FILED
August 8, 2024
INDIANA UTILITY
REGULATORY COMMISSION

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF MARYSVILLE-OTISCO-NABB WATER CORPORATION:	)	**Cause No. 45955**
	)	
	)	
(1) FOR AUTHORITY AND APPROVAL TO INCREASE RATES AND CHARGES FOR WATER SERVICE, INCLUDING APPROVAL OF NEW SCHEDULE(S) OF RATES AND CHARGES FOR WATER SERVICES	)	
	)	
(2) FOR AUTHORITY AND APPROVAL TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS OF INDEBTEDNESS	)	

PETITIONER'S SUBMISSION OF PROPOSED ORDER

Comes now the Petitioner Marysville-Otisco-Nabb Water Corporation, by counsel, and in accordance with the agreed post-hearing briefing schedule, submits its proposed order in this proceeding.

Dated this 8th day of August, 2024.

Respectfully submitted,

/s/*Darren A. Craig*
Darren A. Craig
Beau F. Zoeller
Cameron S. Trachtman
Matthew K. Duncan
Frost Brown Todd LLP
111 Monument Circle Ste. 4500
Indianapolis, IN 46204
(317) 237-3800
Email: dcraig@fbtlaw.com
Email: bfzoeller@fbtlaw.com
Email: ctrachtman@fbtlaw.com
Email: mduncan@fbtlaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing has been electronically served on the following counsel of record via email, the agreed method of service for this proceeding, on August 8, 2024:

Daniel M. Le Vay
Adam J. Kashin
Victor Peters
Deputy Consumer Counselor
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204
dlevay@oucc.in.gov
AKashin@oucc.in.gov
ViPeters@oucc.in.gov
infomgt@oucc.in.gov

/s/ *Darren A. Craig*_____
Darren A. Craig

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF MARYSVILLE-OTISCO-NABB WATER CORPORATION:	)	**Cause No. 45955**
	)	
(1) FOR AUTHORITY AND APPROVAL TO INCREASE RATES AND CHARGES FOR WATER SERVICE, INCLUDING APPROVAL OF NEW SCHEDULE(S) OF RATES AND CHARGES FOR WATER SERVICES	)	
	)	
(2) FOR AUTHORITY AND APPROVAL TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS OF INDEBTEDNESS	)	

PROPOSED ORDER

ORDER OF THE COMMISSION

Presiding Officers:
Wesley R. Bennett, Commissioner
Loraine L. Seyfried, Administrative Law Judge

On September 29, 2023, Marysville-Otisco-Nabb Water Corporation ("MON Water" or "Petitioner") filed with the Indiana Utility Regulatory Commission (the "Commission") its Petition for authority and approval to increase rates and charges for water service, including approval of new schedule(s) of rates and charges for water services and for authority and approval to issue bonds, notes, or other obligations of indebtedness. Petitioner also prefiled its testimony and exhibits constituting its case-in-chief on October 2, 2023, and filed its Agreed Motion for Establishment of Procedural Schedule, Test Year, and Cut-Off Date in Lieu of Prehearing Conference on October 25, 2023, entered into by Petitioner and the Indiana Office of the Utility Consumer Counselor (the "OUCC" and, together with Petitioner, the "Parties"). On October 19, 2023, pursuant to the request of the OUCC, the Petitioner resubmitted to the Commission its prefiled testimony constituting its case-in-chief with page numbers and line numbers. On October 31, 2023, the Commission issued its Docket Entry establishing the procedural schedule in this Cause.

On January 12, 2024, the OUCC filed testimony in response to Petitioner's case in chief. On February 16, 2024, Petitioner filed its rebuttal testimony.

On February 26, 2024, the Parties submitted their Agreed Motion for Leave to Supplement Cases-in-Chief and to Revise Procedural Schedule, which was granted by the Commission pursuant to its Docket Entry on March 5, 2024. On March 15, 2024, the Petitioner supplemented its case-in-chief by prefiling its testimony and exhibits. On May 30, 2024, the OUCC filed

supplemental testimony and exhibits in response to Petitioner's supplemental case-in-chief. On June 27, 2024, Petitioner filed its supplemental rebuttal testimony.

Pursuant to notice given as required by applicable law, an evidentiary hearing was held on July 30, 2024, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. At that hearing, each party offered its prefiled testimony and exhibits, including supplemental prefiled testimony and exhibits, all of which were admitted into evidence without objection. The OUCC cross-examined one of Petitioner's witnesses and waived cross-examination on the remaining witnesses. Petitioner cross-examined one of the OUCC's witnesses and waived cross-examination on the remaining witnesses.

Having considered the evidence and being duly advised in the premises, the Commission now finds that:

1. Notice and Jurisdiction. Notice of the time and place of the hearings conducted by the Commission in this Cause was given as required by law. Petitioner wishes to receive approval from the Commission to: (a) increase its rates and charges for water services; (b) amend its schedule of water rates and charges; and (c) issue bonds, notes, or other obligations of indebtedness. Petitioner is subject to Commission jurisdiction as prescribed by Ind. Code §§ 8-1-2-78, 8-1-2-79, 8-1-2-80, 8-1-2-83, 8-1-4-1, 8-1-2-4, 8-1-2-38, 8-1-2-42, 8-1-2-61, 8-1-2-68, and 8-1-2-125. The Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner's Characteristics. Petitioner is a not-for-profit water utility that owns and operates a waterworks utility, which provides water sales and service to customers in and around the unincorporated communities of Marysville, Otisco, and Nabb, which are located in Clark County and Scott County, Indiana. The water utility system includes plants, property, pipelines, mains, equipment, and facilities used in the procurement, distribution, and sale of water to service residential, commercial, and other consumers in and around the unincorporated communities of Marysville, Otisco, and Nabb.

3. Requested Relief. Petitioner's case-in-chief sought approval to: (a) increase its rates and charges for water services; (b) amend its schedule of water rates and charges; and (c) issue bonds, notes, or other obligations of indebtedness.

4. Petitioner's Case-in-Chief. Petitioner's case-in-chief, as supplemented, included testimony from Jerome Hentrup, Tracy Wyne, Robert Bellucci, and Eric Smith.

A. Direct Testimony of Jerome Hentrup. Jerome Hentrup, the Secretary of the MON Water Board of Directors ("Board"), described MON Water as a not-for-profit water utility that serves approximately 2,506 customers, whose service area generally coincides with the unincorporated communities of Marysville, Otisco, and Nabb in Clark County and Scott County, Indiana.

Mr. Hentrup testified that the water provided to customers is primarily sourced from the existing Stucker Fork Conservancy District and conveyed through a 12-inch transmission main. He testified that water can also be purchased from Indiana-American-Water Company through a booster station connected by a six-inch water main with asbestos cement pipe. Mr. Hentrup testified that MON Water owns and operates two (2) elevated storage tanks and corresponding

distribution system, with the total length of pipe within the entire system being approximately 709,600 linear feet. Mr. Hentrup testified that the oldest water mains within the distribution system are assumed to have been installed in the late 1960s.

