ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF RAMSEY WATER COMPANY, INC. FOR APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR WATER SERVICE	)	**CAUSE NO. 43413**
	)	**APPROVED:** JUN 11 2008

<u>BY THE COMMISSION</u>:
Jeffrey L. Golc, Commissioner
Aaron A. Schmoll, Administrative Law Judge

On December 27, 2007, Ramsey Water Company, Inc. ("Petitioner") filed its Verified Petition for Approval of a New Schedule of Rates and Charges for Water Service with the Indiana Utility Regulatory Commission ("Commission") in this matter.

Pursuant to notice published as required by law, the Commission held a prehearing conference in this cause on January 22, 2008, in Room 224 of the National City Center, 101 West Washington Street, Indianapolis, Indiana at 10:30 a.m., E.S.T. Proofs of publication of the notice of the prehearing conference were incorporated into the record and placed in the official files of the Commission. The Petitioner and the Office of Utility Consumer Counselor ("Public" or "OUCC") appeared and participated at the prehearing conference. No members of the general public appeared. On February 6, 2008, the Commission issued its Prehearing Conference Order in this Cause.

Petitioner filed its direct testimony and exhibits constituting its case-in-chief on February 13, 2008. On April 10, 2008, the Public filed its direct testimony and exhibits. On April 29, 2008, Petitioner filed its rebuttal testimony and exhibits. After Petitioner filed its rebuttal testimony, but prior to the Public Evidentiary Hearing in this matter, Petitioner and the Public ("the Parties") entered into a Joint Stipulation and Settlement Agreement ("Settlement"). The Settlement resolves the Parties' disputes regarding this matter. On May 9, 2008, the Parties jointly filed the Settlement including various exhibits, and the Public filed testimony in support of settlement.

On May 13, 2008, the Commission convened an evidentiary hearing at 9:30 a.m. in Room 222 of the National City Center, 101 West Washington Street, Indianapolis, Indiana. At the hearing, the Settlement (which was marked as Joint Hearing Exhibit No. 1), Petitioner's Prefiled Testimony and Exhibits and Prefiled Rebuttal Testimony and Exhibits supporting its request for approval of a new schedule of rates and charges for water service, and the Public's Prefiled Testimony, including testimony is support of the Settlement, were offered and admitted into evidence without objection. No member of the rate-paying public was present.

Based on the applicable law and evidence herein, the Commission now finds:

1. **Notice and Jurisdiction**. Legal and timely notice of the public hearings held in this cause was given and published by the Commission as required by law. Petitioner is a "not-for-profit utility" as that phrase is used in Indiana Code § 8-1-2-125(a), as amended, and is subject to Commission jurisdiction as provided in the Public Service Commission Act, as amended.

2. **Petitioner's Characteristics**. Petitioner is a not-for-profit corporation that owns and operates a plant and equipment within Indiana for the production, transmission, delivery and furnishing of water to approximately 5,300 retail and wholesale customers within Harrison, Floyd and Crawford Counties.

3. **Relief Requested**. Petitioner's current schedule of rates and charges for water utility service was approved by the Commission on July 10, 2002, in Cause No. 42042. Petitioner requests approval of the new schedule of rates and charges for water service described in the Settlement.

4. **Test Year**. Pursuant to the agreement of the parties, the test year selected for determining Petitioner's actual and *pro forma* operating revenues, expenses and operating income under present and proposed rates is the twelve months ended March 31, 2007. The test year, coupled with the adjustments authorized herein, represents fairly the annual operations of Petitioner at present and proposed rates.

5. **Operating Revenue**. The Parties reviewed and discussed the amount of operating revenues for the test year and *pro forma* operating revenues at present rates described in the direct and rebuttal testimony filed by Ramsey and the direct testimony filed by the Public. After these discussions, the Parties agreed that the appropriate amount of operating revenues for the test year and *pro forma* operating revenues at present rates that should be used for determining Ramsey's new rates and charges should be $2,464,068 and $2,522,668, respectively. The parties also discussed the appropriate level of interest income on a pro forma basis and agree that $81,023 is a reasonable figure based on Petitioner's intent to use cash on hand to fund a portion of the capital improvement program described below. These values are described in Exhibit A to the Settlement, and are supported by the Settlement and the Parties' respective prefiled testimonies. Accordingly, the Commission finds based on the record that Petitioner's operating revenues for the test period and Petitioner's *pro forma* operating revenues at present rates are $2,464,068 and $2,522,668, respectively and that interest income on a pro forma basis is $81,023.

6. **Revenue Requirements**. Indiana Code § 8-1-2-125(c) establishes the revenue requirement elements that this Commission must apply in determining reasonable and just rates for not-for-profit utilities.

(a) Operation and Maintenance. Exhibit A to the Settlement shows Petitioner's *pro forma* annual operation and maintenance expenses to be $1,539,163 plus $492 for additional IURC fees for a total of $1,539,655. This amount is supported by the Settlement and the Parties' respective prefiled testimonies. Accordingly, the Commission finds based on the record that Petitioner's *pro forma* operation and maintenance expenses, including taxes, are $1,539,655.

(b) Debt Service and Debt Service Reserve. Exhibit A to the Settlement shows Petitioner's annual debt service and debt service reserve for existing debt is $745,457. This amount is supported by the Settlement and the Parties' respective prefiled testimonies. Accordingly, the Commission finds based on the record that Petitioner's debt service and debt service reserve for existing debt is $745,457.

(c) Capital Improvement Program. Petitioner's accounting witness Scott A. Miller, described Ramsey's capital improvement program to provide funds for prospective capital improvements. Petitioner's witness David Popp, provided evidence of the need for the capital projects in the proposed capital improvement program in his direct and rebuttal testimony and exhibits. The Settlement and Exhibit A to the Settlement provide additional support for the capital improvement program. Additionally, as part of the Settlement Ramsey has agreed to provide the OUCC with annual updates on the status of Ramsey's capital improvement and other specifically identified projects. Accordingly, the Commission finds based in the record that Petitioner's annual requirement of $693,342 for its capital improvement program is reasonable.

