

FILED
August 5, 2019
INDIANA UTILITY
REGULATORY COMMISSION

TOWN OF LIZTON
IURC CAUSE NO. 45274

DIRECT TESTIMONY
OF
OTTO W. KROHN

SPONSORING ATTACHMENTS OWK-1 THROUGH OWK-6

**DIRECT TESTIMONY
OF
OTTO W. KROHN**

CAUSE NO. 45274

1

BACKGROUND

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

3 A. My name is Otto W. Krohn. I am a Certified Public Accountant and SEC Registered
4 Municipal Advisor. My business address is 231 East Main Street, Westfield, Indiana
5 46074.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am the executive partner of O.W. Krohn & Associates, LLP, a firm of certified
8 public accountants and consultants. Our practice focuses on the accounting, financial,
9 and managerial needs of local government units and utilities primarily in the State of
10 Indiana.

11 **Q. Please summarize your educational and professional qualifications.**

12 A. I am a 1978 graduate of Indiana University's Kelley School of Business. I have been
13 engaged in public accounting and financial consulting for almost forty years. I am a
14 Certified Public Accountant (CPA) and Chartered Global Management Consultant
15 (CGMA) in good standing with the American Institute of CPAs and the Indiana CPA
16 Society. After spending eight and a half years with a regional-sized firm of CPAs, I
17 established my own accounting and consulting practice in 1986. The majority of my
18 professional experience has been related to financial accounting and consulting for
19 local government and utilities. I have worked extensively with the financial aspects of

1 utility operations, including utility rate studies, cost of service studies, financial
2 advisory services, and debt financing for capital improvement projects. I have
3 participated in numerous proceedings at the Indiana Utility Regulatory Commission
4 (the “Commission”) over the past forty years. Throughout my career, I have actively
5 participated in many professional organizations and trade associations that pertain to
6 the practice of public accounting, utilities, local government and consulting,
7 including:

8 American Institute of Certified Public Accountants

9 Indiana CPA Society

10 Government Finance Officers Association (GFOA)

11 Indiana Association of Cities and Towns (Now AIM)

12 Association of Indiana Counties

13 Indiana Township Association

14 American Water Works Association

15 Indiana Rural Water Association

16 Alliance of Indiana Water & Wastewater

17 Indiana Municipal Electric Association

18 Association of Indiana Sewer Companies

19 Indiana Water Environmental Association

20 **Q. Please describe your business experience.**

21 A. After graduation from Kelley School of Business, I started my career in May, 1978
22 with H.J. Umbaugh & Associates’ Indianapolis Office. After 8 ½ years, I started my
23 own accounting practice in December, 1986. Over the past 33 plus years, my practice

1 niche has focused on working with local government and utilities in a variety of
2 financial roles, including utility rate consulting and financial advisory services related
3 thereto. I have served as an expert witness in a variety of situations regarding utility
4 rates, cost of service and issuance of long-term debt for municipalities, not-for-profit
5 utilities and other quasi-governmental units (such as regional utility and conservancy
6 districts).

7 **Q. What are your current responsibilities?**

8 A. I am Executive Partner of our Firm. My two partners and I are also Registered
9 Municipal Advisors with the Securities Exchange Commission. Together, we oversee
10 a professional staff of CPAs, financial consultants, analysts and administrative
11 personnel. Our Firm has a focused practice niche in the area of local government
12 finance and utilities.

13 As in this case, I often participate in feasibility studies related to public building
14 projects, infrastructure and projects related to economic development for cities, towns,
15 counties and townships. Utility projects are often key to being able to attract
16 opportunities for new development. I am directly involved in these types of projects,
17 with the goal of providing timely and accurate financial information to the key
18 decision-makers. In this case, those decision-makers include the Town Council,
19 Indiana Dept. of Transportation (INDOT), Indiana Finance Authority – State
20 Revolving Fund (SRF), Indiana Office of Community and Rural Affairs (OCRA),
21 Indiana Dept. of Management (IDEM) and now the Indiana Utility Regulatory
22 Commission (IURC or Commission). Lizton has received approvals from all entities
23 noted above except for the IURC.

SCOPE OF TESTIMONY

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

2 A. Lizton is proposing to construct, own and operate a water distribution system. It will
3 interconnect with Citizens Energy Group (“Citizens”) for water service on a sale-for-
4 resale basis and it has in place a contract for that supply of water. That contract is
5 included as Appendix F to the Water Management Plan attached to Witness Frazell’s
6 testimony. I will describe the initial rates of which we seek approval. I will also
7 describe the “debt” that will be issued to the Indiana Finance Authority (“IFA”)
8 through the Drinking Water State Revolving Fund (“SRF”) loan program. I use
9 “debt” in quotations because in reality it is a grant that takes the form of a forgivable
10 loan – a loan that Lizton does not need to repay. To the extent necessary, we seek
11 approval of this forgivable loan. I will also provide my account of past efforts by the
12 Town to obtain municipal grade water service, growth assumptions contained within
13 this proposed initial rates and financing petition, economies of scale anticipated from
14 the assumed growth assumptions and provide an illustration of potential variations
15 with different growth assumptions. These potential assumption variations are
16 intended to illustrate the value of proposed funding plan that is currently “in the bag”,
17 risks associated with a potential delay (putting both the OCRA grant and SRF
18 Forgivable Bond Anticipation Note in jeopardy) and also economies of scale that the
19 Town could reasonably expect from adding a 3rd utility service to its municipal
20 services menu. Finally I will compare the rates that are proposed for Lizton
21 customers to the comparable economic cost they would incur if they were instead to
22 connect to Citizens as direct customers.

1 **Q. When you say “funding plan that is currently “in the bag”, what specifically do**
2 **you mean?**

3 A. The Town of Lizton has already received the necessary approvals from its Town
4 Council, the Indiana Department of Transportation (“INDOT”), SRF, Office of
5 Community and Rural Affairs (“OCRA”) and the Indiana Department of
6 Environmental Management (“IDEM”). “In the bag” simply means that we have
7 defined commitments to move forward immediately, subject to the approval of initial
8 rates and financing by the Commission. INDOT, SRF and OCRA approvals are all
9 subject to various timing requirements. For that reason, on behalf of the Town, I am
10 respectfully requesting that the Commission be cognizant of the SRF’s timing
11 deadline of December 1st in order to maintain its December 15th scheduled closing
12 date for that portion of the project to be funded by SRF.

13 **Q. How is the Town proposing to finance the cost of its distribution system?**

14 A. The total estimated cost of the project (construction and non-construction, including
15 contingencies) is \$4,100,000. The updated cost estimates are attached to my
16 testimony as Attachment OWK-1. Against this amount, INDOT has committed to a
17 contribution of \$2 million. This is so the Town can provide service to a rest stop on
18 Interstate 74 as well as an additional facility. That Agreement is Appendix G to the
19 Water Management Plan I previously referenced. The Agreement is final and is
20 currently making its way through the standard state approval process. We expect to
21 have received all signatures and final approval in the coming weeks. The Town has
22 also received a commitment from OCRA for a grant of \$700,000. This commitment
23 is set forth in Attachment OWK-2. Finally, the IFA informed us on July 30, 2019,

1 that Lizton will receive a Subsidization Award (or forgivable loan) for the remaining
2 \$1,400,000. The email delivering this news is Attachment OWK-3. Because this
3 Subsidization Award is in the form of a forgivable loan, I am not certain whether the
4 Commission needs to approve it. To the extent approval is required, we are seeking
5 authorization to borrow money from the SRF in principal amount of approximately
6 \$1.4M.

7 **Q. Is the Town also requesting Commission authority to issue debt in this Cause?**

8 A. Yes. The Town is seeking authority to issue debt in the form of new waterworks
9 revenue bonds in an amount not to exceed \$1.8 million. This amount includes the
10 portion that the IFA has announced will be forgivable. It is believed that with the
11 current estimated costs there will be no need to issue any debt beyond the amount that
12 is forgivable, and the Town anticipates funding the new water distribution system
13 entirely through the grants, contributions and SRF loan previously mentioned.
14 However, the Town is requesting financing authority in this Cause in order to allow it
15 flexibility in the event a portion of the SRF loan is not forgivable or construction bids
16 come in higher than anticipated.

17 **Q. Why is the Town requesting that the OUCC and IURC try to expedite the**
18 **typical hearing procedures and timing?**

19 A. Since key IURC staff members participated in the IDEM Financial and Management
20 Plan approvals, including team meetings between IDEM and the Town, we were
21 advised to wait 30 days before filing a Petition with the Commission due to the
22 Commission's ex parte rules. The IDEM approval letter was received on June 18th,
23 2019 and the Town's project team had its first kick off meeting with OUCC Staff on

1 June 19th in order to discuss the Town’s proposed Petition.

2 **Q. Have you prepared any attachments for consideration by the Commission?**

3 A. Yes. The financial projections that were prepared for IDEM’s financial management
4 review are set forth in Appendix C in the Financial Section of the Lizton IDEM
5 Water System Management Plan that I previously mentioned. I have prepared an
6 update to those projections based now on the receipt of the Subsidization Award from
7 the IFA. The update is Attachment OWK-4.

8 The Town understands that its decision to proceed with establishing this new utility
9 cannot be based upon “what if” scenarios. The proposed rates and financing terms
10 are based upon what are believed to be quite conservative assumptions regarding
11 future customer growth, projected operation and maintenance costs.

12 We have also prepared various additional illustrations (Tables 1 to 5) in order to
13 provide the Commission with the approved SRF Funding mix and other “what if”
14 assumption variations, along with related illustrations that depict different funding
15 mixes, costs and growth assumptions. These illustrations are not included in the
16 IDEM Water System Management Plan nor will they be included in the SRF
17 Financial Due Diligence submission during its bond pre-closing procedures. We are
18 proceeding on what is deemed to be the Town’s “worst case scenario” based upon the
19 current commitment levels and facts at hand. The illustrations are intended to
20 reinforce the Town’s proposal to proceed now without putting its funding
21 commitments at risk.

