increased by 7.64% so as to produce \$684,219 in additional annual operating revenue.

The overall increased revenue amount is \$2,101,901, a 27.87% increase over current revenues. The overall agreed net revenue requirement is \$9,643,000.

- C. Pro Forma Authorized Rates. After adjustments, the Parties stipulate and agree that ECSD's pro forma test year operating revenues will be \$8,294,878 in Phase I, \$8,958,781 in Phase II, and \$9,643,000 in Phase III, as reflected in Schedule 4 to ECSD's Attachment AJR S1-2. The Parties further stipulate and agree that ECSD's revenue requirements for the rate increase is depicted on page 1 in ECSD's Attachment AJR S1-2. The Parties stipulate and agree that the rate

increases provided herein and the rates set forth in ECSD Attachment AJR S1-2 are just and reasonable and should be approved.

D. Adjustments. The parties agree and stipulate to the following adjustments reflected in the attached schedules:

- i. Salaries and wages
- ii. Employee benefits
- iii. Sludge removal
- iv. Utility services
- v. Shared services
- vi. Contractual services
- vii. Bad debt expense
- viii. Depreciation expense
- ix. Payment in lieu of taxes (PILT)
- x. Debt service
- xi. Debt service reserve
- xii. Other revenue requirement items

E. Billing Determinants. The parties agree and stipulate to the following billing determinants reflected in the schedules:

- i. TSS. The TSS extra strength billing determinants will be 697,525.
- ii. Tier 1. The Tier 1 billing determinants will be 537,290.

These determinants are set forth on pages 7-9 in ECSD's Attachment AJR S1-2.

F. Financial Schedules. The Parties stipulate for settlement purposes to the financial schedules included with ECSD's Attachment AJR S1-2.

3. **Submission of Evidence.** The Parties stipulate to the admission into evidence in this Cause of the testimony previously filed (ECSD's Case-in-Chief, the OUCC's Case-in-Chief, the Intervenors' Case-in-Chief, ECSD's Rebuttal, and the OUCC's Cross-Answering Testimony), and any testimony in support of this Settlement on behalf of the OUCC, on behalf of ECSD, and on behalf of the Intervenors. Further, each Party waives cross-examination of the other's witnesses with respect to such testimony. The Parties shall not offer any further testimony or evidence in this proceeding, other than this Settlement and the above-identified testimony and exhibits. If the Commission should request additional evidence to support the Settlement, the Parties shall cooperate to provide such requested additional evidence.
4. **Proposed Final Order.** The Parties agree to cooperate on the preparation and submission to the Commission of a proposed order that reflects the terms of this Settlement and the settlement testimony submitted pursuant to Section 3 hereof.
5. **Sufficiency of Evidence.** The Parties stipulate and agree that the evidentiary material identified immediately above constitutes a sufficient evidentiary basis for the issuance of a final order by the Commission adopting the terms of this Settlement, and granting the relief requested.
6. **Commission Alteration of Agreement.** The concurrence of the Parties with the terms of this Settlement is expressly predicated upon the Commission's approval of this Settlement. If the Commission alters this Settlement in any material way, unless that alteration is unanimously and explicitly consented to by the Parties, this Settlement shall be deemed withdrawn.
7. **Authorization.** The undersigned represent that they are fully authorized to execute this Settlement on behalf of their respective clients or parties, who will be bound thereby.

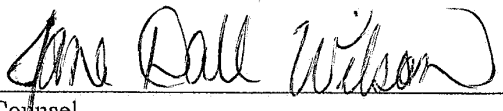
8. **Non-Precedential Nature of Settlement.** The Parties stipulate and agree that this Settlement shall not be cited as precedent against any Party in any subsequent proceeding or deemed an admission by any party in any other proceeding, except as necessary to enforce the terms of this Settlement or the final order to be issued in this Cause before the Commission or any court of competent jurisdiction on these particular issues and in this particular matter. This Settlement is solely the result of compromise in the settlement process and, 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 items resolved herein in any future regulatory or other proceeding, and, failing approval by the Commission, shall not be admissible in any subsequent proceeding.
9. **Counterparts.** This Settlement may be executed in one or more counterparts (or upon separate signature pages bound together into one or more counterparts), all of which taken together shall constitute one agreement.