(d) Total Revenue Requirements and Rate Increase. Based on the evidence of record, the Commission finds that Petitioner's *pro forma* annual revenue requirement is $2,978,454. The Commission further finds that Petitioner's current rates and charges are insufficient to provide for Petitioner's annual revenue requirement and are, therefore, unreasonable. Petitioner's rates should be increased in the aggregate by 20.33% across the board to produce additional operating revenue of $374,763 in order to meet its annual revenue requirements.

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

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

After hearing and duly considering the Settlement and evidence supporting the proposed settlement, we now find that there is ample probative evidence to support the proposed settlement and our conclusion that the Settlement is reasonable and just, and that it serves the public interest. A summary table of Petitioner's revenue requirements, based on the schedules included in the Settlement, is set forth below:

Operating Expenses	$1,539,163
Extensions and Replacements	693,342
Debt Service	745,457
Total Revenue Requirements	2,977,962
Less Interest Income	(81,023)
Net Revenue Requirements	2,896,939
Less Revenues at Current Rates Subject to Increase	(1,843,516)
Less Sales for Resale Not Subject to Increase	(634,310)
Less Other Revenues at Current Rates	(44,842)
Net Revenue Increase Required	374,271
Add Additional IURC Fee	492
Recommended Increase	$374,763
Percent Increase	20.33%

The effect of this 20.33% increase for a residential customer using 5,000 gallons per month is to increase rates from $23.20 to $27.92.

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

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

1. The Joint Stipulation and Settlement Agreement is hereby approved in its entirety, without change, and the terms and conditions thereof should be incorporated herein as part of this Order, and the Parties should comply with the provisions of the Joint Stipulation and Settlement Agreement. A copy of the Settlement Agreement is attached to this Order.

2. Petitioner shall be and is hereby authorized to increase its existing rates as provided in Finding Paragraphs 6 and 7.

3. Prior to placing its rates in effect, Petitioner shall file with the Water/Sewer Division of the Commission a tariff schedule in accordance with the Commission's Rules. Said

tariff, when approved by the Water/Sewer Division, shall cancel all previously approved rates and charges and Petitioner's new charges shall be in full force and effect.

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

HARDY, GOLC, LANDIS, SERVER, AND ZIEGNER CONCUR:

APPROVED: JUN 11 2008

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

Brenda A. Howe

Brenda A. Howe
Secretary to the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF RAMSEY WATER COMPANY, INC. FOR APPROVAL OF A NEW SCHEDULE OF RATES AND CHARGES FOR WATER SERVICE	))))	**CAUSE NO. 43413**

JOINT STIPULATION AND SETTLEMENT AGREEMENT

Petitioner, Ramsey Water Company, Inc., ("Ramsey") and the Office of the Utility Consumer Counselor ("OUCC") (herein sometimes collectively referred to as the "Parties"), stipulate and agree for purposes of resolving the issues in this Cause to the terms and conditions set forth herein (which terms and conditions and the appendices attached hereto are collectively referred to herein as the "Settlement"):

1. Ramsey has requested approval of a new schedule of rates and charges for water service. After Ramsey and the OUCC exchanged information and discussed the differences between their initial positions on various issues, the Parties have agreed to the levels of revenues, expenses, rates and charges described in Exhibit A attached hereto. The Parties stipulate and agree that the rates proposed in Exhibit A are fair, just and reasonable.

2. With the exception of two items, the revenues, expenses, rates and charges described in Exhibit A reflect the positions advocated by either the OUCC or Ramsey in their respective prefiled testimony.

a. The first difference relates to the expenses for Ramsey's Board of Directors to attend the National Rural Water Association ("NRWA") annual conference. The Settlement amortizes those expenses over three years as a reasonable compromise between the positions of Ramsey and the OUCC. The Parties agree that this treatment is fair, just and reasonable.

b. The second difference is the rates for Georgetown and Floyds Knobs. The calculation of the proposed rates for Georgetown and Floyds Knobs and the resulting pro forma revenues for each, are based on the methodologies laid out in the Commission's Order in Ramsey's last rate case, Cause No. 42042. One component of these calculations is based on the allocation of the pro forma operating expenses for the entire system to Georgetown and Floyds Knobs. As such, the calculation of the proposed rates for Georgetown and Floyds Knobs vary as the level of pro forma operating expense varies. Consequently, the rates proposed in Exhibit A are slightly different than those contained in the previous filings of either party. The Parties agree, however, that this change is strictly a matter of updating the calculations of these rates to reflect the difference between the expenses described in Exhibit A and those advocated by Ramsey and the OUCC in their testimony.

3. Ramsey agrees that at the time Ramsey files its Annual Report to the Commission it will provide the OUCC with a report describing the capital improvements completed in the prior calendar year. In addition to the capital improvements completed in the prior year, the report will update the status of the projects and operations identified in Ramsey's rebuttal testimony as: the Well Field Improvements; Floyds Knobs Main Extension; Well Testing-Revitalization; Tank Cleaning-Inspection; Pitman Tank Repair; and Water Treatment Facility (all as more fully described in the Rebuttal Testimony of David Popp filed by Ramsey on April 29, 2008). The report shall include, at a minimum, for each project the start date, expenditures to date, actual cost, estimated cost, and completion date or estimated completion date.