1 **Q. When you say, “putting the Town’s funding commitments at risk”, to what**
2 **specific risks are you referring:**

3 A. During the IDEM Water System Management Plan review process, there was a fair
4 amount of discussion concerning why Citizens shouldn’t simply take over this project
5 and the Town simply be content that water distribution is being provided. There
6 appears to be an impression amongst some that the funding programs that the Town
7 has received could be transferable with Citizens. That is not true. The commitment
8 from OCRA is, by its terms, to the Town. If the Town does not own and operate the
9 system, then that commitment goes away. Citizens would need to qualify for and
10 make its own application to receive an OCRA grant, and that grant determination
11 would be decided specific to Citizens. This is confirmed by the email from the
12 Community Development Block Grant Program Director dated April 16, 2019, which
13 is Attachment OWK-5. The same is true of the Subsidization Award from the IFA.
14 All of these grants are provided specific to Lizton and are in an effort to hold down
15 the utility rates that Lizton customers will pay. This proposed funding package
16 should be vigorously pursued. As I will demonstrate later, it would not be reasonable
17 to expect CEG to extend service to Lizton customers under terms that are more
18 financially favorable to Lizton customers than the terms we presently have.

19 Delaying this project just to see IF Citizens could even qualify for a future OCRA
20 Grant or Subsidization Award is not a risk the Town wants to take. First, there is no
21 assurance that the number of customer commitments that Lizton has received would
22 remain under a different ownership structure, which is a critical uncertainty. Without
23 those commitments, there is no project at all. Delays would also put at risk the SRF

1 funding package, which is “in the bag” right now. The risk of losing the Town’s SRF
2 funding commitment is not a risk the Town is willing to take. There is no assurance
3 that project costs would not increase if it needed to be rebid next year or later.
4 Another risk that the Town is unwilling to accept. Finally, and as I will demonstrate
5 later, there is no benefit to our citizens from connecting as direct customers to
6 Citizens. It would be unreasonable to expect Citizens to subsidize service to Lizton,
7 which means Lizton citizens would need to come up with their own financing
8 package to finance the cost of construction that Lizton will finance with the relief
9 sought in this case. When the costs of those individual loans are factored in, it is
10 cheaper for them to be served in the manner we are proposing. Further, Citizens has
11 not offered any arrangement other than to provide wholesale water service to the
12 Town.

13 The Town already has the personnel and billing systems in place for its other 2
14 utilities. Taking on one additional enterprise operation is likely to create economies
15 of scale for the Town because growth will spread the fixed overhead costs associated
16 with each utility service over a larger user base. That provides an overall benefit to
17 the Town’s Wastewater, Stormwater and proposed Water Utility customers.

18 **Q. How important is the creation of Lizton Municipal Water Distribution Utility to**
19 **the Town’s economic development efforts.**

20 A. Creating this water distribution utility is extremely important for Lizton. The Town’s
21 desire and plans for economic development have been stifled for years because there
22 was not a feasible funding mechanism to obtain municipal grade water. I understand

1 that previous proposals required the Lizton residents to contribute between \$10,000
2 and \$15,000 per connection in order to participate, plus their individual onsite
3 connection costs. As interested participants became scarce, those initiatives failed.

4 Under the current financial plan, all of the service lines up to and including the meter
5 are included in the project budget, therefore residents that participate up-front can
6 connect for only \$250, plus the cost of connecting their plumbing to the new water
7 meters. The Town has already received paid commitments from approximately 165
8 individual customers representing more than 200 Equivalent Dwelling Units (EDUs).
9 The expected initial EDUs include a 25-unit apartment complex and INDOT's
10 projected 15 EDUs. Our IDEM Water System Management Plan's financial model
11 assumes that on the first day of service we only serve 179 EDUs and then experience
12 modest growth each year thereafter. That is deemed to be a tremendous participation
13 rate, since there is no statutory requirement for property owners to connect to a water
14 system. Existing property owners all have their own wells.

15 That said, the Town still believes that the initial user base and growth projections are
16 quite conservative. For example, a 75 unit subdivision would expand our user base
17 by more than 45%. While there would be some marginal costs of buying higher
18 volumes of wholesale water, the remaining costs are mostly fixed. That 75 unit
19 subdivision could reduce the fixed cost portion of the user fee by about \$12 / mo.
20 Residential developers have made many inquiries. Hendricks County is the third
21 fastest growing county in the State, but without a water distribution utility, growth
22 looks elsewhere. There is a strong belief among the Town Officials, as well as its

1 water project team, that adding water service to the Town's menu of services will
2 result in a tremendous building boom due to its proximity to I-74 and gateway to the
3 City of Indianapolis. The I-74 and SR-39 interchange provide tremendous economic
4 development potential, including industrial development. Jobs will drive housing,
5 which will drive commercial development and create an economic ripple effect
6 within the Town's current and future corporate boundaries.

7 The risk of losing this great opportunity due to any type of delay would be very unfair
8 to the Town of Lizton. This current funding mix is deemed to be the most efficient
9 way to move forward with this long-overdue project. The Town will have better
10 control of coordinating all essential utility services; thus, facilitating orderly
11 development. And, with the Town in control it eliminates any potential conflicts of
12 interest for economic development projects between the Town and the City of
13 Indianapolis. I'm not suggesting that Citizens actually does or would actually do so,
14 but there is certainly the possibility that Citizens' relationship with Indianapolis and
15 its ownership of other utilities could be a detriment to the Town's development. All
16 of the Citizens Board of Directors reside in Indianapolis and Citizens provides water,
17 sewer and gas utility services within the City of Indianapolis. Therefore, if Lizton
18 were to be in competition for a project that the City of Indianapolis might also be
19 trying to land, having the Town Council in charge of deciding where and how to
20 extend utility services would eliminate any potential or perception of bias that might
21 otherwise occur. This is a very competitive world for economic development. The
22 Town believes that it is best suited to make sure it has a fair chance to compete.

1 In order to ensure that this project is completed as quickly as possible, as efficiently
2 as possible and in the best interest of the Town of Lizton and its citizens, the Town
3 respectfully requests that its Petition to establish the proposed Municipal Water
4 Utility be granted. The “stars are in alignment”: 1. Approvals are in place; 2. The
5 project is being bid; 3. Multiple sources of funding have been secured; and, 4. The
6 approval by this Commission is the only remaining hurdle.

7 **Q. Have you prepared any analysis relative to the proposed project cost estimates**
8 **and funding that has been secured?**

9 A. Yes. Table 1 (below) presents the proposed Initial Water Rates & Charges. The
10 initial rates assume that all residential customers will pay a minimum charge of \$56
11 per month, based upon 4,000 gallons of water usage. While initial customers will not
12 have to pay a connection charge or system development charge, we are proposing an
13 \$1,100 connection charge for a residential sized water meter and a \$750 system
14 development charge for subsequent connectors. The connection charge is based upon
15 proxies of other water utilities that have similar costs of connecting new residential
16 customers. The system development charge is a “pass-thru” charge that will
17 reimburse INDOT up to \$777,000 of INDOT’s \$2M funding contribution towards the
18 Town’s initial Water Utility project costs, as described in the proposed agreement
19 between INDOT and the Town.

TABLE 1

**LIZTON (INDIANA) MUNICIPAL WATER UTILITY
WATER TARIFF SHEET**

Town Hall
Lizton, Indiana

SCHEDULE OF RATES AND CHARGES

For use of and service rendered by the waterworks system of the Town based on the use of water supplied by said waterworks system.

				Rate Per 1,000 Gallons
(a) Metered Usage Per Month *				
First	5,000 gallons			\$ 14.00
Next	5,000 gallons			8.50
Next	20,000 gallons			6.75
Over	30,000 gallons			5.50
(b) Minimum Monthly Charge *				
		<u>Ratio</u>	<u>Gallons</u>	<u>Per Month</u>
<u>Size of Meter:</u>				
5/8	inch meter	1.0	4,000	\$ 56.00
3/4	inch meter	1.0	4,000	56.00
1	inch meter	2.5	10,000	112.50
1 1/2	inch meter	5.8	23,200	201.60
2	inch meter	10.0	40,000	302.50
3	inch meter	23.0	92,000	588.50
4	inch meter	40.0	160,000	962.50
6	inch meter	91.0	364,000	2,084.50
* Subject to the Wholesale Water Cost Tracking Factor - See Appendix A.				
(c) Fire Hydrants				<u>Per Annum</u>
Municipal Fire Hydrants - per hydrant				N/A
Private Fire Hydrant - per hydrant - per annum for all users with private hydrants				\$ 750.00
(d) Private Fire Protection - Sprinkler Systems				<u>Per Annum</u>
2 inch connection and under - per annum				\$ 85.00
3 inch connection				187.50
4 inch connection				335.00
6 inch connection				750.00

**LIZTON (INDIANA) MUNICIPAL WATER UTILITY
WATER TARIFF SHEET
Town Hall
Lizton, Indiana**

APPENDIX A - WHOLESALE WATER COST TRACKING FACTOR

The metered rates and minimum charges are subject to a Wholesale Water Cost Tracking

Water Cost Tracking Factor - per 1,000 Gallons	\$0.0000
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APPENDIX B - NON-RECURRING CHARGES

Description of Charges	Charge
System Development Charge - INDOT Main Extention Reimburs(Per EDU)	\$ 750.00
Connection charges:	
5/8 inch meter	\$ 1,100.00
Greater than 5/8 inch meter	Cost of materials, labor and equipment, but not less than \$582.00
Service Call / Reconnection during working hours	\$ 25.00
Service Call after working hours	\$ 50.00
Bad check charge	\$ 25.00
Late payment charge	10% of first \$3.00 and 3% of balance, incur 10 days after billing
Customer Deposit	\$ 90.00

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2 **Q. Please explain the basis for the proposed rates and charges.**

3 A. As of the date of this writing, the project bids have not yet been received. However,
4 SRF recently provided its precise funding mix which includes \$1.4M from its project
5 subsidization funds – a forgivable loan. Tables 2 and 3 present the Pro Forma
6 Operating Budget and the Pro Forma Revenue Requirements, respectively. Table 2
7 presents specific assumptions for the base-line projected operating costs assuming
8 179 initial Equivalent Dwelling Units (EDUs). The projected operating budget has

1 been vetted throughout the IDEM Water System Management Plan review by the
 2 entire working group from the Town, IDEM and the IURC staff that participated in
 3 the IDEM review proceedings. Nearly 50% of the projected operating budget is for
 4 the estimated cost of purchased water for resale from Citizens Water.