Mr. Hentrup testified that the Board on September 27, 2023, approved a resolution authorizing the filing of a petition with the Commission to seek the Commission's approval to increase MON Water's current rates and charges, to issue debt to fund necessary capital improvements, and pay for certain operation and maintenance expenses pending an increase in rates. A copy of such resolution was attached as Exhibit 1 to Mr. Hentrup's testimony.

Mr. Hentrup testified that in his opinion the current rates and charges of MON Water are insufficient to meet the water utility's revenue requirements. Mr. Hentrup testified that his opinion was based on his general experience, observations, the obvious condition and the functionality of MON Water's waterworks system as a whole, and based on the beliefs and opinions of MON Water's specialized consultants, Sherman, Barber, & Mullikin, CPAs and Commonwealth Engineers, Inc., who have performed detailed studies regarding financing and engineering of MON Water's waterworks utility.

To determine whether MON Water's rates and charges for water service needed to be increased, Mr. Hentrup testified that the Board employed the services of Commonwealth Engineers, Inc. to conduct an engineering study that analyzed the current condition of MON Water's waterworks system and the required remedies for improvement. Mr. Hentrup testified that the Board then engaged Sherman, Barber, & Mullikin, CPAs to prepare a rate study analyzing MON Water's current revenue requirements to provide the Board with the recommended level of revised rates and charges necessary to fund the general operations, maintenance, and capital improvement projects outlined in the engineering study.

Finally, Mr. Hentrup testified that MON Water is seeking to issue Secured Notes or other obligations of indebtedness for the purposes of installing: (a) a new 300,000 gallon elevated water storage tank along State Road 160 near the intersection of Hansberry Road on a parcel of land currently owned by MON Water and a gravel drive and security fencing around the perimeter of such storage tank; (b) improvements to the booster station that transports water from Charlestown, Indiana, including the replacement of the existing booster station pump, a variable frequency drive to control the flow, a Mission Cellular System to remotely monitor the booster station, and an emergency generator; and (c) approximately 26,600 linear feet of 8-inch water main loop near Charlestown, Indiana that connects the existing two (2)-inch master meter on Charlestown-Memphis Road to the intersection of Opossum Road and State Road 160.

B. Direct Testimony of Tracy Wyne. Tracy Wyne, a Certified Public Accountant, Certified Fraud Examiner, and Manager of Sherman, Barber, and Mullikin, CPAs, a certified public accounting firm, provided testimony regarding the rate study that she prepared for MON Water and the forecasted revenue requirements for MON Water to cover its estimated operating expenses, extension and replacement funding, and the repayment of proposed long-term debt. Ms. Wyne testified that she was engaged by MON Water to develop revenue requirements for its annual operations and calculate rates and charges and prepare a schedule of estimated project costs and sources of funds in connection with MON Water's proposed capital projects. Details of these calculations are outlined in Ms. Wyne's Rate Study (the "Rate Study"), which was an exhibit

to Ms. Wyne's testimony. Ms. Wyne testified that she began providing services for MON Water in 2009 and did not provide assistance to MON Water in 2004 when MON Water's last base rates were set.

Ms. Wyne testified that the year that ended December 31, 2022 was used as the test year in conducting the Rate Study and that the test year, when coupled with fixed, known, and measurable adjustments expected to occur within twelve (12) months of the end of the test year, is representative of MON Water's operations for ratemaking purposes. Ms. Wyne testified that prior to preparing the Rate Study that she reviewed the books and records of MON Water and had numerous discussions with its management and staff, as well as with other witnesses and counsel. Ms. Wyne testified that Page 7 of the Rate Study provides a summary of significant assumptions and that the forecasted adjustments are included on Pages 8-16 of the Rate Study. Ms. Wyne testified that the adjustments in the Rate Study include that MON Water will have thirty (30) new customers during the test year and an average annual increase of thirty-one (31) customers for the twelve months following the test year, with customer growth being predicted based on a 3-year average of historical growth. Ms. Wyne testified that a Forecasted Schedule of Cash Flows and Revenue Requirements and Required Increase in Rates and Charges is presented on Page 6 of the Rate Study. Ms. Wyne testified that such forecasted schedule is a summary of the annual revenue requirements for MON Water and includes forecasted net income, debt service and debt service reserve requirements, and provisions for extensions and replacements.

Ms. Wyne testified that based on the Rate Study, MON Water will need an increase in annual operating revenues of $590,401, which represents an increase of 63.90% above forecasted present rates to be implemented as an across-the-board increase to all customers. Ms. Wyne testified that this proposed rate increase is calculated based on MON Water's expected income and expenses and other cash flows of the forecasted year ending December 31, 2023. Ms. Wyne testified that a schedule of estimated project costs and source of funds is presented on Page 18 of the Rate Study while a complete amortization schedule relating to MON Water's proposed indebtedness appears on Pages 19 and 20 of the Rate Study. Ms. Wyne testified that Page 21 of the Rate Study presents a calculation of debt coverage at present and proposed rates. Ms. Wyne testified that MON Water's proposed average annual debt service, calculated on a five-year average, is $425,520.00.

Ms. Wyne testified that MON Water desires to finance the project with a loan from the Indiana Finance Authority State Revolving Fund ("SRF") Loan program, as well as a local match, and an ARP Grant for total funding of $9,485,200.00. Ms. Wyne testified that the amortization schedules of the proposed SRF notes on 19-20 is shown to be paid semi-annually over a 35-year period beginning July 1, 2024. Ms. Wyne testified that an additional requirement of $85,300 has been included to satisfy the requirements for a separate debt service reserve equal to the maximum debt service on the proposed SRF borrowings to be funded over a 5-year period. Ms. Wyne testified that MON Water used an estimated 4.0 percent for the SRF in its calculations for proposed debt service but uncertainty regarding the actual interest rate MON Water will be able to obtain exists due to potential market fluctuation and project priority ranking by SRF. Ms. Wyne testified that if the actual rate is higher than rates used in calculating cash required for annual debt service on the proposed SRF notes, MON Water will file a true-up report. Ms. Wyne testified that unusual and significant uncertainty also exists as to the final borrowing amount MON Water will require to complete the proposed project due to current supply chain and labor shortage issues currently

prevalent in the construction industry. In explaining how the true-up process will work, Ms. Wyne testified that once the bid process is complete, MON Water will know both the cost of the project and the interest rate(s) available through SRF and that within 30 days of closing, MON Water will provide a true-up report describing the final terms and amount of the debt, the debt service reserve provisions, a revised amortization schedule based on the final debt terms, and a revised tariff.

When asked if the proposed financing is a reasonable means of funding the project, Ms. Wyne testified that the SRF loan program provides a reasonable, cost-effective means of financing the proposed project. Ms. Wyne testified that the financing of long-term assets better matches customers' use of the assets to payments for the assets. Finally, Ms. Wyne testified that SRF's low interest rates and long amortization periods will allow the project to be completed with a lessened rate impact on MON Water customers.