4. In support of the Settlement, the Parties stipulate to the admission into evidence in this cause this Joint Stipulation and Settlement Agreement with attached exhibits, and the prepared direct and rebuttal testimony and exhibits of Ramsey, and the direct and settlement testimony of the OUCC, filed with the Commission. The Parties further agree to waive cross-examination of all witnesses. The Parties shall not offer any further testimony or evidence in the proceeding other than this Joint Stipulation and Settlement Agreement and the foregoing testimony in support of this Settlement.

5. The Parties stipulate and agree that the evidentiary material identified immediately above constitutes a sufficient evidentiary basis for the issuance of an Order by the Commission adopting the terms of this Joint Stipulation and Settlement Agreement and granting the new schedule of rates and charges for water service requested herein by Ramsey.

6. The Parties stipulate and agree to the issuance by the Commission of a proposed final order in the form attached hereto as Exhibit B ("Proposed Final Order"). All of the terms and agreements contained in the Proposed Final Order are incorporated herein by reference and are accepted by each of the Parties as if fully set forth herein. The Parties stipulate and agree that the terms described herein and the findings and ordering paragraphs of the Proposed Final Order constitute a fair, just and reasonable resolution of this proceeding, provided that they are approved by the Commission in their entirety without material change.

7. The concurrence of the Parties with the terms of this Settlement is expressly predicated upon the Commission's approval of the Settlement and the Proposed Final Order. If the Commission alters the Settlement and Proposed Final Order in any material way, unless that alteration is unanimously consented to by the Parties, in writing, the Settlement shall be deemed withdrawn, and the matter will be set expeditiously for public hearing.

8. The undersigned represent that they are fully authorized to execute this Joint Stipulation and Settlement Agreement on behalf of their designated clients who will be bound by the terms hereof.

9. The Parties stipulate and agree that this Settlement shall not be construed nor cited as precedent by any person or deemed an admission by any Party in any other proceeding except as necessary to enforce its terms or the terms of the final order to be issued herein 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 not inconsistent with the terms hereof 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.

ACCEPTED AND AGREED TO THIS 8th DAY OF May, 2008.

____
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EXHIBIT A

RAMSEY WATER COMPANY, INC.

COMPARISON OF PETITIONER'S AND OUCC'S REVENUE REQUIREMENTS
Cause No. 43413

	Petitioner Direct	OUCC Direct	Proposed Settlement
Operating expenses	$1,624,951	$1,520,103	$1,539,163
Extensions and replacements	693,342	593,342	693,342
Debt service	746,877	745,457	745,457
Total revenue requirements	3,065,170	2,858,902	2,977,962
Less interest income	(106,023)	(81,023)	(81,023)
Net revenue requirements	2,959,147	2,777,879	2,896,939
Less revenues at current rates subject to increase	(1,644,474)	(1,848,722)	(1,843,516)
Less sales for resale not subject to increase	(656,514)	(648,635)	(634,310)
Less penalties	(11,570)		
Less other revenues at current rates	(223,038)	(44,842)	(44,842)
Net revenue increase required	423,551	235,680	374,271
Add additional IURC fee		310	492
Recommended increase	$423,551	$235,990	$374,763
Recommended percentage increase	25.76%	12.77%	20.33%

RAMSEY WATER COMPANY, INC.

PRO FORMA ANNUAL OPERATING EXPENSES
See Explanation of Adjustments, pages 4 to 9
No inflation adjustment made

Operating Expenses:	12 Months Ended 3/31/2007 (Unaudited)	Adjustments	Ref.	Pro Forma
Source of Supply:				
Salaries and wages - employees	$26,003	$4,259	(1)	$30,262
Purchased water	541,060	70,811	(2)(3)	611,871
Purchased power	45,439	128	(3)	45,567
Materials and supplies	1,865			1,865
Miscellaneous expenses	12,747	39,696	(4)(5)	52,443
Sub-total	627,114	114,894		742,008
Water Treatment:				
Salaries and wages - employees	103,264	3,353	(1)	106,617
Purchased power	49,244			49,244
Chemicals	31,264	34	(3)	31,298
Materials and supplies	6,269			6,269
Miscellaneous expenses	14,917	45	(4)	14,962
Sub-total	204,958	3,432		208,390
Transmission and Distribution:				
Salaries and wages - employees	61,058	1,550	(1)	62,608
Purchased power	23,448			23,448
Materials and supplies	2,577			2,577
Other contractual services	26,038	(12,000)	(6)	14,038
Miscellaneous expenses	11,105	48,334	(4)	59,439
Sub-total	$124,226	$37,884		$162,110

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RAMSEY WATER COMPANY, INC.

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PRO FORMA ANNUAL OPERATING EXPENSES
See Explanation of Adjustments, pages 4 to 9
No inflation adjustment made

	12 Months Ended 3/31/2007 (Unaudited)	Adjustments	Ref.	Pro Forma
Customer Accounts Expenses				
Salaries and wages - employees	$67,674	$1,417	(1)	$69,091
Materials and Supplies	2,160			2,160
Bad debt expenses	6,477			6,477
Miscellaneous expenses	15,683			15,683
Sub-total	91,994	1,417		93,411
Administrative and General Expenses				
Salaries and wages - employees	93,904	(4,110)	(1)	89,794
Salaries and wages - officers	15,073	865	(1)	15,938
Purchased power	2,243			2,243
Materials and supplies	12,272			12,272
Contractual services - accounting	17,672			17,672
Contractual services - legal	37,376	(25,519)	(6)	11,857
Other contractual services	14,616	(4,082)	(6)	10,534
Insurance	45,383	(277)	(7)	45,106
Rate case expense		10,680	(8)	10,680
Miscellaneous expenses	43,279	(12,313)	(12)	
		1,800	(13)	32,766
Sub-total	281,818	(32,956)		248,862
Employee Benefits:				
Group health and life insurance	31,841	1,987	(9)	33,828
Retirement - employer's share	14,033	3,097	(10)	17,130
Employee benefits	3,682			3,682
FICA taxes - employer's share	27,662	2,080	(11)	29,742
Sub-total	77,218	7,164		84,382
Total Expenses	$1,407,328	$131,835		$1,539,163

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RAMSEY WATER COMPANY, INC.