TABLE 2		SCHEDULE 3 - IDEM FIN. MGMT. PLAN
LIZTON (INDIANA) MUNICIPAL WATER UTILITY		
<u>PROJECTED ANNUAL OPERATION AND MAINTENANCE COSTS</u>		
(PER CONSULTING ENGINEERS)		
<u>ANNUAL OPERATION & MAINTENANCE COSTS:</u>		BASELINE AMOUNT
DISTRIBUTION SYSTEM	Includes increases per IDEM Review Comments	
LABOR		\$10,000
SAMPLING / TESTING		10,000
MATERIALS & SUPPLIES		5,000
REPAIRS & MAINTENANCE		3,000
TOTAL COLLECTION SYSTEM		28,000
PURCHASED WATER COST		
RATE PER 1,000 GALLONS	179 EDUs	52,955
TOTAL PURCHASED WATER COST		52,955
GENERAL AND ADMINISTRATIVE:		
CUSTOMER ACCTS./BILLING	Shared Overhead with Storm & Sanitary	15,000
LEGAL & PROFESSIONAL	Includes allocation of wages, benefits & supplies	5,000
INSURANCE	Includes allocation of existing overhead	5,000
OTHER	Includes allocation of existing overhead	5,000
TOTAL GENERAL AND ADMINISTRATIVE		30,000
TOTAL PROJECTED OPERATION AND MAINTENANCE COSTS		\$110,955

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 6 The other O&M assumptions noted above anticipate a contract operator and shared
 7 overhead with the Town’s existing administrative costs. By sharing in the

1 Administrative and Billing costs, the Town will achieve economies of scale that will
2 benefit all existing Town Departments, as well as the proposed Municipal Water
3 Utility. The proposed cash operating expenses amount to approximately \$111,000
4 per year.

5 Table 3 displays the computed rate impact results under various assumptions
6 regarding project costs, anticipated SRF Forgivable BAN amounts (a range from all
7 loan funds vs. no loan fund requirements) and various initial customer base
8 assumptions. I am presenting the range of Forgivable amounts so that the value of the
9 Subsidization Award can be seen and the risk that losing that grant would pose for the
10 project. Table 3 displays three funding options: Option 1. Assumes that 100% of
11 local funds are borrowed from SRF (No Forgivable BAN); Option 2 and 3 assume
12 the other extreme where all of the local funding comes from a forgivable BAN –
13 which is the current situation). Both Options 1 & 2 assume only 179 initial EDU's
14 within the initial customer base. Option 3, on the far right side of Table 3, assume
15 that there would be 200 EDUs served initially and that 100% of the project costs are
16 fully funded without having to incur any L.T. Debt. For purposes of establishing
17 initial rates, we have assumed that we will land somewhere near Option 2. Our initial
18 rates, assuming average residential usage of 4,000 gallons per month, produce an
19 average residential bill of \$56 per month. However, the impact of an additional 21
20 EDUs could lower the monthly bill by over \$4 per month. At the bottom of Table 3,
21 there are a number of additional EDU assumptions that demonstrate the potential
22 impact on additional revenues for the Utility. Again, we are basing our initial rates
23 on 179 EDUs and an average bill per household of \$56 per month.

TABLE 3		IDEM SCH 5 IURC UPDATES		
LIZTON (INDIANA) MUNICIPAL WATER UTILITY				
ESTIMATED PROJECT COSTS, POTENTIAL RANGE OF FUNDING OPTIONS & IMPACT ON INITIAL WATER RATES				
<i>ASSUMES 179 EDUs AS INITIAL CUSTOMER BASE - 4,000 GALLONS / MO / EDU</i>				
PROJECT COSTS & FUNDING:	SRF LOAN OPTION 1	SRF LOAN / GRANT OPTION 2	SRF GRANT OPTION 3	
<i>CONNECTION FEE / EDU - FOR FUTURE CUSTOMER GROWTH (Information Only)</i>	\$ -	<i>Conn. Fee Only</i> \$1,100.00	<i>Includes INDOT SDC</i>	\$1,850.00
TOTAL ESTIMATED PROJECT COSTS	\$ 3,870,000	\$ 3,870,000		\$ 3,870,000
PROJECT CONTINGENCIES	230,000	230,000		230,000
LESS POTENTIAL GRANTS / CONN. FEES:				
INDOT CONTRIBUTION	(2,000,000)	(2,000,000)		(2,000,000)
OCRA GRANT	(700,000)	(700,000)		(700,000)
SRF FORGIVABLE BAN		(1,400,000)		(1,400,000)
SRF BOND ISSUE SIZE FOR CLOSING ON DECEMBER 16th, 2019	\$ 1,400,000	\$ -		\$ -
CALCULATION OF PROPOSED AVERAGE MONTHLY RATE PER EDU				
<i>ASSUMES INITIAL CUSTOMER BASE AS NOTED - 5,250 GALLONS / MO / EDU (70 GPD / CAPITA)</i>				
ANNUAL REVENUE REQUIREMENTS:		OPTION 1	OPTION 2	OPTION 3
EDU's		179	179	200
SRF Bond Amount		\$1,400,000	\$0	\$0
PRO FORMA CASH OPERATING EXPENSES				
PURCHASED WATER - INCLUDES ESTIMATED WATER LOSS RATIO OF 8.7%	\$ 52,955	\$ 52,955		\$ 57,207
OTHER OPERATING COSTS	58,000	58,000		58,000
ANNUAL DEBT SERVICE				
PROPOSED DEBT SERVICE	2.000% 20	85,619	-	-
DEPRECIATION / REPLACEMENT ALLOWANCE		21,405	9,500	9,500
ADDITIONAL REVENUE REQUIREMENT ALLOWANCE				
MINIMUM REVENUE REQUIREMENTS		\$ 217,979	\$ 120,455	\$ 124,707
	TOTAL EDUs	NO SRF GRANT	WITH SRF GRANT	WITH SRF GRANT
AVERAGE MONTHLY BILL:	179	\$101.50	\$56.09	\$51.96
IMPACT OF ADDITIONAL USERS	200		\$16,827	\$15,588
	225		\$33,654	\$31,176
	250		\$50,481	\$46,764

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Option 1 above displays what is believed to be the worst case assumption. Had the Town been required to borrow \$1.4M at SRF Program rates, this Option would not be deemed feasible, as customers anticipate rates within a smaller range of \$50 to \$70 per month. It shows that losing the Subsidization Award would likely kill the project. It is not likely that Citizens could obtain this level (or any) subsidization award from SRF. This is certainly not a risk the Town wants to entertain at this stage of the

1 project.

2 **Q. Do you believe that \$56 per month is a fair and competitive rate when compared**
3 **with other water utilities, including Citizens Water of Westfield, LLC?**

4 A. Every utility has its own unique set of facts and circumstances that can result in wide
5 ranges in the cost of providing service. Table 3 illustrates the impact of the amount
6 of debt needed to fund the Town’s proposed water distribution system. Customer
7 density and the initial number of users that ultimately connect is yet another huge
8 variable. So, yes, I believe that the proposed rates are fair; and, as compared with a
9 lesser funding mix from SRF, OCRA and/or INDOT, I believe the proposed rates are
10 reasonable and competitive – particularly when looking at the other costs of living in
11 Lizton (i.e. wastewater & stormwater fees, property tax rates and population driven
12 revenue streams). The addition of the proposed municipal water distribution utility
13 will immediately create economies of scale for the Town’s administrative and billing
14 costs which help to maintain lower rates for the other municipal operations that
15 impact the Town’s overall cost of service. But more important is the fact that the
16 Town has diligently pursued many innovative techniques in finding a way to create a
17 municipal grade water utility service within Lizton. The advent of having a
18 municipal water utility is expected to fill-in the missing piece of the Town’s
19 economic development puzzle. As noted earlier in my testimony and the testimony of
20 other witnesses for the Town, there exists a “pent-up demand” for commercial and
21 residential housing projects. However, without municipal grade water, that demand
22 has been stifled. Table 4 amends the projected number of EDUs served under
23 Options 3 to show 250 EDUs.

TABLE 4

ILLUSTRATION
GROWTH IMPACT

LIZTON (INDIANA) MUNICIPAL WATER UTILITY

ESTIMATED PROJECT COSTS, POTENTIAL RANGE OF FUNDING OPTIONS & IMPACT ON INITIAL WATER RATES
ASSUMES 179 EDUs AS INITIAL CUSTOMER BASE - 4,000 GALLONS / MO / EDU

PROJECT COSTS & FUNDING:	SRF LOAN OPTION 1	SRF GRANT OPTION 2	SRF GRANT OPTION 3
TOTAL ESTIMATED PROJECT COSTS	\$ 3,870,000	\$ 3,870,000	\$ 3,870,000
PROJECT CONTINGENCIES	230,000	230,000	230,000
LESS POTENTIAL GRANTS / CONN. FEES:			
INDOT CONTRIBUTION	(2,000,000)	(2,000,000)	(2,000,000)
OCRA GRANT	(700,000)	(700,000)	(700,000)
SRF FORGIVABLE BAN		(1,400,000)	(1,400,000)
SRF BOND ISSUE SIZE FOR CLOSING ON DECEMBER 16th, 2019	\$ 1,400,000	\$ -	\$ -

CALCULATION OF PROPOSED AVERAGE MONTHLY RATE PER EDU
ASSUMES INITIAL CUSTOMER BASE AS NOTED - 5,250 GALLONS / MO / EDU (70 GPD / CAPITA)

ANNUAL REVENUE REQUIREMENTS:	NO SRF GRANT OPTION 1	100% SRF FORGIVABLE LOAN OPTION 2	OPTION 3
EDU's	179	179	250
SRF Bond Amount	\$1,400,000	\$0	\$0
PRO FORMA CASH OPERATING EXPENSES			
PURCHASED WATER - INCLUDES ESTIMATED WATER LOSS RATIO OF 8.7%	\$ 52,955	\$ 52,955	\$ 67,331
OTHER OPERATING COSTS	58,000	58,000	58,000
ANNUAL DEBT SERVICE			
PROPOSED DEBT SERVICE RATE 2.000% TERM 20	85,619	-	-
DEPRECIATION / REPLACEMENT ALLOWANCE	21,405	9,500	9,500
ADDITIONAL REVENUE REQUIREMENT ALLOWANCE			
MINIMUM REVENUE REQUIREMENTS	\$ 217,979	\$ 120,455	\$ 134,831
TOTAL EDUs			
AVERAGE MONTHLY BILL:	NO SRF GRANT \$101.50	WITH SRF GRANT \$56.09	WITH SRF GRANT \$41.57

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If the Town secured a customer base of 250 EDUs and all forgivable funding from SRF, the average cost per EDU would drop down to about \$42 per month. The point is that growth can hold future rates down. The Town is best suited to nurture that growth by making available its other utilities, zoning, potential annexation opportunities and so on. The Town truly believes that within a relatively short period of time, hitting the 250 EDU mark is a reasonable expectation. The Town is also best suited to avoid the potential for conflicts of interest with respect to future commercial and industrial development opportunities. The Town wants to be in control of when and where future main extensions occur.