C. Direct Testimony of Robert Bellucci. Robert Bellucci, a Professional Engineer and Vice President/Senior Project Manager at Commonwealth Engineers, Inc., provided testimony regarding the preliminary design of the project, including the preparation of the Preliminary Engineering Report ("PER") and assembly of a hydraulic model of MON Water's drinking water distribution system. A copy of the PER, dated July 2023, was attached as an exhibit to Mr. Bellucci's testimony.

Mr. Bellucci testified that MON Water owns and operates two elevated storage tanks and corresponding distribution system that serves the unincorporated communities of Marysville, Otisco, and Nabb. Mr. Bellucci testified that the Marysville tank is a 75,000-gallon elevated tank and the Otisco tank is a 250,000-gallon elevated tank. Mr. Bellucci testified that during normal operations, MON Water's water supply is purchased from the Stucker Fork Conservancy District and conveyed through a 12″ transmission main. Mr. Bellucci testified that in emergency conditions, water can be purchased from Indiana American Water through a booster station and dedicated six-inch water main. Mr. Bellucci testified that the total length of pipe within the entire system is approximately 709,600 linear feet. Mr. Bellucci testified that the oldest water mains within the distribution system are assumed to have been installed in the late 1960s. Mr. Bellucci testified that the Stucker Fork Conservancy District connection supplies water to the Marysville Elevated Storage Tank. Mr. Bellucci testified that the Indiana American Water emergency connection is connected at the southern end of the distribution system from Charlestown, Indiana. Mr. Bellucci testified that the average operating pressure of the distribution system is approximately 75 psi.

Mr. Bellucci testified that MON Water's existing distribution system has large areas of pipe that are two, three, and four inches in diameter and that these smaller pipes can lead to a low residual pressure which may fall below the IAC and Ten States Standards threshold of 20 psi. Mr. Bellucci testified that low residual pressures can lead to system backflow and increased risks to public health, welfare, and safety.

Mr. Bellucci testified that several areas within the distribution system consist of thin-walled PVC and asbestos cement (AC) water mains. Mr. Bellucci testified that these areas are prone to frequent breaks causing unnecessary disruptions in service. Mr. Bellucci testified that the system does not have a large diameter back-up connection if the route that includes the twelve-

inch water main that transports water from the Stucker Fork Conservancy District connection becomes unavailable.

Mr. Bellucci testified that MON Water primarily sources water from the 12-inch connection with Stucker Fork Conservancy District while a smaller, emergency connection is available through a 6-inch connection with Indiana American Water. Mr. Bellucci testified that in the event of a disruption to the Stucker Fork Conservancy District connection, the connection with Indiana American Water would be unable to satisfy system demands by itself because of reduced volume and residual pressures. Mr. Bellucci testified that to maintain overall health, safety, and reliability, an additional connection is recommended.

Mr. Bellucci testified that because much of the existing distribution system was constructed in the late 1960s, these mains are approaching the end of their useful life. Mr. Bellucci testified that these mains are prone to frequent breaks causing outages and service disruptions within the distribution system. Mr. Bellucci testified that older piping is more susceptible to leaking, which increases the potential for system water loss, leading to a reduction in MON Water's revenue. Mr. Bellucci testified that residual pressures would benefit from replacing undersized mains with larger diameter piping. Mr. Bellucci testified that replacement of the older four-inch and smaller water mains is recommended.

After testifying about the various alternative solutions that were developed and considered to address the needs and deficiencies noted within MON Water's existing distribution system, Mr. Bellucci testified that the Phase 1 project was presented with alternative consideration given to implementation of Phase 1A (construction of a new 300,000 gallon tank and booster station upgrades) and Phase 1B (installation of a new 8-inch looping water main connection). Mr. Bellucci testified that he has shown that combining the 1A and 1B projects into a single Phase 1 project would save MON Water nearly $400,000 compared to keeping them as separate projects.

Mr. Bellucci testified that Commonwealth Engineers, Inc. recommends combining the Phase 1A and Phase 1B projects described in Section 6 of the Executive Summary of the PER into a single capital improvements project. Mr. Bellucci testified that the recommended Phase 1 Improvements Project will ensure MON Water can continue to maintain their water utility as an adequate and reliable source for existing and future customers.

Mr. Bellucci testified that existing undersized and asbestos cement water lines can undermine water quality within the distribution system. Mr. Bellucci testified that the new storage tank will assist in addressing emergency flow for the distribution system, when the Stucker Fork Water Utility is unable to provide water. Mr. Bellucci testified that the booster station improvements will also reduce the risk of water main breaks. Mr. Bellucci testified that these improvements will provide and improve the reliability and sustainability of the existing distribution system. Finally, Mr. Bellucci testified that the improvements recommended in his testimony have been prioritized to reduce the overall operational costs and ensure the existing process equipment can be used throughout their expected service lives.

D. Supplemental Direct Testimony of Eric Smith. Eric Smith, a Professional Engineer and Vice President/Director of Water Resources at HWC Engineering, Inc., provided testimony to supplement the pre-filed testimony of Robert Bellucci. Mr. Smith testified that his

engineering firm and himself independently gathered data and information, including performing an additional modeling analysis, to correct deficiencies and inaccuracies in the original PER model and to make recommendations on how MON Water should progress on next steps for making improvements and changes to its existing water system. Mr. Smith testified that as part of that process, HWC completed hydrant flow testing and confirmed elevations throughout the system, updated the system map to correctly represent the existing distribution system, corrected the proposed tank location, and revised assumptions, peaking factors, and friction coefficients to properly calibrate the hydraulic model. Mr. Smith testified that HWC also added system alternatives to replace the existing six-inch transite (asbestos cement) line with a new twelve-inch main between the existing booster pump station and the recently installed twelve-inch transmission main near the intersection of State Road 3 and Harry Hughes Road as suggested by the OUCC's engineer.

A System Pressure Analysis summary of the updated hydraulic model is attached as Exhibit A to Mr. Smith's testimony. System-wide pressure maps for the proposed 8-inch loop using two different scenarios are attached as Exhibit B to Mr. Smith's testimony. Mr. Smith testified that the first scenario contemplates utilizing the Stucker Fork Primary Connection as the main source of water while the second scenario contemplates utilizing the Charlestown emergency connection as the only source of water.

Mr. Smith testified that HWC provided current construction cost estimates for both the eight-inch loop and twelve-inch water main, which is Exhibit C to Mr. Smith's testimony. Mr. Smith testified that while the cost to install the twelve-inch water main is less than the eight-inch loop because of the shorter route, the eight-inch loop provides a greater overall benefit to the system by addressing the on-going occurrences of leaks and breaks in the existing two-inch and four-inch mains that the eight-inch loop would replace. Mr. Smith testified that the eight-inch loop would replace approximately 27,000 linear feet of water main for a total anticipated (updated from the PER) construction cost of approximately $7,000,000. Mr. Smith testified that the twelve-inch water main alternative does not provide the same long-term benefit and savings as the eight-inch loop because it does not allow for the replacement of water mains that will require future maintenance, repair, and replacement.