[SIGNATURES ON FOLLOWING PAGE]



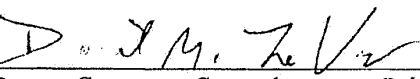
IN WITNESS WHEREOF, the parties have executed this Settlement on the dates set forth below.

BOARD OF SANITARY COMMISSIONS  
OF THE SANITARY DISTRICT OF THE  
CITY OF EAST CHICAGO, INDIANA

By:   
Counsel


Dated: 4/21/22

OFFICE OF UTILITY CONSUMER COUNSEL

By:   
Deputy Consumer Counselor *OUCC*  
*Daniel M. LeVay*

Dated: 4/21/2022

EAST CHICAGO SANITARY DISTRICT  
INDUSTRIAL GROUP

By:   
Counsel  
*AARON SCHMOLL*

Dated: 4/21/22

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

**OVERALL REVENUE REQUIREMENT COMPARISON**

Settlement - Phases

	Phase I	Phase II	Phase III	Overall
Operating Expenses	\$5,760,101	\$5,760,101	\$5,760,101	\$5,760,101
Depreciation Expense	560,500	1,018,000	1,543,469	1,543,469
Payment in Lieu of Taxes	855,455	855,455	855,455	855,455
Debt Service	1,092,817	1,299,220	1,457,970	1,457,970
Debt Service Reserve	96,156	96,156	96,156	96,156
<b>Total Revenue Requirements</b>	<b>8,365,029</b>	<b>9,028,932</b>	<b>9,713,151</b>	<b>9,713,151</b>
Less: Revenue Requirement Offsets				
Rents from Wastewater Property	(26,750)	(26,750)	(26,750)	(26,750)
Other Wastewater Revenue	(31,871)	(31,871)	(31,871)	(31,871)
Transfer from Dormant Fund	-	-	-	-
Reimbursement for General Expenses	(11,530)	(11,530)	(11,530)	(11,530)
<b>Net Revenue Requirements</b>	<b>8,294,878</b>	<b>8,958,781</b>	<b>9,643,000</b>	<b>9,643,000</b>
Less: Revenue at current rates subject to increase	(7,541,099)	(8,294,878)	(8,958,781)	(7,541,099)
<b>Recommended Increase</b>	<b>\$753,779</b>	<b>\$663,903</b>	<b>\$684,219</b>	<b>\$2,101,901</b>
<b>Recommended Percentage Increase</b>	<b>10.00%</b>	<b>8.00%</b>	<b>7.64%</b>	<b>27.87%</b>

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

Schedule 4  
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**CAUSE NUMBER 45632**