1 **Q. Do you intend to update these projections and illustrations after actual bids are**
2 **received?**

3 A. Yes. Absolutely. We expect to have firm numbers by the end of August. In the
4 meantime, the Town would like to proceed on the basis of a \$56 monthly charge for
5 4,000 gallons per month. We will also continue to update the current number of
6 commitments and will update the rates to reflect the then current level of committed
7 customers.

8 **Q. You have discussed throughout your testimony the Town's desire to pursue this**
9 **project as a municipally owned utility. Have you done a comparison of your**
10 **proposed rates to what Lizton customers would pay if they were instead to**
11 **connect to Citizens Water as direct customers?**

12 A. Yes. But let me preface that we do not have an offer from Citizens to be the direct
13 water provider. In fact, and as indicated in Appendix N to the Water Management
14 Plan, Citizens agrees that the arrangement Lizton is proposing is the "appropriate
15 response" to the situation. In any event, if Citizens were to be the direct provider, it
16 would be unreasonable to expect Citizens to provide service under terms more
17 favorable than would be required under the CEG's main extension rules. A copy of
18 those rules are Attachment OWK-6. It would be unreasonable to expect Citizens to
19 offer any terms that would require their existing customers to subsidize extension to
20 Lizton. So, if we assume that the same group of prospective customers would be
21 willing to sign up to receive service from Citizens (a significant assumption), we can
22 estimate three times the annual revenue. This can be subtracted from the costs of the
23 distribution system to be installed to determine the total cost to connect per EDU. We

1 can then assume that each resident would need to secure their own financing for that
2 upfront cost, and so we can assume a second mortgage over a twenty year term at a
3 typical mortgage rate of 4%. That monthly payment, added to the Citizens rate, can
4 then be compared to the rates that are proposed for Lizton.

5 **Q. For purposes of your comparison, what did you assume about contributions?**

6 A. I am conservatively assuming the contribution from INDOT will be equal to the
7 amount that INDOT is contributing to Lizton. Accordingly, for purposes of my
8 calculation I am assuming that contribution and excluding INDOT's 15 EDUs from
9 the number of EDUs over which to divide the remaining costs. As to the OCRA
10 grant and the forgivable loans from IFA, these will be lost under the direct service
11 from Citizens option.

12 **Q. With all of those assumptions, how would the cost to the typical customer
13 compare to Lizton's proposed rates?**

14 A. The comparison is shown in the table that follows (Table 5). This comparison is
15 conservative because it assumes (1) that all customers will be able to secure their own
16 financing for the connection charge and will be willing to connect under these terms;
17 and (2) no closing or other costs to be incurred in connection with these individual
18 loans.

TABLE 5

ILLUSTRATION

ILLUSTRATION OF PROPOSED AVERAGE MONTHLY COST PER EDU
ASSUMING RETAIL SERVICE PROVIDED BY CITIZENS WATER LLC

ESTIMATED TOTAL PROJECT COSTS	\$ 4,100,000
DEDUCT 3 YR GROSS REVENUE ALLOWANCE (164 X \$30 X 36)	(177,120)
DEDUCT INDOT CONTRIBUTION	(2,000,000)
NET AMOUNT TO BE FUNDED BY INITIAL USER BASE	\$ 1,922,880
DIVIDE BY INITIAL CUSTOMER BASE (179 - 15 = 164)	164
CAPITAL COST PER EDU	\$ 11,725
AMORTIZED CAPITAL COST OVER 20 YEARS @ 4% - PER MONTH	\$ 71.89
ESTIMATED AVERAGE RETAIL CHARGE FOR CITIZENS	30.00
TOTAL MONTHLY COST PER EDU	\$ 101.89

1 While Citizens’ retail rate only amounts to approximately \$30 per month for 4,000
 2 gallons, the average amortized monthly capital costs could exceed \$70 per month
 3 driving the total cost per customer to more than \$100 per month. The Town does not
 4 want to risk losing its OCRA and/or SRF funding commitments that are in place right
 5 now. Delaying this project would also likely result in higher construction costs if the
 6 project had to be rebid in 2020. Equally important is the delay in serving the
 7 customers already committed to connect as soon as service is available. There is
 8 simply too much risk in attempting to put the Town’s “eggs in another basket” under
 9 any kind of hope and prayer that construction costs will not go up and that Citizens
 10 could ultimately realize the same level of OCRA and SRF grant funds. The Town
 11 does not want to risk losing its existing funding commitments and the bids it will
 12 receive in just a few weeks. The Town wants to proceed with its fixed, known and
 13 measurable revenue requirements based on its funding commitments already in place.

14 **Q. CEG’s main extension rules also indicate the possibility of using a surcharge**
 15 **rather than an upfront capital contribution. Would that make a difference?**

1 A. You are speaking of their Rules 10.15 and 10.16. These would not help. Rule 10.15
2 provides for an “Optional Surcharge” that allows the customer to pay less than the
3 full required deposit and to pay the remainder through a surcharge over 60 months.
4 Rule 10.16 provides for a “Special Contract for Rate Surcharge.” This requires 50%
5 of the area’s eligible customers to sign up and spreading the cost over no less than 10
6 years. Either option would presumably eliminate the interest cost that would be
7 incurred through the analysis I have presented, but it would recover the actual
8 contribution over a shorter period than the 20 years I have assumed. In short, there is
9 not an option from CEG that would result in a lower cost to Lizton customers.

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

11 A. Yes, at this time.

VERIFICATION

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



Otto W. Krohn

Date: 8/2/19

LIZTON MUNICIPAL WATER UTILITY
SCHEDULE OF ESTIMATED SOURCES AND USES OF FUNDS

USES OF FUNDS:

CONSTRUCTION COSTS		\$ 2,693,700
CONSTRUCTION CONTINGENCY (10%)		269,370
ENGINEERING		
PER	\$ 45,000	
ENGINEERING	289,000	
WATER SYSTEM MANAGEMENT PLAN	28,800	
PERMIT ALLOWANCE	40,000	
CONSTRUCTION ENGINEERING	45,000	
INSPECTION	185,000	
TOTAL ENGINEERING		632,800
REGULATORY & BOND ISSUANCE COSTS		
LEGAL, FINANCIAL & BOND COUNSEL	225,000	
GRANT ADMINISTRATION	56,000	
ADMINISTRATIVE CONTINGENCIES	24,000	
TOTAL REGULATORY & ISSUANCE		305,000
PROJECT BIDDING CONTINGENCY		199,130
TOTAL ESTIMATED USES OF FUNDS		\$ 4,100,000

SOURCES OF FUNDS:

ADDITIONAL SUBSIDIZATION - SRF FUNDS		\$ 1,400,000
OCRA GRANT		700,000
INDOT CONTRIBUTION		2,000,000
TOTAL ESTIMATED SOURCES OF FUNDS		\$ 4,100,000

* Preliminary, subject to change.

STATE OF INDIANA—OFFICE OF COMMUNITY AND RURAL AFFAIRS
STATE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
GRANT NUMBER # A192-19-WW-18-106
CONTRACT #0000000000000000000031957

This Grant Agreement (this "Grant Agreement"), entered into by and between Indiana Office of Community and Rural Affairs (the "State") and **TOWN OF LIZTON** (the "Grantee"), is executed pursuant to the terms and conditions set forth herein. In consideration of those mutual undertakings and covenants, the parties agree as follows:

1. Purpose of this Grant Agreement; Funding Source. The purpose of this Grant Agreement is to enable the State to award a Grant of **\$700,000.00** (the "Grant") to the Grantee for eligible costs of the services or project (the "Project") described in **Exhibits A and B** of this Grant Agreement, which are incorporated fully herein.

The funds shall be used exclusively in accordance with the provisions contained in this Grant Agreement and in conformance with United States Department of Housing and Urban Development ("HUD") laws and regulations found in Indiana Code §4-4-9.7-6 as well as 42 U.S.C. §§ 3531-3549 and Title I of the Housing and Community Development Act, 42 U.S.C. §§ 5301-5321 (the "Act") and 24 C.F.R. part 570, establishing and governing the CDBG program establishing the authority to make this Grant, as well as any rules adopted thereunder. The funds received by the Grantee pursuant to this Grant Agreement shall be used only to implement the Project or provide the services in conformance with this Grant Agreement and for no other purpose.

FUNDING SOURCE:

If Federal Funds: Program Name per Catalog of Federal Domestic Assistance (CFDA):

Community Development Block Grant

CFDA #: 14.228

2. Representations and Warranties of the Grantee.

A. The Grantee expressly represents and warrants to the State that it is statutorily eligible to receive these Grant funds and that the information set forth in its Grant Application is true, complete and accurate. The Grantee expressly agrees to promptly repay all funds paid to it under this Grant Agreement should it be determined either that it was ineligible to receive the funds, or it made any material misrepresentation on its grant application.