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PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (1) - Payroll

To adjust test year payroll expense to reflect pro forma salaries and wages,

	Pro Forma Payroll	Capitalized Payroll	Less Test Year Payroll	Adjustments
Source of supply	$30,262		($26,003)	$4,259
Water treatment	106,617		(103,264)	3,353
Transmission and distribution	93,019	($30,411)	(61,058)	1,550
Customer accounts	69,091		(67,674)	1,417
Admin. and general - employees	89,794		(93,904)	(4,110)
Admin. and general - officers	15,938		(15,073)	865
Totals	$404,721	($30,411)	($366,976)	$7,334

Adjustment (2) - Purchased water

To adjust test year purchased water expense to reflect pro forma water purchases from Indiana American as well as the current rate charged by Indiana American.

Flow charges:		
Pro forma gallons (1,000's of gallons)	397,733	
Times rate per 1,000 gallons	$1.5197	
Sub-total		$604,435
Add customer service base charge ($564.38 per month)		6,773
Pro forma purchased water expense		611,208
Less test year expense		(541,060)
Adjustment		$70,148

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RAMSEY WATER COMPANY, INC.

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (3) - Customer Growth

To adjust test year expenses to normalize for the projected effects of customers added to the system during the test year.

Pro forma increase in gallons sold due to new users (148 monthly bills at 5,443 gallons per month)	805,564
Divide by the loss adjustment (1-24.5%)	75.50%
Pro forma additional gallons pumped/purchased	1,066,972
Divide by test year gallons pumped/purchased	982,983,300
Percentage Increase	0.11%
Pro forma annual increase in monthly bills	148
Divide by test year bills	63,656
Percentage Increase	0.23%

	Pro forma Expense	Percentage Increase	Adjustment
Purchased water	$611,208	0.11%	$663
Purchased power	118,131	0.11%	128
Materials and supplies - chemicals	31,264	0.11%	34
Adjustment			$825

Adjustment (4) - Periodic Maintenance

To adjust test year expense to reflect annual periodic maintenance requirements, per Utility Management and consulting engineer.

A. Well and well pump maintenance:

1. Well screen cleaning and acidization $3,000 each well every five years times 5 wells	$15,000	
2. Well pump/motor maintenance $5,000 each unit/year times 5 pump/motor units	25,000	
Sub-total		$40,000

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RAMSEY WATER COMPANY, INC.

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PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (4) - Periodic Maintenance (Cont'd)

B.	Treatment equipment maintenance (per year):		
1.	Flouridization	$2,000	
2.	Chlorination equipment	2,000	
3.	Polyphosphate equipment	2,000	
	Sub-total		$6,000
C.	Telemetering equipment maintenance (per year):		
1.	Well field to WTP	1,000	
2.	WTP to Pitman tank	1,000	
3.	Spencer Grange booster station to Frenchtown tank	1,000	
4.	Lost Creek booster station to Crandell tank	1,000	
5.	Angel Run booster station to Lanesville tank	1,000	
6.	Phrimmer Chapel pit to Phrimmer Chapel tank	1,000	
7.	INAWC booster station to Georgetown tank	1,000	
8.	General monitoring and control center	1,000	
	Sub-total		8,000
D.	Booster pump maintenance (per year):		
1.	Spencer Grange booster station	2,500	
2.	Lost Creek booster station	4,500	
3.	Sheri Lane booster station	2,500	
4.	Angel Run booster station	3,500	
	Sub-total		13,000
E.	Storage tank maintenance:		
1.	WTP tank (500,000 gallons) - in/out	60,000	
2.	Pitman tank (1,000,000 gallons) - in/out	70,000	
3.	Frenchtown tank (250,000 gallons) - in/out	50,000	
4.	Cranell tank (1,000,000 gallons) - in/out	70,000	
5.	Lanesville elevated tank (500,000 gallons) - in/out	110,000	
6.	Pfrimmer Chapel elevated tank (250,000 gallons) - in/out	110,000	
7.	Georgetown tank (1,000,000 gallons) - in/out	70,000	
	Sub-total	540,000	
	Amortized over 15 years	15	
	Sub-total		36,000
	Pro forma expense		103,000
	Less test year source of supply periodic maintenance expense		(506)
	Less test year water treatment periodic maintenance expense		(5,955)
	Less test year transmission and distribution periodic maintenance expense		(8,666)
	Adjustment		$87,873

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RAMSEY WATER COMPANY, INC.

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PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (5) - Miscellaneous - Well Lease Agreement

To adjust test year expenditures to reflect current lease agreement expense.

Flow charges:	
Pro forma gallons (1,000's of gallons)	542,833
Times rate per 1,000 gallons	$0.0118934203
Sub-total	$6,456
Add fixed monthly lease charge ($375.67 per month)	4,508
Pro forma lease expense	10,964
Less test year expense	(10,762)
Adjustment	$202

Adjustment (6) - Non-recurring or Capital Expenses

To eliminate test year expenditures that are considered non-recurring or capital.

Date	Vendor	Description	Amount
July, 2006	Sprigler Door	Replaced door	($1,210)
September	NYE Welding	Remove tank	(12,000)
Various	GRW Engineers	Heritage Woods WL	(2,872)
Various	Burgher & Burgher	RWC v. HCH/Town of Corydon*	0
Various	Bingham McHale	RWC v. HCH/Town of Corydon	(25,519)
Adjustment			($41,601)

* Reflects need for additional ongoing legal fees.