***Pro-forma* Net Operating Income Statement**

	<b>Year Ended Dec. 31, 2019</b>	<b>Adjustments</b>	<b><i>Pro-forma</i> Present Rates</b>	<b>Phase I Adjustments</b>	<b><i>Pro-Forma</i> Phase I Proposed Rates</b>
<b>Operating Revenue</b>					
Residential	\$ 1,245,176	\$ (14,122)	\$ 1,231,054	\$ 292,014	\$ 1,523,068
Commercial	930,036	-	930,036	262,807	1,192,843
Industrial	4,597,173	-	4,597,173	190,768	4,787,941
Public authority	361,418	-	361,418	83,340	444,758
Pretreatment monitoring	207,694	-	207,694	(105,651)	102,043
Pretreatment base	156,325	-	156,325	30,501	186,826
Penalties	57,399	-	57,399	-	57,399
<b>Total Operating Revenue</b>	<b>7,555,221</b>	<b>(14,122)</b>	<b>7,541,099</b>	<b>753,779</b>	<b>8,294,878</b>
<b>O&amp;M Expenses</b>					
Salaries and Wages - Employee	1,226,957	247,956	1,474,913		1,474,913
Overtime	178,036	-	178,036		178,036
Reimbursements - Shared Services	529,568	149,364	678,932		678,932
Salaries and Wages - Directors	24,753	-	24,753		24,753
Employee Benefits	651,614	198,673	850,287		850,287
Sludge Removal Expense	170,913	70,754	241,667		241,667
Utility Services	849,976	71,636	921,612		921,612
Chemicals	47,825	-	47,825		47,825
Materials and Supplies	131,754	-	131,754		131,754
Contractual services - Engineering	31,566	-	31,566		31,566
Contractual services - Accounting	42,524	-	42,524		42,524
Contractual services - Legal	36,054	-	36,054		36,054
Contractual services - Other/Testing	759,325	157,528	916,853		916,853
Rental of Building/Real Property	11,854	-	11,854		11,854
Rental of Equipment	1,252	-	1,252		1,252
Transportation Expense	72,251	-	72,251		72,251
Insurance - General Liability	9,085	-	9,085		9,085
Insurance - Workman's Compensation	24,067	-	24,067		24,067
Bad Debt Expense	184,005	(179,177)	4,828		4,828
Miscellaneous Expense	58,488	-	58,488		58,488
Flood Protection Plan	1,500	-	1,500		1,500
<b>Total Operating Expenses</b>	<b>5,043,367</b>	<b>716,734</b>	<b>5,760,101</b>	<b>-</b>	<b>5,760,101</b>
<b>Net Operating Income</b>	<b>\$ 2,511,854</b>	<b>\$ (730,856)</b>	<b>\$ 1,780,998</b>	<b>\$ 753,779</b>	<b>\$ 2,534,777</b>

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

Schedule 4  
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**CAUSE NUMBER 45632**

***Pro-forma* Net Operating Income Statement**

	<b>Pro Forma Phase I</b>	<b>Adjustments</b>	<b>Pro-forma Present Rates</b>	<b>Adjustments</b>	<b>Pro-Forma Phase II Proposed Rates</b>
Operating Revenue					
Residential	\$ 1,523,068	\$ -	\$ 1,523,068	\$ 121,845	\$ 1,644,913
Commercial	1,192,843	-	1,192,843	95,427	1,288,270
Industrial	4,787,941	-	4,787,941	387,941	5,175,882
Public authority	444,758	-	444,758	35,581	480,339
Pretreatment monitoring	102,043	-	102,043	8,163	110,206
Pretreatment base	186,826	-	186,826	14,946	201,772
Penalties	57,399	-	57,399	-	57,399
Total Operating Receipts	<u>8,294,878</u>	<u>-</u>	<u>8,294,878</u>	<u>663,903</u>	<u>8,958,781</u>
O&M Expenses					
Salaries and Wages - Employee	1,474,913	-	1,474,913		1,474,913
Overtime	178,036	-	178,036		178,036
Reimbursements - Shared Services	678,932	-	678,932		678,932
Employee Benefits	850,287	-	850,287		850,287
Sludge Removal Expense	241,667	-	241,667		241,667
Utility Services	921,612	-	921,612		921,612
Chemicals	47,825	-	47,825		47,825
Materials and Supplies	131,754	-	131,754		131,754
Contractual services - Engineering	31,566	-	31,566		31,566
Contractual services - Accounting	42,524	-	42,524		42,524
Contractual services - Legal	36,054	-	36,054		36,054
Contractual services - Other/Testing	916,853	-	916,853		916,853
Rental of Building/Real Property	11,854	-	11,854		11,854
Rental of Equipment	1,252	-	1,252		1,252
Transportation Expense	72,251	-	72,251		72,251
Insurance - General Liability	9,085	-	9,085		9,085
Insurance - Workman's Compensation	24,067	-	24,067		24,067
Salaries and Wages - Directors	24,753	-	24,753		24,753
Bad Debt Expense	4,828	-	4,828		4,828
Miscellaneous Expense	58,488	-	58,488		58,488
Flood Protection Plan	1,500	-	1,500		1,500
Total Operating Expenses	<u>5,760,101</u>	<u>-</u>	<u>5,760,101</u>	<u>-</u>	<u>5,760,101</u>
Net Operating Income	<u>\$ 2,534,777</u>	<u>\$ -</u>	<u>\$ 2,534,777</u>	<u>\$ 663,903</u>	<u>\$ 3,198,680</u>