B. The Grantee certifies by entering into this Grant Agreement that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from entering into this Grant Agreement by any federal or state department or agency. The term "principal" for purposes of this Grant Agreement is defined as an officer, director, owner, partner, key employee or other person with primary management or supervisory responsibilities, or a person who has a critical influence on or substantive control over the operations of the Grantee.

C. The Grantee certifies that it has verified the state and federal suspension and debarment status for all contractors and subcontractors receiving funds under this Grant Agreement and shall be solely responsible for any recoupment, penalties, or costs that might arise from use of a suspended or debarred subcontractor. The Grantee shall immediately notify the State if any contractor or subcontractor becomes debarred or suspended, and shall, at the State's request, take all steps required by the State to terminate

its contractual relationship with the contractor or subcontractor for work to be performed under this Grant Agreement

3. Implementation of and Reporting on the Project.

A. The Grantee shall implement and complete the Project in accordance with **Exhibit A** and with the plans and specifications contained in its Grant Application, which is on file with the State and is incorporated by reference. Modification of the Project shall require prior written approval of the State.

B. The Grantee shall submit to the State written progress reports until the completion of the Project. These reports shall be submitted on a semio-annual basis and shall contain such detail of progress or performance on the Project as is requested by the State.

4. Term. This Grant Agreement shall commence on **February 15, 2019** and shall remain in effect through **August 31, 2021** (the "Expiration Date"), unless sooner terminated as described in this Grant Agreement. The Project funded by this Grant Agreement must be completed by **August 31, 2020** (the "Completion Date"). All claim vouchers for grant disbursements must be received prior to the Completion Date. The closeout process must be initiated within 30 days after the Completion Date or the last grant disbursement, whichever comes first. The Grantee may request in writing that the Completion Date be extended.

5. Grant Funding.

A. The State shall fund this Grant in the amount of **\$700,000.00**. The approved Project Budget is set forth as **Exhibit B** of this Grant Agreement, attached hereto and incorporated herein. The Grantee shall not spend more than the amount for each line item in the Project Budget without the prior written consent of the State, nor shall the Project costs funded by this Grant Agreement and those funded by any local and/or private share be changed or modified without the prior written consent of the State.

B. Administrative, architectural, preliminary engineering design and environmental review costs may be incurred (i.e. execute contracts or other binding documents) by the Grantee prior to the effective date of this Grant Agreement, as referenced in the "Notice of Grant Award". Any expenditure other than those listed above requires prior written consent of the State.

However, authorization by the State to incur costs prior to the effective date of this Grant Agreement does not constitute a representation or guarantee that such costs will be paid or reimbursed by the State. All costs incurred by the Grantee prior to the Grant Agreement's execution and receipt of a "Notice of Release of Funds and Authorization to Incur Costs" are incurred voluntarily and the Grantee, upon its own credit and expenses, assumes the sole risk that costs incurred prior to the Grant Agreement's execution will ultimately be included in the eligible costs of the Project.

Payment of grant funds for costs incurred prior to the execution of this Grant Agreement shall be governed by the provisions of this Grant Agreement, including compliance with all applicable statutes, rules, regulations, policy memoranda and other authority, and subject to the availability of CDBG Program funds.

C. **Environmental Review.** It is understood by the Grantee that an Environmental Review must be completed to the State's satisfaction before State will authorize the incurrence of any cost for any activity. Only activities that are essential to completion of the Environmental Review will be authorized by the State prior to the satisfactory completion of the Environmental Review. The Environmental Review must also be completed prior to the Grantee incurring cost from the "local match", "private match", or "other funds" line items of the budget.

D. **Program Income.** Any Program Income generated by the Grantee as a result of an activity financed in whole or in part with CDBG funds is subject to the terms and conditions set forth in 24 CFR 570.489(e). Pursuant to 24 CFR 570.489(e)(2), if the total amount of income generated is less than \$35,000 in a single year, these amounts will not be considered program income.

6. Payment of Claims.

A. All payments shall be made thirty five (35) days in arrears in conformance with State fiscal policies and procedures. As required by IC §4-13-2-14.8, all payments will be by the direct deposit by electronic funds transfer to the financial institution designated by the Grantee in writing unless a specific waiver has been obtained from the Indiana Auditor of State. No payments will be made in advance of receipt of the goods or services that are the subject of this Grant Agreement except as permitted by Ind. Code § 4-13-2-20 or by the statute authorizing this Grant.

B. Requests for payment will be processed only upon presentation of a Claim Voucher in the form designated by the State. Such Claim Vouchers must be submitted with the budget expenditure report detailing disbursements of state, local and/or private funds by project budget line items.

C. The State may require evidence furnished by the Grantee that substantial progress has been made toward completion of the Project prior to making the first payment under this Grant. All payments are subject to the State's determination that the Grantee's performance to date conforms to the Project as approved, notwithstanding any other provision of this Grant Agreement. The payment of grant funds under this Grant Agreement shall be made in accordance with the following terms and conditions:

- (1) This Grant must be fully executed.
- (2) All the evidentiary materials required by Exhibit D, attached hereto and incorporated herein, must be submitted to and approved by the State.
- (3) Any other grant conditions must be met to the State's satisfaction.

D. The State will accept a drawdown request for review and approval provided that the State has no reason, through monitoring procedures or review of attached invoices, to determine that the Grantee is not performing or completing the project in accordance with its responsibilities under this Grant Agreement. Such responsibilities will include, but are not limited to, timely submission of required reports and monitoring responses.

E. Claims must be submitted with accompanying supportive documentation as designated by the State. Claims submitted without supportive documentation will be returned to the Grantee and not processed for payment. Failure to comply with the provisions of this Grant Agreement may result in the denial of a claim for payment.

F. Failure to complete the Project and expend state, local and/or private funds in accordance with this Grant Agreement may be considered a material breach and shall entitle the State to seek any or all legal remedies against the Grantee including, but not limited to, suspension of all grant payments, and/or suspension of the Grantee's participation in State grant programs until such time as all material breaches are cured to the State's satisfaction. Said remedies may also include repayment of all state funds expended that are not in the scope of this Project or the Project Budget

7. Project Monitoring by the State. The State may conduct on-site or off-site monitoring reviews of the Project during the term of this Grant Agreement and for up to ninety (90) days after it expires or is otherwise terminated. The Grantee shall extend its full cooperation and give full access to the Project site and to relevant documentation to the State or its authorized designees for the purpose of determining, among other things:

- A. whether Project activities are consistent with those set forth in **Exhibit A**, the Grant Application, and the terms and conditions of the Grant Agreement;
- B. the actual expenditure of state, local and/or private funds expended to date on the Project is in conformity with the amounts for each Budget line item as set forth in **Exhibit B** and that unpaid costs have been properly accrued;

C. that Grantee is making timely progress with the Project, and that its project management, financial management and control systems, procurement systems and methods, and overall performance are in conformance with the requirements set forth in this Grant Agreement and are fully and accurately reflected in Project reports submitted to the State.

8. Compliance with Audit and Reporting Requirements; Maintenance of Records.

A. The Grantee shall submit to an audit of funds paid through this Grant Agreement and shall make all books, accounting records and other documents available at all reasonable times during the term of this Grant Agreement and for a period of three (3) years after final payment for inspection by the State or its authorized designee. Copies shall be furnished to the State at no cost

B. If the Grantee is a "subrecipient" of federal grant funds under 2 C.F.R. 200.330, Grantee shall arrange for a financial and compliance audit that complies with 2 C.F.R. 200.500 *et seq.* if required by applicable provisions of 2 C.F.R. 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements).

C. If the Grantee is a non-governmental unit, the Grantee shall file the Form E-1 annual financial report required by IC § 5-11-1-4. The E-1 entity annual financial report will be used to determine audit requirements applicable to non-governmental units under IC § 5-11-1-9. Audits required under this section must comply with the State Board of Accounts *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, https://www.in.gov/sboa/files/erfa_2016.pdf. Guidelines for filing the annual report are included in Exhibit C (Guidelines for Non-governmental Entities).

9. Compliance with Laws.

A. The Grantee shall comply with all applicable federal, state and local laws, rules, regulations and ordinances, and all provisions required thereby to be included herein are hereby incorporated by reference. The enactment or modification of any applicable state or federal statute or the promulgation of rules or regulations thereunder after execution of this Grant Agreement shall be reviewed by the State and the Grantee to determine whether the provisions of this Grant Agreement require formal modification.

B. The Grantee and its agents shall abide by all ethical requirements that apply to persons who have a business relationship with the State as set forth in IC § 4-2-6, *et seq.*, IC § 4-2-7, *et seq.* and the regulations promulgated thereunder. **If the Grantee has knowledge, or would have acquired knowledge with reasonable inquiry, that a state officer, employee, or special state appointee, as those terms are defined in IC 4-2-6-1, has a financial interest in the Grant, the Grantee shall ensure compliance with the disclosure requirements in IC § 4-2-6-10.5 prior to the execution of this Grant Agreement.** If the Grantee is not familiar with these ethical requirements, the Grantee should refer any questions to the Indiana State Ethics Commission, or visit the Inspector General's website at <http://www.in.gov/ig/>. If the Grantee or its agents violate any applicable ethical standards, the State may, in its sole discretion, terminate this Grant immediately upon notice to the Grantee. In addition, the Grantee may be subject to penalties under IC §§ 4-2-6, 4-2-7, 35-44.1-1-4, and under any other applicable laws.

C. The Grantee certifies by entering into this Grant Agreement that neither it nor its principal(s) is presently in arrears in payment of taxes, permit fees or other statutory, regulatory or judicially required payments to the State. The Grantee agrees that any payments currently due to the State may be withheld from payments due to the Grantee. Additionally, payments may be withheld, delayed, or denied and/or this Grant suspended until the Grantee is current in its payments and has submitted proof of such payment to the State.