Mr. Smith testified that the eight-inch loop offers another benefit by replacing water mains that are in poor condition. Finally, Mr. Smith testified that HWC recommends proceeding with the eight-inch loop alternative (listed in the PER as the PER Phase 1B but amended to correct inaccurate locations in the PER) because it would provide an emergency connection to an alternative supply source and replace historically problematic water mains and provide sufficient fire flow to existing and future connections.

5. OUCC's Testimony. In response to Petitioner's case-in-chief, the OUCC filed the testimonies of Shawn Dellinger, Thomas W. Malan, and James T. Parks. In response to Petitioner's supplemental case-in-chief, the OUCC filed the supplemental testimonies of Thomas W. Malan and James T. Parks.

A. Testimony of Shawn Dellinger. Shawn Dellinger, a Senior Utility Analyst for the Water/Wastewater Division of the OUCC, provided testimony on behalf of the OUCC as to MON Water's proposed debt authority and debt service reserve requirements.

Mr. Dellinger testified that he believes that MON Water's estimated 4.0% interest rate is too low and that based on interest rate changes over the past year, that 4.73% is a more appropriate interest rate. Mr. Dellinger testified that given the possibility of an increase in interest rates of approximately 25 basis points, 5.0% would be a reasonable assumption for interest rates for setting initial rates subject to true-up.

Mr. Dellinger testified that the OUCC's position is that the estimated cost of the water main project (including associated non-construction costs) should be removed from the amount of financing authorized. Mr. Dellinger testified that the OUCC does not oppose financing for the elevated storage tank. Mr. Dellinger testified that OUCC accepts Petitioner's request for an additional $620,000 of debt authority.

Finally, Mr. Dellinger testified that he recommends that the Commission: (a) approve a debt authority of $3,425,000 with rates based on borrowings up to $2,650,260; (b) approve a debt service annual revenue requirement of $165,000; (c) approve a debt service reserve revenue requirement of $33,000; (d) require Petitioner to follow the true-up procedures I described in this testimony; and (e) require Petitioner to follow the reporting requirements regarding withdrawals from any debt service reserve funds.

B. Testimony of Thomas W. Malan. Thomas W. Malan, a Utility Analyst in the Water/Wastewater Division of the OUCC, provided testimony on behalf of the OUCC as to adjustments to Petitioner's revenues and expenses and recommendations on accounting practices and restricted accounts.

Mr. Malan testified that Petitioner's last rate order was issued on January 14, 2004 as Cause No. 42476-U. Mr. Malan testified that he recommends that the Commission: (a) approve an across-the-board rate increase of 29.14% to generate an additional $271,323 of operating revenues per year; (b) require Petitioner to establish separate restricted accounts for the existing tank project and tank painting; and (c) require Petitioner to report the balance of restricted accounts along with any withdrawals as part of its annual report to the Commission.

C. Testimony of James T. Parks. James T. Parks, P.E, a Senior Utility Analyst in the Water/Wastewater Division of the OUCC, provided testimony on behalf of the OUCC as to the scope of MON Water's proposed borrowing authority.

Mr. Parks testified in opposition to Petitioner's request for borrowing authority for the 8-inch water main that would include a new fifth interconnect to Indiana-American's Charlestown water system. Mr. Parks testified that Petitioner identified only one water main option: its proposed 8-inch new water main. Mr. Parks testified that the new main is unnecessary and that there are several other lower cost alternatives that would achieve the same objectives of allowing flexibility as to the water supplier. Mr. Parks testified that one option is to complete the 12-inch water transmission main along State Road 3 between the Stucker Fork and Charlestown water systems by installing the remaining 10,500 feet. Mr. Parks testified that the south endpoint would be the existing Booster Station connected to Indiana-American and that the north endpoint would be the Stucker Fork connection at the 75,000-gallon Marysville elevated water storage tank.

Mr. Parks testified that for the years 2021 and 2023, Petitioner reported non-revenue water in excess of 25% as shown in Table 1 of his testimony. Mr. Parks testified that Petitioner is regularly taking steps to locate and repair water system leaks and is replacing the faulty water meters it believes are contributing to its non-revenue water metric exceeding IDEM's 25% ceiling.

Mr. Parks testified that he agrees that Petitioner should build the 300,000-gallon elevated storage tank and the Booster Station upgrades as proposed. Mr. Parks testified that the new tank will provide additional water storage to enable Petitioner to meet the Ten States Standards requirement for storage capacity equal to the average daily demand over the twenty-year design period. Mr. Parks testified that he recommends the Commission approve Petitioner's request for financing authority for the new 300,000-gallon tank and the Booster Station upgrades.

Mr. Parks testified that providing water to developers' new subdivision appears to be the real driver behind Petitioner's proposed connection to Indiana-American's system. Mr. Parks testified that Petitioner should follow the Commission's main extension rules under 170 IAC 6-1.5 and have the developers pay to extend the water mains to supply the water volume needed to serve the subdivisions including fire flows rather than having all ratepayers fund the main extensions. Mr. Parks testified that the real purpose of the proposed 26,800 LF 8-inch water main on the southeast side of its service area is to serve proposed developments near Charlestown and not because of the need to establish another emergency supply connection to Indiana-American's Charlestown system in response to a Stucker Fork supply main break.

Finally, Mr. Parks testified that he recommended that: (a) Petitioner switch over all service connections to the new mains, retire the original mains from service, and document all changes in Record Drawings, the Asset Register and on System-wide mapping; (b) Petitioner complete the Asset Management Plan currently being drafted and that Petitioner submit copies of the Final Asset Management Plan to the Commission and the OUCC within six months of the issuance of the Final Order in this Cause; (c) Petitioner complete an accurate system map, determine actual lengths of its water mains by pipe types, and the actual number of valves, flushing hydrants, and fire hydrants to create an Asset Register and system-wide map; (d) Petitioner notify the Commission and the OUCC when it has completed its Asset Register and system-wide map; (e) the Commission approve Petitioner's request for financing authority for the new 300,000-gallon tank and the Booster Station upgrades and that Petitioner's design engineer evaluate larger pumps and corresponding VFDs at the Booster Station sized in conjunction with the four other interconnections with Indiana-American's water system so that Petitioner can receive 100% of its water supply from Indiana-American in the event of a prolonged outage of the Stucker Fork water supply; (f) Petitioner work cooperatively with Stucker Fork to identify how Stucker Fork's outages can be resolved more quickly by Stucker Fork so that prolonged outages do not re-occur; (g) Petitioner update its Emergency Response Plan by adding procedures that are to be taken for outages of the Stucker Fork supply mains; and (h) the Commission deny Petitioner's request for financing authority for the Phase 1B-Installation of 8″ Water Main Loop at Charlestown.

D. Supplemental Testimony of Thomas W. Malan. Mr. Malan provided testimony on behalf of the OUCC to present and explain the OUCC's supplemental accounting schedules in response to Petitioner's supplemental testimony. Mr. Malan testified that OUCC is now recommending an increase in rates of 33.84%. Mr. Malan testified that OUCC continues to oppose financing authority for the Phase 1B Project, the water main extension. Mr. Malan testified that he

believes a 5% interest rate is a more appropriate assumption for Petitioner's borrowing. Mr. Malan testified that SRF requires a debt service reserve to be funded within five years. Mr. Malan testified that Petitioner's revenue requirement is based on a principal amount of $2,510,095 for a term of 20 years at 5%. Mr. Malan testified that the OUCC has decreased the recommended borrowing amount by $140,165 to reflect a decrease in the estimated cost of complying with the Build America Buy America ("BABA") Act from 10.0% of project costs to 5.0% of project costs as shown by Petitioner in the Preliminary Engineering Report (PER) of March 2024.