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

Schedule 4  
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**CAUSE NUMBER 45632**

**Pro-forma Net Operating Income Statement**

	<b>Pro Porma Phase II</b>	<b>Adjustments</b>	<b>Pro-forma Present Rates</b>	<b>Adjustments</b>	<b>Pro-Forma Phase III Proposed Rates</b>
Operating Revenue					
Residential	\$ 1,644,913	\$ -	\$ 1,644,913	\$ 126,439	\$ 1,771,352
Commercial	1,288,270	-	1,288,270	99,025	1,387,295
Industrial	5,175,882	-	5,175,882	397,852	5,573,734
Public authority	480,339	-	480,339	36,922	517,261
Pretreatment monitoring	110,206	-	110,206	8,471	118,677
Pretreatment base	201,772	-	201,772	15,510	217,282
Penalties	57,399	-	57,399	-	57,399
Total Operating Receipts	<u>8,958,781</u>	<u>-</u>	<u>8,958,781</u>	<u>684,219</u>	<u>9,643,000</u>
O&M Expenses					
Salaries and Wages - Employee	1,474,913	-	1,474,913		1,474,913
Overtime	178,036	-	178,036		178,036
Employee Benefits	678,932	-	678,932		678,932
Sludge Removal Expense	850,287	-	850,287		850,287
Utility Services	241,667	-	241,667		241,667
Chemicals	921,612	-	921,612		921,612
Materials and Supplies	47,825	-	47,825		47,825
Contractual services - Engineering	131,754	-	131,754		131,754
Contractual services - Accounting	31,566	-	31,566		31,566
Contractual services - Legal	42,524	-	42,524		42,524
Contractual services - Other/Testing	36,054	-	36,054		36,054
Rental of Building/Real Property	916,853	-	916,853		916,853
Rental of Equipment	11,854	-	11,854		11,854
Transportation Expense	1,252	-	1,252		1,252
Insurance - General Liability	72,251	-	72,251		72,251
Insurance - Workman's Compensation	9,085	-	9,085		9,085
Reimbursements - Shared Services	24,067	-	24,067		24,067
Salaries and Wages - Directors	24,753	-	24,753		24,753
Bad Debt Expense	4,828	-	4,828		4,828
Miscellaneous Expense	58,488	-	58,488		58,488
Flood Protection Plan	1,500	-	1,500		1,500
Total Operating Expenses	<u>5,760,101</u>	<u>-</u>	<u>5,760,101</u>	<u>-</u>	<u>5,760,101</u>
Net Operating Income	<u>\$ 3,198,680</u>	<u>\$ -</u>	<u>\$ 3,198,680</u>	<u>\$ 684,219</u>	<u>\$ 3,882,899</u>