Adjustment (7) - Insurance

To adjust test year insurance expense to reflect the most recent annual premiums.

Building, property, liability, umbrella and officer's liability	$36,321
Road bore insurance	275
Public officials	3,480
Notary public	7
Surety bond	300
Workmen's compensation	4,723
Pro forma annual insurance expense	45,106
Less test year insurance expense	(45,383)
Adjustment	($277)

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RAMSEY WATER COMPANY, INC.

(Cont'd)

PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (8) - Rate Case Expense

To adjust for rate case expense.

Estimated rate analysis fees		$65,000
Divided by number of months since the petition was filed for the last rate case (IURC Cause No. 42042, petition filed July 20, 2001)		73
Sub-total		890
Annualize (12 months)	x	12
Adjustment		$10,680

Adjustment (9) - Health and Life Insurance

To adjust test year health and life insurance expense to reflect most recent premium.

Pro forma monthly health and life insurance premium		$2,818
Annualize (12 months)	x	12
Pro forma health and life insurance expense		33,816
Less test year health and life insurance expense		(31,841)
Adjustment		$1,987

Adjustment (10) - Retirement

To adjust test year retirement to reflect pro forma payroll.

Pro forma payroll	$388,783
Less amount not eligible for retirement (overtime)	(46,183)
Payroll subject to retirement contribution	342,600
Times applicable rate (5%)	5%
Pro forma retirement expense	17,130
Less test year retirement expense	(14,033)
Adjustment	$3,097

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RAMSEY WATER COMPANY, INC.

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PRO FORMA ANNUAL OPERATING EXPENSES
Explanation of Adjustments

Adjustment (11) - FICA

To adjust test year FICA expense to reflect pro forma payroll expense.

Pro forma payroll	$404,721
Less officer's stipend	(15,938)
Less deferred compensation	
Sub-total	388,783
Times FICA rate	7.65%
Pro forma FICA expense	29,742
Less test year FICA expense	(27,662)
Adjustment	$2,080

Adjustment (12) - Non-Allowed Expenses

NRWA	National Rural Water Association Conference	($4,715)	
American Airlines	National Rural Water Association Conference	(3,370)	
Hyatt Regency	National Rural Water Association Conference	(7,997)	
Sub-total		(16,082)	
Amortize over 3 years		3	
Sub-total		(5,361)	
Remove 2 years		2	($10,721)
Mastercard	Board of Directors Dinner		(1,279)
Mastercard	Holiday Luncheon		(313)
			($12,313)

Adjustment (13) - IURC Fee

Total revenues	$2,527,820
Times 2007-2008 IURC Fee	0.1315587%
Pro forma IURC fee	3,326
Less test year IURC fee	(1,526)
Adjustment	$1,800

RAMSEY WATER COMPANY, INC.

PRO FORMA CAPITAL IMPROVEMENT PROGRAM
(Per Utility Officials)

Item Number	Description	Calendar Year Budget 2007	2008	2009	2010	2011
1	HCH Project	$40,000				
2	III Corydon Ramsey Road & Sival Road interchange improvement	44,105				
3	XXIV (Phase I) Crandall Tank along S.R. 335 to S.R. 64	35,000				
4	XXXIII Loop from Toler Road to Georges Road	412,357				
5	XXIX (1/2 project) Old Forest Road upgrade	246,285				
6	VIII (Phase I) New County Road from Lanesville Road interchange to S.R. 64		$94,177			
7	XXIX (1/2 project) Old Forest Road upgrade		246,285			
8	XXIII (Phase I) Schmidt Lane along S.R. 64 to S.R. 135		292,050			
9	I (Phase I) N. Gethsemane Road to Lost Creek Booster			$578,815		
10	XXVII (In-house project) Pinaire Road			41,751		
11	I (Phase II) N. Gethsemane Road to Lost Creek Booster				$455,752	
12	II (2/3 project) S.R. 337 & Loudens Chapel Road to Moberly Road				196,340	
13	I (Phase III) N. Gethsemane Road to Lost Creek Booster					$536,239
14	II (1/3 project) S.R. 337 & Loudens Chapel Road to Moberly Road					95,500
15	Test Year capitalized payroll	30,411	30,411	30,411	30,411	30,411
	Totals	$808,158	$662,923	$650,977	$682,503	$662,150

Total budgeted capital improvements	$3,466,711
Less cash on hand	0
Sub-total	$3,466,711
Divide by 5 years	5
Average budgeted requirement	$693,342

RAMSEY WATER COMPANY, INC.

PRO FORMA ANNUAL REVENUE REQUIREMENTS AND ANNUAL REVENUES
See explanation of adjustments, pages 12 and 13.

	12 Months Ended 3/31/2007 (Unaudited)	Adjustments	Ref.	Pro-forma
Revenue Requirements				
Cash operating expenses	$1,407,328	$131,835	(1)	$1,539,163
Debt service	767,634	(22,177)	(2)	745,457
Replacements and improvements	351,452	341,890		693,342
Sub-totals	2,526,414	451,548	(3)	2,977,962
Less interest income	(106,023)	25,000	(4)	(81,023)
Less penalties	(11,570)		(4)	(11,570)
Less other income	(43,756)		(4)	(43,756)
Less rents	(1,086)		(4)	(1,086)
Total Net Revenue Requirements	$2,363,979	$476,548		$2,840,527
Annual Revenues:				
Metered sales	$1,566,433	$3,700	(5)	
		6,866	(6)	
		9,276	(9)	$1,586,275
DNR	13,521	56	(6)	13,577
Palmyra	224,756	2,082	(6)	226,838
Greenville	4,614	26	(6)	4,640
Sales for resale	613	3	(6)	616
Floyds Knobs sales	395,100	25,709	(7)	420,809
Georgetown sales	202,619	10,882	(8)	213,501
Total Annual Revenues	$2,407,656	$58,600		$2,466,256
Additional Revenues Required				$374,271
Additional IURC fee				492
Recommended Increase				$374,763
Across-the-Board Percentage Increase Required				20.33%
Resulting residential monthly bill (Existing customers) (presently $25.00 for 5,443 gallons)				$30.08

(Continued on next page)

RAMSEY WATER COMPANY, INC.