Mr. Malan testified that OUCC has accepted the reduction of the loan term from 35 years to 20 years. Mr. Malan testified that Petitioner would have to seek an overall rate increase of 83.61% to produce $778,482 of additional operating revenue to service this amount of debt and maintain the Utility. Finally, Mr. Malan testified that Petitioner would not have the funds to service this level of debt and that it would therefore not be prudent for Petitioner to incur this level of debt.

E. Supplemental Testimony of James T. Parks. Mr. Parks provided testimony on behalf of the OUCC to respond to the supplemental testimony of Eric Smith, P.E. and Vice President of HWC Engineering, Inc. Mr. Parks testified that Petitioner identified just one alternative for the Phase 1B Project: the 8-inch water main. Mr. Parks testified that lower cost options are available to supply water from Indiana-American's Charlestown System, including installing the remaining 10,500 feet of the 12-inch water distribution along SR 3 between the Stucker Fork and Charlestown systems. Mr. Parks testified that Mr. Smith in his supplemental testimony confirmed that completing the 12-inch water main along SR 3 provides similar benefits as the proposed 8-inch water main project but at a much lower cost to ratepayers.

Mr. Parks testified in his supplemental testimony that Petitioner has not rebutted OUCC's position that the fifth interconnect with Indiana-American's Charlestown water system and the 8-inch water main constitute a main extension to serve planned development of 500 homes on the northwest side of Charlestown. Mr. Parks testified that the Phase 1B project is unnecessary and ill-suited to accomplishing the initially stated purpose of providing an emergency back-up water connection. Mr. Parks testified that he does not consider the new reasons for project (water loss and main breaks) to adequately support the necessity and prudence of project. Mr. Parks testified that the real purpose of the project is to provide water service to potential developments near Charlestown.

Mr. Parks testified that Petitioner's 12-inch water main project, approved and funded in 2004, is a lower-cost option for providing a 100% back-up water supply from Indiana-American's Charlestown system. Mr. Parks testified that fire flows of 1,500-gpm are indicative of small lot subdivisions with closely spaced homes of 10 feet or less apart. Mr. Parks testified that he is not aware of any water utility with a 100% backup supply as proposed by Petitioner.

Mr. Parks testified that Phase 1B is a main extension project because it extends water mains through new water mains without which developments would not be able to receive service. Mr. Parks testified that Petitioner's 2,675 existing customers who do not receive fire protection services should not subsidize fire services to new customers. Mr. Parks testified that both project components of 1B (new 8-inch water main and fifth interconnection with Indiana-American Water) constitute a main extension due to fire flow demand. Finally, Mr. Parks testified that the Phase 1B project is not cost-effective, prudent, reasonable, or in the best interests of ratepayers.

6. **Petitioner's Rebuttal**. In response to the testimony filed by the OUCC, Petitioner filed the rebuttal testimonies of Tracy Wyne and Eric Smith. In response to the supplemental testimony filed by the OUCC, Petitioner filed the supplemental rebuttal testimonies of Tracy Wyne and Eric Smith.

A. Rebuttal Testimony of Tracy Wyne. Ms. Wyne provided rebuttal testimony on behalf of MON Water in response to Mr. Malan and Mr. Dellinger's testimony. Ms. Wyne testified that many of Mr. Malan and Mr. Dellinger's proposed changes and corrections to her original testimony and independent accountant's report are nominal and do not have any material impact on MON Water's petition or on MON Water's overall revenue requirements. Ms. Wyne stated that she largely agreed with the OUCC's recharacterization of certain expenses and fees in its case-in-chief.

Ms. Wyne testified that she disagreed with the OUCC's recommendation to deposit all funds collected in association with new tank maintenance into a restricted account for tank painting. Ms. Wyne testified that creating a restricted account for one item is unnecessary because MON Water pledges to use all revenues to satisfy each of the revenue requirements. Ms. Wyne testified that the administrative burden to maintain and report on funding one expense outweigh the perceived benefit. Ms. Wyne testified that all of MON Water's resources are restricted so as to satisfy the revenue requirements.

Ms. Wyne testified that the recommended rate increase by MON Water was based on historical data and was adjusted for fixed, known, or measurable changes during the forecast period. Based on this, Ms. Wyne testified that she does not share the concerns of the OUCC with regard to affordability for MON Water's customers.

Ms. Wyne testified that the repayment period of 35 years as proposed by the OUCC is not appropriate for an above-ground project financed by an SRF loan. Based on that, Ms. Wyne testified that she disagreed with the tables put forth in the testimony of Mr. Malan.

Ms. Wyne testified that the 4.0% interest rate used in the Rate Study was the best-known rate for such indebtedness when the case was filed. Ms. Wyne testified that while she agrees that the final interest rate for the borrowing will likely be higher than the 4% estimate, typically adjustments of this type are addressed in a true-up filing once funding is secured.

Ms. Wyne testified that certain non-construction costs related to USDA-RD financing in the petition should be removed if MON Water obtains SRF financing. Ms. Wyne testified that regulatory assistance, administrative (general), local attorney, and rate consultant costs are typically allowable expenses to be paid from SRF funds. Ms. Wyne testified that allowing those expenses to be included in non-construction costs and financed by the issuance of bonds or other obligations would reduce the impact on the consumer since otherwise the $100,000 would be amortized over the expected life of the rates, which is commonly five (5) years.

Ms. Wyne testified that OUCC has proposed a loan term of 35 years. Ms. Wyne testified that SRF will typically issue notes for 35-year terms only if the asset to be constructed is underground. Ms. Wyne testified that because the tank is above ground, a 20-year term would be more appropriate. Ms. Wyne testified that using the same assumptions as in the Rate Study (semi-

annual payments with interest-only for one year during the construction period), she estimates the annual debt service requirements to be approximately $230,000.

Ms. Wyne testified that the debt service reserve revenue requirements depend on the debt issued. Ms. Wyne testified that if the debt is reduced, so would the debt service requirement. Ms. Wyne testified that assuming a 20-year payment term, it is her opinion that the annual debt service reserve requirement would be closer to $46,000 for SRF financing. Ms. Wyne testified that the proposed funding in the Independent Accountant's Compilation Report includes both the tank and water main projects. Finally, Ms. Wyne testified that OUCC's proposed debt service reserve revenue requirement of $33,000 includes only the tank project.

B. Rebuttal Testimony of Eric Smith. Mr. Smith provided rebuttal testimony on behalf of MON Water in response to Mr. Parks' testimony. Mr. Smith testified that his engineering firm, HWC Engineering, and himself independently gathered data and information to make recommendations on how MON Water should progress on next steps for making improvements and changes to its existing water system.