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

**SCHEDULE OF AMORTIZATION OF \$7,945,000 PRINCIPAL AMOUNT  
OF PROPOSED SANITARY DISTRICT REVENUE BONDS, SERIES 2022**

**Principal payable semiannually, January 15th and July 15th, beginning January 15, 2024.**

**Interest payable semiannually, January 15th and July 15th, beginning January 15, 2023.**

**Assumed interest rate as shown.**

**Assumes bonds dated September 29, 2022.**

Payment Date	Principal		Assumed Interest Rate*	Interest	Total	Bond Year Total
	Balance (-----In \$1,000's-----)	Principal	(%)	(-----In Dollars-----)	(-----In Dollars-----)	
1/15/2023	\$7,945			\$54,974.99	\$54,974.99	
7/15/2023	7,945			93,353.75	93,353.75	\$148,328.74
1/15/2024	7,945	\$83	2.35	93,353.75	176,353.75	
7/15/2024	7,862	84	2.35	92,378.50	176,378.50	352,732.25
1/15/2025	7,778	164	2.35	91,391.50	255,391.50	
7/15/2025	7,614	165	2.35	89,464.50	254,464.50	509,856.00
1/15/2026	7,449	167	2.35	87,525.75	254,525.75	
7/15/2026	7,282	169	2.35	85,563.50	254,563.50	509,089.25
1/15/2027	7,113	171	2.35	83,577.75	254,577.75	
7/15/2027	6,942	173	2.35	81,568.50	254,568.50	509,146.25
1/15/2028	6,769	175	2.35	79,535.75	254,535.75	
7/15/2028	6,594	178	2.35	77,479.50	255,479.50	510,015.25
1/15/2029	6,416	180	2.35	75,388.00	255,388.00	
7/15/2029	6,236	182	2.35	73,273.00	255,273.00	510,661.00
1/15/2030	6,054	184	2.35	71,134.50	255,134.50	
7/15/2030	5,870	186	2.35	68,972.50	254,972.50	510,107.00
1/15/2031	5,684	188	2.35	66,787.00	254,787.00	
7/15/2031	5,496	190	2.35	64,578.00	254,578.00	509,365.00
1/15/2032	5,306	193	2.35	62,345.50	255,345.50	
7/15/2032	5,113	195	2.35	60,077.75	255,077.75	510,423.25
1/15/2033	4,918	197	2.35	57,786.50	254,786.50	
7/15/2033	4,721	200	2.35	55,471.75	255,471.75	510,258.25
1/15/2034	4,521	202	2.35	53,121.75	255,121.75	
7/15/2034	4,319	204	2.35	50,748.25	254,748.25	509,870.00
1/15/2035	4,115	207	2.35	48,351.25	255,351.25	
7/15/2035	3,908	209	2.35	45,919.00	254,919.00	510,270.25
1/15/2036	3,699	212	2.35	43,463.25	255,463.25	
7/15/2036	3,487	214	2.35	40,972.25	254,972.25	510,435.50
1/15/2037	3,273	216	2.35	38,457.75	254,457.75	
7/15/2037	3,057	219	2.35	35,919.75	254,919.75	509,377.50
1/15/2038	2,838	222	2.35	33,346.50	255,346.50	
7/15/2038	2,616	224	2.35	30,738.00	254,738.00	510,084.50
1/15/2039	2,392	227	2.35	28,106.00	255,106.00	
7/15/2039	2,165	230	2.35	25,438.75	255,438.75	510,544.75
1/15/2040	1,935	232	2.35	22,736.25	254,736.25	
7/15/2040	1,703	235	2.35	20,010.25	255,010.25	509,746.50
1/15/2041	1,468	238	2.35	17,249.00	255,249.00	
7/15/2041	1,230	240	2.35	14,452.50	254,452.50	509,701.50
1/15/2042	990	243	2.35	11,632.50	254,632.50	
7/15/2042	747	246	2.35	8,777.25	254,777.25	509,409.75
1/15/2043	501	249	2.35	5,886.75	254,886.75	
7/15/2043	252	252	2.35	2,961.00	254,961.00	509,847.75
Totals		<u>\$7,945</u>		<u>\$2,244,270.24</u>	<u>\$10,189,270.24</u>	<u>\$10,189,270.24</u>

\*Assumes current subsidized SRF interest rates plus 35 bps to account for potential interest rate changes in the next year.