D. The Grantee warrants that it has no current, pending or outstanding criminal, civil, or enforcement actions initiated by the State, and agrees that it will immediately notify the State of any such actions. During the term of such actions, the Grantee agrees that the State may suspend funding for the Project. If a valid dispute exists as to the Grantee's liability or guilt in any action initiated by the State or its agencies, and the State decides to suspend funding to the Grantee, the Grantee may submit, in writing, a

request for review to the Indiana Department of Administration (IDOA). A determination by IDOA shall be binding on the parties. Any disbursements that the State may delay, withhold, deny, or apply under this section shall not be subject to penalty or interest.

E. The Grantee warrants that the Grantee and any contractors performing work in connection with the Project shall obtain and maintain all required permits, licenses, registrations, and approvals, and shall comply with all health, safety, and environmental statutes, rules, or regulations in the performance of work activities for the State. Failure to do so may be deemed a material breach of this Grant Agreement and grounds for immediate termination and denial of grant opportunities with the State.

F. The Grantee affirms that, if it is an entity described in IC Title 23, it is properly registered and owes no outstanding reports to the Indiana Secretary of State.

G. As required by IC § 5-22-3-7:

(1)The Grantee and any principals of the Grantee certify that:

(A) the Grantee, except for de minimis and nonsystematic violations, has not violated the terms of:

(i) IC § 24-4.7 [Telephone Solicitation Of Consumers];

(ii) IC § 24-5-12 [Telephone Solicitations]; or

(iii) IC § 24-5-14 [Regulation of Automatic Dialing Machines];

in the previous three hundred sixty-five (365) days, even if IC 24-4.7 is preempted by federal law; and

(B) the Grantee will not violate the terms of IC § 24-4.7 for the duration of this Grant Agreement, even if IC §24-4.7 is preempted by federal law.

(2)The Grantee and any principals of the Grantee certify that an affiliate or principal of the Grantee and any agent acting on behalf of the Grantee or on behalf of an affiliate or principal of the Grantee, except for de minimis and nonsystematic violations,

(A) has not violated the terms of IC § 24-4.7 in the previous three hundred sixty-five (365) days, even if IC § 24-4.7 is preempted by federal law; and

(B) will not violate the terms of IC § 24-4.7 for the duration of this Grant Agreement even if IC § 24-4.7 is preempted by federal law.

10. Debarment and Suspension.

A. The Grantee certifies by entering into this Grant Agreement that it is not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from entering into this Grant by any federal agency or by any department, agency or political subdivision of the State. The term "principal" for purposes of this Grant Agreement means an officer, director, owner, partner, key employee or other person with primary management or supervisory responsibilities, or a person who has a critical influence on or substantive control over the operations of the Grantee.

B. The Grantee certifies that it has verified the suspension and debarment status for all subcontractors receiving funds under this Grant Agreement and shall be solely responsible for any recoupments or penalties that might arise from non-compliance. The Grantee shall immediately notify the State if any subcontractor becomes debarred or suspended, and shall, at the State's request, take all steps required by the State to terminate its contractual relationship with the subcontractor for work to be performed under this Grant Agreement.

11. Drug-Free Workplace Certification. As required by Executive Order No. 90-5, April 12, 1990, issued by the Governor of Indiana, the Grantee hereby covenants and agrees to make a good faith effort to provide and maintain a drug-free workplace. Grantee will give written notice to the State within ten (10) days after receiving actual notice that the Grantee, or an employee of the Grantee in the State of Indiana, has been convicted of a criminal drug violation occurring in the workplace. False certification or violation

of the certification may result in sanctions including, but not limited to, suspension of grant payments, termination of the Grant and/or debarment of grant opportunities with the State of Indiana for up to three (3) years.

In addition to the provisions of the above paragraphs, if the total amount set forth in this Grant Agreement is in excess of \$25,000.00, the Grantee certifies and agrees that it will provide a drug-free workplace by:

- A. Publishing and providing to all of its employees a statement notifying them that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the Grantee's workplace and specifying the actions that will be taken against employees for violations of such prohibition; and
- B. Establishing a drug-free awareness program to inform its employees of: (1) the dangers of drug abuse in the workplace; (2) the Grantee's policy of maintaining a drug-free workplace; (3) any available drug counseling, rehabilitation, and employee assistance programs; and (4) the penalties that may be imposed upon an employee for drug abuse violations occurring in the workplace; and
- C. Notifying all employees in the statement required by subparagraph (A) above that as a condition of continued employment the employee will: (1) abide by the terms of the statement; and (2) notify the Grantee of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction; and
- D. Notifying in writing the State within ten (10) days after receiving notice from an employee under subdivision (C)(2) above, or otherwise receiving actual notice of such conviction; and
- E. Within thirty (30) days after receiving notice under subdivision (C)(2) above of a conviction, imposing the following sanctions or remedial measures on any employee who is convicted of drug abuse violations occurring in the workplace: (1) take appropriate personnel action against the employee, up to and including termination; or (2) require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a federal, state or local health, law enforcement, or other appropriate agency; and
- F. Making a good faith effort to maintain a drug-free workplace through the implementation of subparagraphs (A) through (E) above.

12. Employment Eligibility Verification. As required by IC § 22-5-1.7, the Grantee hereby swears or affirms under the penalties of perjury that:

- A. The Grantee has enrolled and is participating in the E-Verify program;
- B. The Grantee has provided documentation to the State that it has enrolled and is participating in the E-Verify program;
- C. The Grantee does not knowingly employ an unauthorized alien.
- D. The Grantee shall require its contractors who perform work under this Grant Agreement to certify to Grantee that the contractor does not knowingly employ or contract with an unauthorized alien and that the contractor has enrolled and is participating in the E-Verify program. The Grantee shall maintain this certification throughout the duration of the term of a contract with a contractor.

The State may terminate for default if the Grantee fails to cure a breach of this provision no later than thirty (30) days after being notified by the State.

13. Funding Cancellation. As required by Financial Management Circular 2007-1 and IC § 5-22-17-5, when the Director of the State Budget Agency makes a written determination that funds are not appropriated or otherwise available to support continuation of performance of this Grant Agreement, it shall be canceled. A determination by the Director of the State Budget Agency that funds are not appropriated or otherwise available to support continuation of performance shall be final and conclusive.

14. Governing Law. This Grant Agreement shall be governed, construed, and enforced in accordance with the laws of the State of Indiana, without regard to its conflict of laws rules. Suit, if any, must be brought in the State of Indiana.

15. Information Technology Accessibility Standards. Any information technology related products or services purchased, used or maintained through this Grant must be compatible with the principles and goals contained in the Electronic and Information Technology Accessibility Standards adopted by the Architectural and Transportation Barriers Compliance Board under Section 508 of the federal Rehabilitation Act of 1973 (29 U.S.C. §794d), as amended. The federal Electronic and Information Technology Accessibility Standards can be found at: <http://www.access-board.gov/508.htm>.

16. Insurance. The Grantee shall maintain insurance with coverages and in such amount as may be required by the State or as provided in its Grant Application.

17. Nondiscrimination. Pursuant to the Indiana Civil Rights Law, specifically IC § 22-9-1-10, and in keeping with the purposes of the federal Civil Rights Act of 1964, the Age Discrimination in Employment Act, and the Americans with Disabilities Act, the Grantee covenants that it shall not discriminate against any employee or applicant for employment relating to this Grant with respect to the hire, tenure, terms, conditions or privileges of employment or any matter directly or indirectly related to employment, because of the employee or applicant's: race, color, national origin, religion, sex, age, disability, ancestry, status as a veteran, or any other characteristic protected by federal, state, or local law ("Protected Characteristics"). Furthermore, Grantee certifies compliance with applicable federal laws, regulations, and executive orders prohibiting discrimination based on the Protected Characteristics in the provision of services.

The Grantee understands that the State is a recipient of federal funds, and therefore, where applicable, Grantee and any subcontractors shall comply with requisite affirmative action requirements, including reporting, pursuant to 41 CFR Chapter 60, as amended, and Section 202 of Executive Order 11246 as amended by Executive Order 13672.

18. Notice to Parties. Whenever any notice, statement or other communication is required under this Grant, it will be sent by E-mail or first class U.S. mail service to the following addresses, unless otherwise specifically advised.

A. Notices to the State shall be sent to:

Mr. Eric Ogle
State CDBG Program Director
1 N. Capitol Avenue, Suite 600
Indianapolis, IN 46204
EOgle1@ocra.IN.gov

B. Notices to the Grantee shall be sent to:

Mr. Robert Uhrick, President
Lizton Town Council
106 Lebanon Street
Lizton, IN 46149
bobuhrick@yahoo.com

As required by IC § 4-13-2-14.8, payments to the Grantee shall be made via electronic funds transfer in accordance with instructions filed by the Grantee with the Indiana Auditor of State.

19. Order of Precedence; Incorporation by Reference. Any inconsistency or ambiguity in this Grant Agreement shall be resolved by giving precedence in the following order: (1) requirements imposed by applicable federal or state law, including those identified in paragraph 22, below, (2) this Grant Agreement, (3) Exhibits prepared by the State, (4) Invitation to Apply for Grant; (5) the Grant Application; and (6) Exhibits prepared by Grantee. (7) The CDBG Handbook. All of the foregoing are incorporated fully herein by reference.

20. Termination for Breach.

A. Failure to complete the Project and expend State, local and/or private funds in accordance with this Grant Agreement may be considered a material breach, and shall entitle the State to suspend grant payments, and to suspend the Grantee's participation in State grant programs until such time as all material breaches are cured to the State's satisfaction.

B. The expenditure of State or federal funds other than in conformance with the Project or the Budget may be deemed a breach. The Grantee explicitly covenants that it shall promptly repay to the State all funds not spent in conformance with this Grant Agreement.

21. Termination for Convenience. Unless prohibited by a statute or regulation relating to the award of the Grant, this Grant Agreement may be terminated, in whole or in part, by the State whenever, for any reason, the State determines that such termination is in the best interest of the State. Termination shall be effected by delivery to the Grantee of a Termination Notice, specifying the extent to which such termination becomes effective. The Grantee shall be compensated for completion of the Project properly done prior to the effective date of termination. The State will not be liable for work on the Project performed after the effective date of termination. In no case shall total payment made to the Grantee exceed the original grant.