Mr. Smith testified that a continuous water main should have been shown between the water mains on Fox Road and Whittinghall Road and that the depiction in the PER demonstrating a gap between the water mains along these two roads was made in error. Mr. Smith testified that water mains on Fox Road and Whittinghall Road have experienced significant maintenance and operation issues over the last years and that these roads have suffered 26 water main breaks since 2014.

In discussing the issues with regards to the water main along Charlestown-Memphis Road, Mr. Smith testified that this water line is a thin-walled PVC pipe installed in the 1970s. Mr. Smith testified that this water line was installed directly on bedrock. Mr. Smith testified that these combined issues have resulted in several leaks from the water main and that such leaks have forced MON Water to incur an overall unaccounted-for water loss of approximately 26%, which translates to approximately $117,035 in lost revenue. Based on this, Mr. Smith testified that replacing this main will not only reduce overall unaccounted-for water loss but improve the system as a whole.

As for the OUCC's identification of other contradictory or inaccurate statements in the PER, Mr. Smith testified that HWC agrees that the 8-inch main terminates at the proposed 300,000-gallon elevate water storage tank along Highway 160 rather than the tie-in point of Fox Road and Highway 160 intersection. Mr. Smith testified that HWC agrees that the proposed tie-in location to the Indiana-American Water System will be connected at the two-inch master meter along Charlestown-Memphis Road, not at Highway 160 and State Road 3. Mr. Smith testified that the premise that the existing mains along Fox Road and Whittinghall Road would not be retired but would be reconnected to the new eight-inch main is contradictory and that the appropriate next step is to retire the existing water mains and connect all the existing service lines to the new water mains. Mr. Smith testified that MON Water has clarified this issue and that it is HWC's understanding that MON Water plans to turn off the two-inch master meter connection on Charlestown-Memphis Road once the four-inch meter is installed, and to connect the eight-inch developer-installed water mains to the current four-inch line on Charlestown-Memphis Road.

Mr. Smith testified that the existing water mains along the Phase 1B route in the PER are prone to breaking and need to be replaced. Finally, Mr. Smith testified that upsizing to eight-inch water mains will allow for the replacement of both failing mains, as well as for providing sufficient fire flow to existing and future connections.

C. Supplemental Rebuttal Testimony of Tracy Wyne. Ms. Wyne provided supplemental rebuttal testimony on behalf of MON Water in response to Mr. Malan's supplemental testimony. Ms. Wyne testified that many of the proposed changes and corrections to her original rebuttal testimony made by Mr. Malan on behalf of OUCC were nominal and did not have any material impact on MON Water's petition.

Ms. Wyne testified that she agreed with the OUCC's current revenue requirements for operating expenses and the OUCC's current revenue requirements for extensions and replacements. Ms. Wyne testified that she agreed that a 5% interest rate is a more appropriate assumption for this borrowing. Ms. Wyne testified that she agreed with the OUCC's proposed elimination of certain non-construction costs on the tank project for Bond Bank Fee, Interest During Construction, BAN Fee, and Interest During Design since such eliminated costs do not apply to SRF financing. Ms. Wyne testified that the elimination of such costs brings the non-construction costs to $791,500. Ms. Wyne testified that she prepared two separate project cost schedules that respectively outline a 5% BABA contingency and a 10% BABA contingency. These project cost schedules were attached as exhibits to Ms. Wyne's supplemental rebuttal testimony.

Ms. Wyne testified that her amortization schedule was based on the same assumptions used by the OUCC, including no wrapping or interest-only period and utilization of level payments. Ms. Wyne testified that her cost calculations were slightly lower than the OUCC for the tank project only with the reduced 5% BABA contingency. Ms. Wyne testified that she utilized these same assumptions for the amortization of the 35-year loan period for the water main loop project. Ms. Wyne testified that while she agreed with the OUCC that a 20-year amortization is appropriate for the tank project, she disagreed that a 20-year amortization for the loop portion of the project would be appropriate. Ms. Wyne testified that SRF has traditionally offered extended loan terms of up to 35 years for projects that are in the ground and that it is common for SRF to divide the financing into separate series of notes based on the assets being constructed.

With regard to the water main loop project, Ms. Wyne testified that the appropriate interest rate for a 35-year financing would be 5.3%, assuming that the interest rate for a 20-year financing would be 5.0%. Ms. Wyne testified that the SRF adds an additional 10 basis points to the rate for each 5-year incremental increase in the term of the loan. Ms. Wyne testified that this testimony is submitted under the assumption that the remaining non-construction costs would be included in the 35-year portion of the financing. Ms. Wyne testified that no portion of the grant funds or local match have been applied to the water main loop project. Ms. Wyne testified that both the grant funds and the local match were considered in determining the amount of borrowing for the tank project.

Ms. Wyne testified that MON Water requests borrowing authority of up to $8,600,000. Ms. Wyne testified that for both projects, assuming that MON Water accepts a BABA contingency of 5.0%, the recommended rate increase is 74.50%, which represents a 10.6% increase from the original petition, which requested a 63.90% increase. Ms. Wyne testified that this 10.6% difference

is primarily related to the increase in the interest rate assumptions. Ms. Wyne testified that MON Water used a 4.0% interest rate in its rate study, and is contemplating a 5.0% or 5.3% interest rate, depending on the amount of the BABA contingency. Ms. Wyne testified that it is typical to file a true-up report to account for differences in the actual interest rate obtained versus the assumptions used when the order is issued. Ms. Wyne testified that if the BABA contingency remains at 10%, the recommended rate increase is 77.44%. Finally, Ms. Wyne testified that these calculations are supported in the workpapers attached to her testimony.

D. Supplemental Rebuttal Testimony of Eric Smith. Mr. Smith provided supplemental rebuttal testimony on behalf of MON Water in response to Mr. Parks' supplemental testimony.

As to Mr. Parks' statement in his testimony that the 8-inch water main loop is an extension to serve up to 500 new homes in a planned development, Mr. Smith testified that he disagreed with that statement. Mr. Smith testified that there is a known development, Walnut Creek, that is currently in design along the route of this proposed 8-inch Water Main Loop that currently consists of 147 lots. The plans for this development were attached as Exhibit A to Mr. Smith's supplemental rebuttal testimony. Mr. Smith testified the plans for this development show that a metered connection with Indiana-American Water and a water main extension is already planned to be installed and paid for by this developer. Mr. Smith testified that the main serving this development is planned to connect to the proposed 8-inch loop, which will improve hydraulic performance in the MON Water system at no cost to the MON Water users. Mr. Smith testified that there are no other known or planned developments along the 8-inch Water Main Loop. Based on this, Mr. Smith testified that the hydraulic benefits realized by the 8-inch loop benefit the existing MON Water system and its current users. Mr. Smith testified that there is an existing development, Hawks Landing, just West of this Loop that was approved in 2006 and for which construction began in 2007, that would benefit from the recommended 8-inch Water Main Loop that would replace existing 2-inch and four-inch mains along its route. Mr. Smith testified that the developer has installed all the required 6-inch water supply infrastructure within and for the subdivision and has built approximately 50 homes with approximately 100 homes remaining to be built. Mr. Smith testified that construction of the 8-inch loop as planned, while not directly for this development, would improve the hydraulic conditions by reduced pressure drops during higher demands (non-fire flow), increased flow capabilities, and services to users in the development.