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

**SCHEDULE OF PRESENT AND PROPOSED SEWER RATES AND CHARGES**

	Present (1)	Phase I 9/1/2022	Phase II 9/1/2023	Phase III 9/1/2024
Billing Charge (per bill)	\$3.69	\$2.25	\$2.43	\$2.62
Base Rates (per month):				
<u>Meter Size</u>				
5/8"	\$5.21	\$10.00	\$10.80	\$11.63
3/4"	7.82	15.00	16.20	17.44
1"	13.02	25.00	27.00	29.06
1-1/2"	30.20	58.00	62.64	67.43
2"	52.07	100.00	108.00	116.25
3"	119.76	230.00	248.40	267.38
4"	208.29	400.00	432.00	465.00
6"	473.85	910.00	982.80	1,057.89
8"	843.56	1,620.00	1,749.60	1,883.27
10"	1,317.40	2,530.00	2,732.40	2,941.16
12"	-	3,646.00	3,937.68	4,238.52
Treatment Rate (per 1,000 Gallons per month)				
First 100,000 gallons	\$2.34	\$2.55	\$2.75	\$2.96
Over 100,000 gallons	3.88	4.54	4.90	5.27
Pretreatment:				
Base charge per month	\$701.67	\$598.80	\$646.70	\$696.11
Monitoring event charge (per event)	627.81	416.50	449.82	484.19
Excess Strength Charges:				
Chemical Oxygen Demand (COD) - per lb. in excess of 250 mg/l	\$0.28	\$0.20	\$0.22	\$0.24
Total Suspended Solids (TSS) - per lb. in excess of 100 mg/l	0.92	0.61	0.66	0.71

(1) Per Rate Ordinance No. 15-0023, adopted November 23, 2015.

\* The treatment rate above is shown per 1,000 gallons. To convert this to a charge per 100 cu. Ft. the conversion factor is 100 cu. ft. = 748 gallons. The rates above per 100 cu. Ft. are as follows:

First 13,368 cu. ft.	\$1.75	\$1.91	\$2.06	\$2.22
Over 13,368 cu. ft.	2.90	3.40	3.67	3.95

Note: The District does not have separate rates by class. The attached billing, meter and flow charges are consistent for each class of customers.

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

*Phase I*

**CALCULATION OF PRO FORMA REVENUES  
AT PROPOSED RATES AND CHARGES**

	<u>Pro Forma Rate</u>	<u>Billing Determinates</u>	<u>Pro Forma Revenues</u>
<u>Pro Forma Annual Revenues:</u>			
<u>Billing Charge</u>	\$2.25	81,973 Annual bills	\$184,439
<u>Base Charge:</u>			
<u>Meter Size</u>			
5/8"	\$10.00	72,788 Annual connections	727,880
3/4"	15.00	4,653 Annual connections	69,795
1"	25.00	1,625 Annual connections	40,625
1-1/2"	58.00	976 Annual connections	56,608
2"	100.00	1,173 Annual connections	117,300
3"	230.00	225 Annual connections	51,750
4"	400.00	310 Annual connections	124,000
6"	910.00	124 Annual connections	112,840
8"	1,620.00	76 Annual connections	123,120
10"	2,530.00	11 Annual connections	27,830
12"	3,646.00	12 Annual connections	43,752
<u>Treatment Rate:</u>			
First 100,000 gallons	\$2.55	537,290 1,000's of gallons	1,370,090
Over 100,000 gallons	4.54	968,276 1,000's of gallons	4,395,973
<u>Pretreatment Program:</u>			
Base charge	\$598.80	26 Pretreatment customers	186,826
Monitoring event charge	416.50	245 Annual monitoring events	102,043
<u>Excess Strength (Metered Sewer):</u>			
COD	\$0.20	388,725 Pounds	77,745
TSS	0.61	697,525 Pounds (1)	425,490
Total			\$8,238,106
Less Pro Forma Net Revenue Requirements			(8,294,878)
Plus Penalties			57,399
Variance			\$627
Percentage			0.01%

(1) Normalized TSS loading for W.R. Grace which was historically high in 2019.