22. Federal and State Third-Party Contract Provisions. If part of this Grant involves the payment of federal funds, the Grantee and, if applicable, its contractors shall comply with the federal grant / contract provisions referenced in the CDBG Handbook and incorporated fully herein. All applicable state and federal statutes, rules, regulations, OMB circulars, executive orders, circulars, Exhibits, Attachments or other documents referred to in this Grant Agreement are specifically incorporated herein by reference.

23. Provision Applicable to Grants with tax-funded State Educational Institutions: "Separateness" of the Parties. Omitted, not applicable.

24. Duties and Responsibilities of the Grantee.

A. Compliance with Approved Program and Laws. All activities performed by the Grantee pursuant to this Grant Agreement shall be done in conformance with the Act and all applicable rules, regulations, policy memoranda and other authority thereunder; and the directives of the State. The Grantee agrees that it will comply with all future requirements determined by the State to be necessary, as well as all then current applicable state and federal laws and regulations to which the State and/or the Grantee are subject.

The Grantee agrees to abide by all provisions of the CDBG Handbook, which is fully incorporated herein by reference, except in the event that applicable authority has been modified and the CDBG Handbook does not reflect those modifications. The State will attempt to inform the Grantee of applicable authority through the CDBG Handbook and through updates to that Handbook. However, the Grantee expressly agrees to be solely responsible to insure that the use of the funds received under this Grant Agreement is in compliance with all federal, state and local statutes, rules and other legal authority affecting the use of the grant funds.

The Grantee further acknowledges that where applicable, any Subrecipient is subject to and shall abide by all applicable requirements of the Act as more fully outlined in Exhibit E, attached hereto and incorporated fully herein.

In order to be reimbursed from State funds, all services obtained prior to the execution of this Grant Agreement must be competitively procured under federal procurement regulations. Grantee shall also ensure that all contractors and subcontractors for non-professional services shall complete a contract addendum as outlined in Exhibit F, which is herein incorporated and made a part of this Grant Agreement.

B. Lack of Compliance. If the Grantee fails to comply with any of the applicable laws, rules, regulations, terms and conditions of this Grant Agreement or other requirements, and such failure continues for a period of sixty (60) days following Grantee's receipt of a Notice of Default from the State, the State, in its sole discretion, may require the Grantee to repay any Grant funds already disbursed. Grantee agrees to promptly repay such funds at the request of the State.

C. Reports, Records & Evaluations. The Grantee shall submit to the State such records and reports as may be required by the State or HUD, including but not limited to the reports listed in the CDBG Handbook. Grantee's signature to this Grant Agreement signifies its confirmation of receipt of the CDBG Handbook.

The State may carry out monitoring and evaluation activities as deemed appropriate by the State. The Grantee will ensure the cooperation of the Grantee's employees, subrecipients, or subcontractors in such monitoring and evaluation efforts. The Grantee will take all actions necessary to correct or cure any problems or deficiencies identified by the State during its monitoring and evaluations.

The State has provided all applicable information for State or Federal examiners of this Grant Agreement as shown in Exhibit C, which is incorporated herein. The Grantee will ensure this information is included in all agreements and records for subrecipients of this Grant.

Special Reporting Requirements. The Grantee shall continue to provide semi-annual or other reports, as may be required by the State, until the Project and all its objectives are complete. In the event that such reports are not submitted within the time frame allotted by the State, the State shall withhold authorization for drawdown on grant funds until such time as the deficiency is corrected.

25. Indemnification. Grantee agrees to indemnify, defend and hold harmless the State, its agents, officials and employees from all claims and suits including court costs, attorney's fees and other expenses caused by any act or omission of the Grantee and/or its subcontractors, if any, in the performance of this Grant Agreement. The State shall not provide such indemnification to the Grantee.

26. Survival. The covenants, agreements and representations of Grantee in this Grant Agreement shall survive the Expiration Date or earlier termination of this Grant Agreement.

27. State Boilerplate Affirmation Clause. I swear or affirm under the penalties of perjury that I have not altered, modified, changed or deleted the State's standard contract clauses (as contained in the 2018 OAG/ IDOA Professional Services Contract Manual or the 2018 SCM Template) in any way except as follows:

Paragraph 1. Program Specific Language

Paragraph 2. Program Specific Language. Added Paragraph 2C

Paragraph 4. Program Specific Language.

Paragraph 5. Replaced Paragraph 5B with program specific language. Added Paragraph 5C & 5D.

Paragraph 6. Changed Paragraph 6A to program specific language. Added additional language to Paragraph C. Replaced Paragraph 6D with program specific language. Added Paragraph 6F.

Paragraph 19. Added program specific language.

Paragraph 22. Added program specific language.

Paragraph 23. Removed – Not Applicable

Paragraph 24, 25, 26. Added Duties/Responsibilities, Indemnification & Survival

Non-Collusion, Acceptance

The undersigned attests, subject to the penalties for perjury, that the undersigned is the Grantee, or that the undersigned is the properly authorized representative, agent, member or officer of the Grantee. Further, to the undersigned's knowledge, neither the undersigned nor any other member, employee, representative, agent or officer of the Grantee, directly or indirectly, has entered into or been offered any sum of money or other consideration for the execution of this Grant Agreement other than that which appears upon the face hereof. **Furthermore, if the undersigned has knowledge that a state officer, employee, or special state appointee, as those terms are defined in IC § 4-2-6-1, has a financial interest in the Grant, the Grantee attests to compliance with the disclosure requirements in IC § 4-2-6-10.5.**

Agreement to Use Electronic Signatures

I agree, and it is my intent, to sign this Contract by accessing State of Indiana Supplier Portal using the secure password assigned to me and by electronically submitting this Contract to the State of Indiana. I understand that my signing and submitting this Contract in this fashion is the legal equivalent of having placed my handwritten signature on the submitted Contract and this affirmation. I understand and agree that by electronically signing and submitting this Contract in this fashion I am affirming to the truth of the information contained therein. I understand that this Contract will not become binding on the State until it has been approved by the Department of Administration, the State Budget Agency, and the Office of the Attorney General, which approvals will be posted on the Active Contracts Database:
https://hr.gmis.in.gov/psp/pa91prd/EMPLOYEE/EMPL/h/?tab=PAPP_GUEST

In Witness Whereof, the Grantee and the State have, through their duly authorized representatives, entered into this Grant Agreement. The parties, having read and understood the foregoing terms of this Grant Agreement, do by their respective signatures dated below agree to the terms thereof.

TOWN OF LIZTON

Indiana Office of Community and Rural Affairs

By: *Tonya Perry*

By: Jodi Golden

Title: Clerk-Treasurer

Title: Director

Date: 20 February 2019

Date: 2/25/19

<p>Electronically Approved by: Department of Administration</p> <p>By: _____ (for) Lesley A. Crane, Commissioner <i>Refer to Electronic Approval History found after the final page of the Executed Contract for details.</i></p>	
<p>Electronically Approved by: State Budget Agency</p> <p>By: _____ (for) Jason D.Dudich, Director <i>Refer to Electronic Approval History found after the final page of the Executed Contract for details.</i></p>	<p>Electronically Approved as to Form and Legality: Office of the Attorney General</p> <p>By: _____ (for) Curtis T. Hill, Jr., Attorney General <i>Refer to Electronic Approval History found after the final page of the Executed Contract for details.</i></p>

EXHIBIT A

PROJECT DESCRIPTION

1. IDENTIFY THE NATIONAL OBJECTIVE TO BE ADDRESSED AS A RESULT OF THIS PROJECT:

BENEFIT TO LOW-MOD INCOME PERSONS: Area Benefit

2. IDENTIFY THE NUMBER OF INDIVIDUALS BENEFITING AS A RESULT OF THIS PROJECT

TOTAL BENEFICIARIES: 506

TOTAL LOW/MOD BENEFICIARIES: 274

3. DESCRIBE THE PROPOSED ACTIVITY DESIGNED TO ADDRESS THE COMMUNITY’S NEEDS AS SPECIFIED IN THE APPLICATION. QUANTIFY IF POSSIBLE.

The Town of Lizton will complete a Water System Improvements project. The town currently does not have a waterworks systems and will construct a new water distribution system to provide clean, safe, potable drinking water as well as establishing a utility. Water will be purchased from a nearby Citizens Water tower. INDOT will be participating in this project to resolve issues with a rest area near the town along I-74.CDBG funds will not be used for INDOT facilities. Project activities consist of installing thousands of feet of water line, valves, hydrants, meters, and 214 service connections.

EXHIBIT B

PROJECT BUDGET AND COST SHARING SCHEDULE

Grantee Name: Town of Lizton

Grant Number: WW-18-106

ITEM #	ACTIVITY DESCRIPTION	CDBG FUNDS	%	LOCAL FUNDS	%	OTHER FUNDS	%	TOTAL FUNDS	%
03J	Construction	\$661,000.00	22%	\$1,574,770.00	53%	\$740,300.00	25%	\$2,976,070.00	79%
03J	Professional Fees	\$ 0.00	0%	\$565,500.00	75%	\$188,500.00	25%	\$754,000.00	20%
03J	Labor Standards	\$5,000.00	100%	\$ 0.00	100%	\$ 0.00	0%	\$5,000.00	0%
21E	Environmental Review	\$4,000.00	100%	\$ 0.00	0%	\$ 0.00	0%	\$4,000.00	0%
21A	Administration	\$30,000.00	100%	\$ 0.00	0%	\$ 0.00	0%	\$30,000.00	1%
	TOTAL	\$700,000.00	19%	\$2,140,270.00	57%	\$928,800.00	25%	\$3,769,070.00	100%

Cost Sharing Schedule: Grantee shall expend federal CDBG funds on a pro-rata basis for Project costs incurred as determined by the percentage distribution shown in each line item of the budget found in this Grant Agreement. The State will disburse grant funds under the percentage distribution, or maximum line item amount specified, whichever may be less. Any unexpended grant funds will be de-obligated at the Expiration Date of this Grant Agreement.