Mr. Smith testified that HWC's amendment to the PER was focused on clarifying errors and inconsistencies in the original PER in preparation of submitting the PER to the Indiana Finance Authority ("IFA") for potential SRF funding. In response to Mr. Parks' suggested alternatives to the 8-inch Water Main Loop, Mr. Smith testified that installing the remaining 10,500 feet of 12-inch water distribution main along State Road 3 does not address the long-term system needs to upsize all 2-inch to 4-inch Water Mains to a minimum of 6-inch diameter. Mr. Smith testified that HWC has performed some additional modeling analysis to compare the service capacity from the Booster Pump Station ("BPS") with the existing 6-inch water main vs. the proposed 12-inch water main. Based on the results in the table provided in his testimony with respect to average daily demand pressure and peak daily demand pressure, Mr. Smith testified that the results in the table below show that increasing the BPS discharge line from the existing 6-inch to 12-inch would not improve system pressures. With respect to replacing the 2-inch and 3-inch water main sections along the existing Loop with 4-inch to eliminate flow bottleneck, Mr. Smith testified that HWC

did not model this alternative as replacing these sections would provide minimal improvement to the existing system that would not justify the cost of installation. Mr. Smith testified that any water main line sections to be replaced should be replaced with a minimum 6-inch diameter, should be continuous, and preferably connect to the existing 8-inch to 12-inch water mains in the system to extend the adequately sized network. Mr. Smith testified that the final two alternatives presented by Mr. Parks are related to the new development and are inconsequential to the MON Water system's performance and its existing customers. Mr. Smith testified that Option 3 stated connecting the new development directly to Indiana-American Water's new interconnect which, as stated, is the current plan supported by HWC and MON Water. Mr. Smith stated that Option 4 includes increasing the size of the new interconnect or increasing the existing 4-inch Water Main Loop and existing 2-inch meter on Charlestown-Memphis Road between the existing meter and the development. Mr. Smith testified that this option only focuses on a single development rather than the needs of the entire system.

Mr. Smith testified that HWC's revised model analysis in connection with his supplemental testimony from March 15, 2024 included revising the water main map to accurately reflect the existing water main system (provided in Exhibit B), performing Hydrant Flow Tests (map provided in Exhibit C) for model calibration, and revising certain assumptions from the original model, including assumptions relating to Peaking Factor, Friction Coefficient, Minimum Water Pressure, Fire Flow Rate, Average Customer Meter Demand, and Peak Customer Meter Demand. In explaining why the fire flow rate was excluded from HWC's model, Mr. Smith testified that based on the size of most mains in the MON Water System, fire flows are generally not provided nor available except in select locations near larger mains.

In response to Mr. Parks' statement that HWC did not model the proposed 300,000-gallon storage tank capacity, Mr. Smith testified that all modeling analysis provided in this testimony does include the planned 300,000-gallon storage tank. In response to Mr. Parks' statement that HWC listed the 8-inch water main loop at 27,200 LF in the cost estimate, Mr. Smith stated that this was an error that was identified and corrected to 24,000 LF before submitting the PER and Amendments to the IFA for potential SRF funding. In response to Mr. Parks' statement that Mr. Smith did not understand Petitioner has already installed the 3,000 foot long segment from the intersection of Fox Road/Opossum Trot and Highway 160, Mr. Smith testified that this is incorrect and that HWC did update the model map to include this line as shown in Exhibit B that is attached to Mr. Smith's supplemental rebuttal testimony. In response to Mr. Parks' multiple references to modelling or design for 1,500 gpm fire flow demand, Mr. Smith testified that this was excluded from HWC's analysis as the MON Water system is inadequately sized to provide sufficient fire flow.

Mr. Smith testified that HWC maintains that the 8-inch water main loop is a valid and required project for the MON Water system that would provide the following benefits: (a) provide a fully connected network of 6-inch, 8-inch, and 12-inch Water Main between all existing source of supply connections, storage tanks, and the planned new Indiana-American Water interconnect all of which provides improved hydraulic performance in the system as demonstrated by the supplemental modeling; (b) provide 100% emergency supply from Indiana-American Water in case of extended Stucker Fork outage as well as improve the supplemental supply that allows for future growth; and (c) contribute to long-term goal of replacing all undersized water mains with

6-inch or larger to eventually be able to provide fire flow. Mr. Smith testified that the below Tables in his testimony show that the installation of the 8-inch loop and subsequent replacement of 2-inch and 4-inch mains along the route significantly improves pressure drops experienced during higher demand periods given the increase volume and flow capabilities. Finally, Mr. Smith testified that while only two representative locations are presented for justification, similar positive results would exist in other locations of the system by completion of the 8-inch loop project.

7. Testimony on Cross-Examination. During the evidentiary hearing held on July 30, 2024, the OUCC cross-examined one of Petitioner's witnesses and waived cross-examination on the remaining witness. Petitioner conducted redirect examination of the witness the OUCC cross-examined. Petitioner cross-examined one of the OUCC's witnesses and waived cross-examination on the remaining witnesses.

A. Eric Smith Testimony on Cross-Examination. On cross-examination, the OUCC questioned Mr. Smith regarding the size of MON Water's water mains, the scope of engineering services that HWC Engineering was hired to provide to MON Water, the cost estimates associated with MON Water's proposed capital projects, the modeling that HWC Engineering prepared in connection with MON Water's distribution system, the need for the 8-inch water main loop, estimated customer growth assumptions for MON Water, and the testimony and original PER prepared by MON Water's original engineering consultant, Robert Bellucci with Commonwealth Engineers. Mr. Smith testified that he was hired in December of 2023 to review the original PER and confirm the need for the projects described in MON Water's petition. Mr. Smith testified that he had no interactions with Mr. Bellucci and did not rely on Mr. Bellucci's hydraulic modeling in formulating his opinions. Mr. Smith testified that in reviewing Mr. Bellucci's model, he identified and addressed multiple deficiencies. He also testified that the software used for hydraulic modeling was proprietary, but the hydraulic model itself is not. Mr. Smith clarified that he was retained not to fix the model created by Mr. Bellucci but rather to fix deficiencies present in Mr. Bellucci's PER. Mr. Smith testified that a loop is easily defined as a water main that connects two sources.

When asked by the OUCC why the cost of the project went up, Mr. Smith testified that supply chain issues and inflation of construction costs caused the project costs to be much higher. Mr. Smith testified that the new estimate for the price of the project was approximately $3,500,000 for construction, and that this figure was based on daily price changes. Mr. Smith testified that after HWC Engineering was hired as project engineer that he talked to contractors to firm up unit prices. The OUCC asked Mr. Smith several questions about Mr. Parks' supplemental testimony, including the differences in modelling pressures, average daily demands, and peak demands between the numbers in Mr. Parks' supplemental testimony and Mr. Smith's numbers as set forth in Mr. Smith's original rebuttal testimony. Specifically, Mr. Smith testified that the daily demand pressure nearly doubled according to HWC's revision to the PER. Mr. Smith testified that these results were before HWC Engineering's model was refined and calibrated. Mr. Smith also testified that high water levels of storage tanks are impactful.