**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

*Phase II*

**CALCULATION OF PRO FORMA REVENUES  
AT PROPOSED RATES AND CHARGES**

	<u>Pro Forma Rate</u>	<u>Billing Determinates</u>	<u>Pro Forma Revenues</u>
<u>Pro Forma Annual Revenues:</u>			
Billing Charge	\$2.43	81,973 Annual bills	\$199,194
<u>Base Charge:</u>			
<u>Meter Size</u>			
5/8"	\$10.80	72,788 Annual connections	786,110
3/4"	16.20	4,653 Annual connections	75,379
1"	27.00	1,625 Annual connections	43,875
1-1/2"	62.64	976 Annual connections	61,137
2"	108.00	1,173 Annual connections	126,684
3"	248.40	225 Annual connections	55,890
4"	432.00	310 Annual connections	133,920
6"	982.80	124 Annual connections	121,867
8"	1,749.60	76 Annual connections	132,970
10"	2,732.40	11 Annual connections	30,056
12"	3,937.68	12 Annual connections	47,252
<u>Treatment Rate:</u>			
First 100,000 gallons	\$2.75	537,290 1,000's of gallons	1,477,548
Over 100,000 gallons	4.90	968,276 1,000's of gallons	4,744,552
<u>Pretreatment Program:</u>			
Base charge	\$646.70	26 Pretreatment customers	201,770
Monitoring event charge	449.82	245 Annual monitoring events	110,206
<u>Excess Strength (Metered Sewer):</u>			
COD	\$0.22	388,725 Pounds	85,520
TSS	0.66	697,525 Pounds (1)	460,367
Total			\$8,894,297
Less Pro Forma Net Revenue Requirements			(8,958,781)
Plus Penalties			57,399
Variance			(\$7,085)
Percentage			-0.08%

(1) Normalized TSS loading for W.R. Grace which was historically high in 2019.

**EAST CHICAGO SANITARY DISTRICT  
(Wastewater Division)**

*Phase III*

**CALCULATION OF PRO FORMA REVENUES  
AT PROPOSED RATES AND CHARGES**

	<u>Pro Forma Rate</u>	<u>Billing Determinates</u>	<u>Pro Forma Revenues</u>
<u>Pro Forma Annual Revenues:</u>			
Billing Charge	\$2.62	81,973 Annual bills	\$214,769
<u>Base Charge:</u>			
<u>Meter Size</u>			
5/8"	\$11.63	72,788 Annual connections	846,524
3/4"	17.44	4,653 Annual connections	81,148
1"	29.06	1,625 Annual connections	47,223
1-1/2"	67.43	976 Annual connections	65,812
2"	116.25	1,173 Annual connections	136,361
3"	267.38	225 Annual connections	60,161
4"	465.00	310 Annual connections	144,150
6"	1,057.89	124 Annual connections	131,178
8"	1,883.27	76 Annual connections	143,129
10"	2,941.16	11 Annual connections	32,353
12"	4,238.52	12 Annual connections	50,862
<u>Treatment Rate:</u>			
First 100,000 gallons	\$2.96	537,290 1,000's of gallons	1,590,378
Over 100,000 gallons	5.27	968,276 1,000's of gallons	5,102,815
<u>Pretreatment Program:</u>			
Base charge	\$696.11	26 Pretreatment customers	217,186
Monitoring event charge	484.19	245 Annual monitoring events	118,627
<u>Excess Strength (Metered Sewer):</u>			
COD	\$0.24	388,725 Pounds	93,294
TSS	0.71	697,525 Pounds (1)	495,243
Total			\$9,571,213
Less Pro Forma Net Revenue Requirements			(9,643,000)
Plus Penalties			57,399
Variance			(\$14,388)
Percentage			-0.15%

(1) Normalized TSS loading for W.R. Grace which was historically high in 2019.