PRO FORMA ANNUAL REVENUE REQUIREMENTS AND ANNUAL REVENUES
Explanation of adjustments

(1) To reflect pro forma operation and maintenance expense as calculated on pages 2 - 9.

(2) To reflect average annual debt service on the combined outstanding loans and 1999 bonds for the five-year period ending December 31, 2011.

(3) To provide for the average annual requirement of the Corporation's capital improvement program. See page 10.

(4) Assumed at test year amounts.

(5) To normalize test year operating revenues for additional customers added to the system.

	Test Year (Unaudited)	Adjustment	Normalized
Metered water revenue	$1,401,758	$3,700	$1,405,458

(6) To normalize test year water sales to reflect rate tracker increase for all customers except for Floyds Knobs and Georgetown.

Test year billed consumption (in 1,000's)	742,439
Less billed consumption to Floyd Knobs and Georgetown (in 1,000's)	(290,806)
Sub-total	451,633
Times rate tracker increase ($.02 per 1,000's approved December 2007)	$0.02
Adjustment	$9,033

(7) See pages 14 - 17, Calculation of Proposed Rates for Floyds Knobbs.

(8) See pages 18 - 21, Calculation of Proposed Rates for Georgetown.

(Continued on next page)

(Cont'd)

RAMSEY WATER COMPANY, INC.

PRO FORMA ANNUAL REVENUE REQUIREMENTS AND ANNUAL REVENUES
Explanation of adjustments

(9) Normalized revenues from Harrison County Hospital

Hospital (gpd)	26,570	
Medical Office (gpd)	0	
Total consumption (gpd)	26,570	
Times 365 days	365	
Annualized	9,698,050	
Times cost per thousand	$2.4018	
Yearly expense		$23,293
Total gallons billed	9,698,050	
Per month	808,171	

	Consumption (1,000's of gals.)	Rate	Revenue
First	2	$4.05	$8.10
Next	8	4.00	32.00
Next	15	3.80	57.00
Next	25	3.60	90.00
Next	758	3.23	2,448.34

Service charge 8"	30.15	
Tracker (808 x $.06)	48.48	
Total monthly revenues	$2,714.07	
Times 12 months	12	
Annual revenues		32,569
Net adjustment		$9,276

RAMSEY WATER COMPANY, INC.

CALCULATION OF PROPOSED RATES FOR FLOYDS KNOBS

	Proposed	Ref.
Calculation of monthly fixed fee:		
Stranded costs	$4,821.18	(1)
Monthly base charge from Indiana American	272.60	(2)
Allocated costs of Indiana American main extension	1,393.16	(3)
Total Monthly Fixed Fee	$6,486.94	
Rounded (Use)	$6,487	
Calculation of variable rate per 1,000 gallons:		
Rate per 1,000 gallons from Indiana American	$1.52	(4)
Estimated line loss	0.08	(5)
Depreciation on Indiana American main extension	0.02	(6)
Tank maintenance for Georgetown tank	0.01	(7)
Additional expenses	0.16	(8)
Total Variable Rate (1,000's of gallons)	$1.79	

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR FLOYDS KNOBS

Explanation of References:

(1) Reflects the calculation of stranded rates approved by the IURC in Cause No. 42042 dated July 10, 2002. The calculation is described in Exhibit D to the Joint Stipulations and and Settlement Agreement.

Remaining debt service and reserve requirements		$346,434
Times allocation to Zone D wholesale customers	x	31.11%
Sub-total		107,776
Times allocation to Floyds Knobs	x	53.68%
Sub-total		57,854.16
Divide by 12 months		12
Allocated monthly stranded cost		$4,821.18

(2) Represents the proposed allocation of the monthly base charge from Indiana American.

Monthly base charge		$564.38
Times percentage of Indiana American usage	x	48.3%
Allocated monthly base charge		$272.60

(3) Represents the allocated portion of the costs associated with the Indiana American main extension.

Capital cost of main extension	$333,357
Annual debt service payment assuming 20 years at 8.26%	$34,612.71
Times percentage of Indiana American usage	48.3%
Sub-total	16,717.94
Divide by 12 months	12
Allocated monthly cost of extension	$1,393.16

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR FLOYDS KNOBS

Explanation of References:

(4) Represents current variable rate per 1,000 gallons from Indiana American (Volumetric rate of $1.5197 per 1,000 gallons)

(5) Represents an estimated allowance for line loss.

Current rate from Indiana American (1,000's of gallons)	$1.52
Times estimated line loss percentage	5%
Estimated rate for line loss	$0.08

(6) Represents the allocated portion of depreciation expense on the main extension.

Capital cost of main extension	$333,357
Times depreciation rate	2%
Annual depreciation expense	6,667
Times percentage of Indiana American usage	48.3%
Allocated annual depreciation expense	3,220
Divide by annual Floyds Knobs consumption (1,000's of gallons)	191,955.4
Allocated depreciation expense per 1,000 gallons	$0.02

(7) Represents the allocated portion of tank maintenance for the Georgetown tank.

Estimated tank maintenance expense	$60,000
Divide by amortization period	15
Annual allowance for tank maintenance	$4,000
Times percentage of Indiana American usage	48.3%
Allocated annual allowance for tank maintenance depreciation expense	1,932
Divide by annual Floyds Knobs consumption (1,000's of gallons)	191,955.4
Allocated tank maintenance expense per 1,000 gallons	$0.01

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR FLOYDS KNOBS

Explanation of References:

(8) Represents an allocation of source of supply, transmission and distribution, customer accounts and administrative and general expenses exclusive of the items allocated above.