Mr. Smith testified that the City of Charlestown's Water Utility no longer exists. The OUCC questioned Mr. Smith about whether Indiana-American Water provided an emergency or backup water supply and whether a 100% emergency supply was necessary. Mr. Smith testified that in general, having a secondary water supply is a good practice. He testified that sometimes, having a 100% backup supply is not possible, although it would provide a significant benefit. Mr.

Smith testified that while a 100% backup supply is not necessary according to support from applicable regulatory bodies, it would be necessary here because of the limited nature of MON Water's other connections and in light of Stucker Fork's numerous outages.

The OUCC questioned Mr. Smith regarding the 250-gpm figure set forth on P. 7 of Mr. Smith's supplemental rebuttal testimony and whether that number was arbitrary or realistic. Mr. Smith clarified that the number was realistic because it is less than a fire-flow pressure. The OUCC questioned Mr. Smith about the number of homes being developed as part of the Hawks Landing development and asked Mr. Smith to perform a gallons per day calculation during the hearing. Mr. Smith testified that 360,000 gallons a day would equal 1,800 customers or 72% of MON Water's existing customers. The OUCC questioned Mr. Smith regarding Page 3-6 of the original PER. Mr. Smith testified that Mr. Bellucci's testimony calculated the daily demand multiplied by the number of customers. Mr. Smith also testified that there would be significant benefits to an 8-inch loop during periods of high demand.

On redirect examination, Mr. Smith was questioned by counsel for Petitioner on the nature of HWC Engineering's engagement with MON Water and the need for Phase 1B of the project. Mr. Smith testified that upon being hired by MON Water as project engineer, HWC Engineering had to update the mapping due to errors in the PER. When questioned about the benefits of upsizing the water main sizes in MON Water's distribution system, Mr. Smith testified that larger connections eliminate pressure drops and increase flow. He also testified that in the event of a break, fire, or contamination, a secondary supply keeps customers in service.

B. James T. Park's Testimony on Cross-Examination. On cross-examination, counsel for Petitioner questioned Mr. Parks regarding his views on Phase 1B of the project, the nature of alternatives to Phase 1B of the project, including the issue of leaks, and the conditions of MON Water's water mains along the proposed Phase 1B route. Mr. Parks testified that he is not recommending financing authority for Phase 1B of project and that he believes Phase 1B is a main extension that should be paid for by developers. Mr. Parks testified that a 6-inch asbestos cement pipe, which was installed in the 1960s, was the most likely source of a break. Mr. Parks testified that he disagrees with the premise of a 100% backup water supply source. Mr. Parks testified that he recognized that the models created by Commonwealth Engineers and HWC had different conclusions. Mr. Parks testified that an additional, fifth connection would increase volume, and that it does come with a monthly charge and usage fee. Mr. Parks testified that he believes that Indiana-American Water would be better equipped to serve the new Walnut Creek development. When questioned about his thoughts on interconnections in water distribution systems, Mr. Parks testified that interconnections are always a good thing. When questioned about the size of MON Water's water mains, Mr. Parks testified that 84% of pipes in their system are undersized and that MON Water must balance replacements with cost to ratepayers. Mr. Parks testified that he had not done independent research to support his assertion that no water connections with 100% backup supplies exist. When questioned about backup connections, Mr. Parks testified that customers benefit from having a reliable backup supply.

8. <u>Commission Discussion and Findings.</u>

A. Necessity of Projects. The projects proposed by Petitioner are necessary to serve its customers because the current rates and charges of MON Water are insufficient to meet

the water utility's revenue requirements. The OUCC agrees with Petitioner's proposals regarding the 300,000-gallon elevated water storage tank and booster station upgrades. While the OUCC has proposed alternatives to an eight-inch water main extension, utilization of an eight-inch water main extension provides significant, long-term, system-wide benefits to customers that other proposed solutions do not, especially during periods of high demand.

B. Increase to Rates and Charges. As indicated in Ms. Wyne's supplemental rebuttal testimony, Petitioner proposes an across-the-board rate increase of 63.90% for water service, subject to adjustment based on interest rates and other contingencies. Petitioner's witness, Ms. Wyne, testified that initially, the Rate Study indicated the need for Petitioner to increase its rates for water service by 63.90%. As noted in Ms. Wyne's prefiled direct testimony, unusual and significant uncertainty exists as to the final borrowing amount MON Water will be required to complete the proposed project due to current supply chain and labor shortage issues currently prevalent in the construction industry. While the OUCC has raised concerns about the affordability of such an increase on MON Water's ratepayers, the Petitioner has not increased its rates and charges in twenty (20) years.

We find Petitioner's proposed across-the-board rate increase of 63.90%, as adjusted based on interest rates and other contingencies, for water service to be reasonable under the circumstances of this case.

B. Incurrence of Long-Term Debt. Petitioner proposed to issue bonds, notes, or other obligations of indebtedness in an amount not to exceed $8,600,000. MON Water desires to finance the projects described in the petition with a loan from the SRF as well as a local match and an ARPA Grant. The loan term with SRF would be amortized over 20 years for Phase 1A of the project (the 300,000-gallon elevated water storage tank and booster station upgrades) and 35 years for Phase 1B of the project (the 8-inch water main loop). We find that the proposed terms of Petitioner's loan with SRF in connection with MON Water's proposed capital projects is reasonable and should be approved.

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

1. Petitioner is hereby authorized to increase its rates and charges for water service for all customers in the amount of 63.90%, or greater, subject to interest rates and other contingencies on the financing approved in this Order.

2. Prior to placing into effect its new rates and charges approved herein, Petitioner shall file in this Cause its tariff schedules set out in accordance with the Commission's rules for filing utility tariffs. Upon their approval by this Commission's Water/Wastewater Division, said tariffs shall replace all present and prior schedules of rates and charges.

3. Petitioner is hereby authorized to engage in long-term borrowing with the SRF in an amount not to exceed $8,600,000 in aggregate principal amount, at an interest rate not to exceed eight percent, for purposes of funding Phase 1A and Phase 1B of Petitioner's capital projects (as described herein) and other related costs and to

encumber its utility franchise, works, and system in conjunction with the authorized borrowing and to execute related borrowing.

4. This Order constitutes Petitioner's Certificate of Authority to issue the long-term debt authorized herein.

5. Within 30 days of completion of Petitioner's approved long-term debt issuance, MON Water shall file a true-up report under this Cause, with a copy concurrently served upon the OUCC, and the OUCC shall have 20 days from the date the true-up report is filed to file an objection thereto under this Cause.

6. This Order shall become effective on and after the date of its approval.

HUSTON, BENNETT, FREEMAN, VELETA, AND ZIEGNER CONCUR:

APPROVED:

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

_____

Dana Kosco
Secretary to the Commission