Cost of IAWC extension	$333,357			
Cost of Georgetown tank	212,462			
Subtotal	545,819			
Times percentage of Indiana American consumption	48.3%			
Allocation of Georgetown and Zone D improvements	263,631			
Divide by total Ramsey UPIS	17,238,027			
Percentage of Utility Plant allocated to Floyds Knobs	1.53%			
Pro forma Source of Supply and Transmission and Distribution expenses			$1,112,508	
Times percentage of Utility plant		x	1.53%	
Subtotal				$17,014
Pro forma Customer Accounts and Administration and General expenses			353,680	
Times percentage of test year bills (12/63,656)		x	0.0189%	
Subtotal				67
Pro forma Legal and Accounting Contractual Services			29,529	
Pro forma Rate Case expense			10,680	
Subtotal			40,209	
Times percentage of Test Year consumption (191,955/742,439)			25.85%	
Subtotal				10,394
Pro forma Administrative and General Miscellaneous expense			32,766	
Divide by total Administration and General expense			333,244	
Percent miscellaneous			9.83%	
Times Administrative and General Miscellaneous expense		x	32,766	
Subtotal				3,222
Total Additional Expenses				30,697
Divide by test year consumption				191,955.4
Total per 1,000 gallons				$0.16

RAMSEY WATER COMPANY, INC.

CALCULATION OF PROPOSED RATES FOR GEORGETOWN

	Proposed	Ref.
Calculation of monthly fixed fee:		
Stranded costs	$2,080.98	(1)
Monthly base charge from Indiana American	140.53	(2)
Allocated costs of Indiana American main extension	718.21	(3)
Total Monthly Fixed Fee	$2,939.72	
Rounded (Use)	$2,940	
Calculation of variable rate per 1,000 gallons:		
Rate per 1,000 gallons from Indiana American	$1.52	(4)
Estimated line loss	0.08	(5)
Depreciation on Indiana American main extension	0.02	(6)
Tank maintenance for Georgetown tank	0.01	(7)
Additional expenses	0.18	(8)
Total Variable Rate (1,000's of gallons)	$1.80	

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR GEORGETOWN

Explanation of References:

(1) Represents the monthly capital charge approved pursuant to IURC Cause No. 38722 approved August 30, 1989.

Remaining debt service and reserve requirements		$346,434
Times allocation to Zone D wholesale customers	x	31.11%
Sub-total		$107,776
Times allocation to Georgetown	x	23.17%
Sub-total		24,971.70
Divide by 12 months		12
Allocated monthly stranded cost		$2,080.98

(2) Represents the proposed allocation of the monthly base charge from Indiana American.

Monthly base charge		$564.38
Times percentage of Indiana American usage	x	24.9%
Allocated monthly base charge		$140.53

(3) Represents the allocated portion of the costs associated with the Indiana American main extension.

Capital cost of main extension		$333,357
Annual debt service payment assuming 20 years at 8.26%		$34,612.71
Times percentage of Indiana American usage	x	24.9%
Sub-total		8,618.56
Divide by 12 months		12
Allocated monthly cost of extension		$718.21

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR GEORGETOWN

Explanation of References:

(4) Represents current variable rate per 1,000 gallons from Indiana American (Volumetric rate of $1.5197 per 1,000 gallons)

(5) Represents an estimated allowance for line loss.

Current rate from Indiana American (1,000's of gallons)	$1.52
Times estimated line loss percentage	5%
Estimated rate for line loss	$0.08

(6) Represents the allocated portion of depreciation expense on the main extension.

Capital cost of main extension	$333,357
Times depreciation rate	2%
Annual depreciation expense	6,667
Times percentage of Indiana American usage	24.9%
Allocated annual depreciation expense	1,660
Divide by annual Georgetown consumption (1,000's of gallons)	98,850.4
Allocated depreciation expense per 1,000 gallons	$0.02

(7) Represents the allocated portion of tank maintenance for the Georgetown tank.

Estimated tank maintenance expense	$60,000
Divide by amortization period	15
Annual allowance for tank maintenance	$4,000
Times percentage of Indiana American usage	24.9%
Allocated annual allowance for tank maintenance depreciation expense	$996
Divide by annual Georgetown consumption (1,000's of gallons)	98,850.4
Allocated tank maintenance expense per 1,000 gallons	$0.01

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RAMSEY WATER COMPANY, INC.

(Cont'd)

CALCULATION OF PROPOSED RATES FOR GEORGETOWN

Explanation of References:

(8) Represents an allocation of source of supply, transmission and distribution, customer accounts and administrative and general expenses exclusive of the items allocated above.

Cost of IAWC extension	$333,357		
Cost of Georgetown tank	212,462		
Subtotal	545,819		
Times percentage of Indiana American consumption	24.9%		
Allocation of Georgetown and Zone D improvements	135,909		
Divide by total Ramsey UPIS	17,238,027		
Percentage of Utility Plant allocated to Georgetown	0.79%		
Pro forma Source of Supply and Transmission and Distribution expenses		$1,112,508	
Times percentage of Utility plant		x 0.79%	
Subtotal			$8,771
Pro forma Customer Accounts and Administration and General expenses		353,680	
Times percentage of test year bills (12/63,656)		x 0.0189%	
Subtotal			67
Pro forma Legal and Accounting Contractual Services		29,529	
Pro forma Rate Case expense		10,680	
Subtotal		40,209	
Times percentage of Test Year consumption (98,850/742,439)		x 13.31%	
Subtotal			5,352
Pro forma Administrative and General Miscellaneous expense		32,766	
Divide by total Administration and General expense		333,244	
Percent miscellaneous		9.83%	
Times Administrative and General Miscellaneous expense		x 32,766	
Subtotal			3,222
Total Additional Expenses			17,412
Divide by test year consumption			98,850.4
Total per 1,000 gallons			$0.18

RAMSEY WATER COMPANY, INC.

SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

I. Retail customers

				Present (1)	Proposed (2)
Monthly usage, per 1,000 gallons					
First	2,000	gallons		$4.11	$4.95
Next	8,000	gallons		4.06	4.89
Next	15,000	gallons		3.86	4.64
Next	25,000	gallons		3.66	4.40
Over	50,000	gallons		3.29	3.96

Minimum charge, per month:		Gallons Allowed	Present (1)	Proposed (2)
5/8 or 3/4	inch meter	2,000	$11.02	$13.27
1	inch meter	5,000	23.60	28.42
1 1/4	inch meter	8,000	35.98	43.33
1 1/2	inch meter	10,000	44.30	53.35
2	inch meter	16,000	68.51	82.46
3	inch meter	30,000	129.45	155.72
4	inch meter	50,000	205.60	247.27
6	inch meter	100,000	376.95	453.51
8	inch meter	160,000	582.15	700.50

Service charge, per month		Present (1)	Proposed (2)
5/8 or 3/4	inch meter	$2.80	$3.37
1	inch meter	3.20	3.85
1 1/4	inch meter	3.40	4.09
1 1/2	inch meter	3.60	4.33
2	inch meter	4.65	5.60
3	inch meter	12.55	15.10
4	inch meter	15.50	18.65
6	inch meter	22.35	26.89
8	inch meter	30.15	36.28

(1) Current rates and charges were approved pursuant to the Order in IURC Cause No. 42042 dated July 10, 2002 and includes tracking factor of $.06 per 1,000 gallons.

(2) Proposed rates and charges represent a 20.33% across-the-board increase in present rates.

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

	Present (1)		Proposed	
II. Wholesale customers				
Monthly capital charges:				
Floyds Knobs Water Corporation	$7,184	(2)	$6,487	(2)
Georgetown Municipal Water Utility	3,255	(2)	2,940	(2)
Palmyra	7,885		9,488	(4)
Indiana Department of Natural Resources	495		596	(4)
Monthly usage, per 1,000 gallons				
Floyds Knobs Water Corporation	$1.78	(2)	$1.79	(2)
Georgetown Municipal Water Utility	1.82	(2)	1.80	(2)
Palmyra	1.27		1.53	(4)
Indiana Department of Natural Resources	2.72		3.27	(4)

(E) Private Fire Protection Service - Sprinklers	Per Annum			
Rate per square inch	$13.98		$16.82	(4)

(F) Coin-Operated Sales	Per 200 Gallons			
Per 200 gallons	$0.44		$0.53	(4)

(G) Membership Fee	Per Member			
Per fee	$50.00		$50.00	

(H) Tap Charge	Per Tap			
5/8" meter	$1,034.00	(3)	$1,034.00	
Larger than 5/8" meter	Cost and labor		Cost and labor	

(1) Current rates and charges were approved pursuant to the Order in IURC Cause No. 42042 dated July 10, 2002 and includes tracking factor of $.06 per 1,000 gallons.
(2) Recalculated per the Stipulation and Settlement Agreement in IURC Cause No. 42042.
(3) Current charges approved per IURC Conference Minutes August 22, 2007.
(4) Proposed rates and charges represent a 20.33% across-the-board increase in present rates.

(Continued on next page)

RAMSEY WATER COMPANY, INC.

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES

	Present (1)	Proposed
(I) Collection and Deferred Payment Charges:	Each Occurrence	
Each occurrence	10% of first \$3.00 and 3% of excess	10% of first \$3.00 and 3% of excess
(J) Other Charges	Each Occurrence	
Insufficient funds	\$25.00	\$25.00
Reconnection charge	73.00	73.00
Delinquent customer follow up	2.00	2.00
Special reading of meter (estimation)	0.50	0.50
Special reading of meter (actual)	7.50	7.50
Transfer fee	10.00	10.00
General service charge	48.00	48.00
General service surcharge	65.00	65.00

(K) Edwardsville Water Corporation	Present (2)	Proposed
Special Rate and Meter Charge		
Monthly Meter Charge	\$569.38	\$569.38
Rate Per 1,000 Gallons	\$1.54	\$1.54

(1) Current charges approved per IURC Conference Minutes August 22, 2007.
(2) Current charges were approved pursuant to the Order in IURC Cause No. 43325 dated December 19, 2007.

RAMSEY WATER COMPANY, INC.

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED WATER RATES AND CHARGES
APPENDIX A

(A) Wholesale Water Cost Tracking Adjustment
(In addition to the above rates and charges)

Wholesale water cost tracking factor occasioned solely by changes in the cost of purchased water, in accordance with 170 IAC 6-5-1 based upon the quantity of water consumed each month.

$_____*** per 1,000 gallons for all customers, except the Town of Georgetown and the Floyds Knobs Water Corporation.

The rates and charges applicable to the Town of Georgetown and the Floyds Knobs Water Corporation were recalculated pursuant to the Stipulation and Settlement Agreement in the IURC Cause No. 42042.

(B) Special Rate and Meter Charge

Pursuant to the Commission's Order in Cause No. 43325, the meter charge billed to Edwardsville Water Corporation will be $5.00 more than the meter charge from Indiana-American to Ramsey. The flow rate billed to Edwardsville Water Corporation will be $.02 per thousand gallons over Indiana-American's sale for resale rate to Ramsey.

*** Inclusive of the following tracking factors:

$________ per 1,000 gallons approved per conference minutes, ____________________