Exhibit C

Annual Financial Report for Non-governmental Entities

Guidelines for filing the annual financial report:

- 1) Filing an annual financial report called an Entity Annual Report (E-1) is required by IC 5-11-1-4. This is done through Gateway which is an on-line electronic submission process.
 - a. There is no filing fee to do this.
 - b. This is in addition to the similarly titled Business Entity Report required by the Indiana Secretary of State.
 - c. The E-1 electronic submission site is found at <https://gateway.ifionline.org/login.aspx>
 - d. The Gateway User Guide is found at <https://gateway.ifionline.org/userguides/E1guide>
 - e. The State Board of Accounts may request documentation to support the information presented on the E-1.
 - f. Login credentials for filing the E-1 and additional information can be obtained using the notforprofit@sboa.in.gov email address.

- 2) A tutorial on completing Form E-1 online is available at https://www.youtube.com/watch?time_continue=87&v=nPpqtPcdUcs

- 3) Based on the level of government financial assistance received, an audit may be required by IC 5-11-1-9.

EXHIBIT D

OTHER GRANT CONDITIONS, EVIDENTIARY MATERIALS AND REQUIREMENTS FOR RELEASE OF CDBG GRANT FUNDS

A. TITLE TO ASSETS ACQUIRED OR IMPROVED WITH CDBG GRANT FUNDS:

The Grantee shall retain title to the CDBG assets acquired, improved or otherwise assisted by CDBG grant funds **unless** the Grantee, with prior written approval of the State, assigns an interest in the CDBG-assisted assets to a subrecipient by means of a lease agreement or subrecipient agreement approved in writing by the State. If Grantee applied for CDBG funds on behalf of a subrecipient, the application will serve as notice to the State that Grantee does not have title to the assets for the Project. The Grantee shall ensure that the Grantee retains either direct or reversionary control of the CDBG-assisted facilities or assets until the State issues a Certificate of Completion for the Project.

B. USE OF ASSETS ACQUIRED OR IMPROVED WITH CDBG FUNDS:

Pursuant to 24 CFR 570.489, the Grantee shall ensure that CDBG-assisted assets or facilities are used in a manner that complies with the Grantee's approved Project for a five-year period, or until Grantee is issued a Certificate of Completion by the State. Grantee shall ensure that any subrecipient complies with the use requirements of the CDBG program. In the event the Grantee or its lessee or subrecipient fails to comply with the prescribed use requirements, the State shall request reimbursement of the current fair market value of the property less any portion of value attributable to non-CDBG funds pursuant to 24 CFR 570.503(b)(7)(i) and 24 CFR 570.489.

C. INSURANCE COVERAGE FOR CDBG-ASSISTED FACILITIES AND ASSETS:

1. For all projects for which the State provides CDBG funds for the acquisition, construction or rehabilitation of improvements to real property and fire safety vehicles, the Grantee shall maintain property damage, comprehensive, and liability insurance in an amount equal to the replacement cost of such property improvements or vehicle(s). Such insurance coverage shall be carried by the Grantee, at the Grantee or subrecipient's (if applicable) expense during the term of this Grant Agreement and until the State issues a Certificate of Completion for the Project.
2. The Grantee shall be named as the loss payee of all such policies of insurance coverage. The Grantee shall maintain proof of such insurance coverage in its files for purpose of audit by the State or its representatives for the five year period following the date of issuance of a Certificate of Completion to the Grantee by the State respective to this Project. The Grantee shall ensure that the minimum level of such coverage is equivalent to the State's financial interest in the CDBG-assisted property

D. ASSIGNMENT OR LIENS AGAINST CDBG-ASSISTED FACILITIES AND ASSETS:

The Grantee, its lessees and its subrecipient(s) shall not assign, pledge, or otherwise encumber the Grantee's interest in the CDBG-assisted facilities or assets without the prior written consent of the State. Grantee's lessees or subrecipient(s) shall not pledge or mortgage the CDBG-assisted facilities or assets as collateral for loans without the prior written consent of the both the Grantee and the State. Grantee's lessees or subrecipient(s) shall cure and otherwise perfect all liens placed against the CDBG-assisted facilities or assets.

E. DEADLINE AND REQUIREMENTS FOR RELEASE OF CDBG GRANT FUNDS:

All materials listed below must meet with the approval of the State and must be submitted to the State in time to allow a "**Notice of Release of Funds and Authorization to Incur Costs**" to be issued by the State to the Grantee not later than **October 31, 2019**. Failure to complete and submit these documents in a timely manner or by the deadline set forth herein shall result in the issuance of a Termination Notice pursuant to paragraph 19 of this Grant Agreement.

Activities/documentation required to secure a "**Notice of Release of Funds and Authorization to Incur Costs**" are as follows:

1. **Project Financing:** Grantee must submit to the State information sufficient to document that Grantee has secured all necessary funding to fully implement the Project
2. **Procurement of Grant-Related Services:** Grantee shall procure all necessary architectural, engineering, environmental, legal, administrative and other required professional or consultative services using procurement methods prescribed by applicable federal and state procurement statutes and regulations
3. **Environmental Review:** Pursuant to 24 CFR 58 the Grantee shall complete the necessary assessment of environmental impact of the Project and shall complete an Environmental Review Record for the Project. Upon satisfactory completion of the State's environmental review process pursuant to 24 CFR Part 58, State shall issue to Grantee a "**Notice of Removal of Environmental Conditions**". The Grantee must complete the CDBG Environmental Review process in sufficient time to allow the State to issue a "**Notice of Removal of Environmental Conditions**" not later than **April 30, 2019**.

4. **Architectural/Engineering Documents** (as applicable): The Grantee shall ensure that all project-related preliminary and final architectural and engineering services are completed. Such services shall include the completion of architectural and engineering plans and construction specifications necessary to accomplish public bidding requirements of Indiana Code Titles 5 and 36.
5. **Permits:** The Grantee must secure all necessary permits from federal, state and local authorities.
6. **Site Control Evidentiary Documents:** Interests in real property are to be acquired in accordance with the federal Uniform Relocation and Acquisitions Policies Act of 1970, as amended (42 U.S.C. 4601-4655, the "URA") and 24 CFR 570.606:
 - a. "Acquisition Questionnaire" (if applicable) in the form prescribed by the State respective to each parcel of, or interest in, real property;
 - b. Certification by Grantee's legal counsel that applicable title searches and title opinions have been completed and all applicable parcels or interests in real property are unencumbered to the extent that the same may be dedicated to the Grantee's Project by the owner(s) of record
 - c. Documentation that the owner(s) of record of each parcel, easement or other interest has been furnished with the required HUD-1041-CPD brochure entitled "When A Public Agency Acquires Your Property" prior to the beginning of acquisition negotiations;
 - d. Documentation that the owner(s) of record of each parcel, easement or other interest has been afforded, in writing, the opportunity to accompany the appraiser during the appraisal process for their property;
 - e. Documentation as to written professional market estimates of the value of real property interests where the value of such interest is less than \$10,000;
 - f. Documentation of all fee and review appraisals conducted respective to each parcel interest in real property;
 - g. Where applicable, copies of all written waiver of rights under the URA;
 - h. Copies of all options, easement and purchase agreements completed and fully-executed by owner(s) of record; and,
 - i. Documentation of recording of all of Grantee's interests in real property under the Project in the Office of the Recorder of the applicable county
7. **Insurance Documents:** Grantee must provide proof of property damage and comprehensive liability insurance coverage as set forth in Paragraph 3 of this exhibit.
8. **Public Bidding Evidentiary Documents:** Grantee must submit to the State for examination the following bid-related documents no later than **August 31, 2019:**
 - a. Bid specifications and related documents certified by an Architect or Professional Engineer licensed in Indiana which reflect inclusion of the required federal contracting language, and applicable federal wage decision issued by the US Department of Labor to State and Grantee for Grantee's CDBG Program;

- b. Publishers' Affidavit(s) for all public bid advertisements conducted in accordance with IC 5-3-1;
 - c. Bid tabulation certified by the Grantee's Architect or Professional Engineer; and,
 - d. Documentation as to proposed construction schedule, as applicable.
9. **Other Evidentiary Documents:** Grantee must submit to the State the following documents prior to issuance a **"Notice of Release of Funds and Authorization to Incur Costs"**:
- a. Copy of Grantee's Fair Housing Ordinance or Resolution by the Grantee's governing body, outlining measures to ensure compliance with federal and state fair housing statutes;
 - b. (2) Written notification of Grantee's designated Labor Standards Officer under this Grant Agreement who will administer compliance with federal labor standards statutes and regulations;
 - c. (3) Written notification of Grantee's designated Civil Rights Officer under this Grant Agreement who will administer compliance with federal and state civil rights statutes and regulations;
 - d. (4) If applicable, the Grantee must submit a copy of all leases, cooperative or subrecipient agreements with participating nonprofit agencies or other units of local government, respective to this Grant Agreement (Refer to **Exhibit E**).
 - e. (5) Written plan by Grantee as to its procedures for monitoring the activities and performance of subrecipients or lessees, where applicable.

EXHIBIT E

SUBRECIPIENT REQUIREMENTS AND REPORTING

A. REQUIREMENTS FOR LEASE OR SUBRECIPIENT AGREEMENTS

1. Where Grantee has applied for CDBG funds on behalf of another entity, the Grantee and Grantee's lessee(s) and/or subrecipient(s) shall execute a written Lease Agreement or Subrecipient Agreement in a form approved, in writing, by the State. Such lease or subrecipient agreement shall include all applicable requirements of the Act and applicable CDBG-related regulations promulgated by HUD, and shall include the following regulatory provisions:

24 CFR 570.208: Criteria for CDBG National Objectives

24 CFR 570.489: CDBG Program Administrative Requirements

24 CFR 570.502: Applicability of Uniform Administrative Requirements

24 CFR 570.503: Agreements with Subrecipients

24 CFR 570.504: CDBG Program Income Requirements

24 CFR 570.489: Use of CDBG-Assisted Real Property

24 CFR 570.506: Records to be Maintained

2. The Grantee shall require each lessee or subrecipient to maintain records in accordance with requirements prescribed by the State or the Grantee. Such records shall be maintained until the State notifies Grantee in writing that HUD has closed out the grant to the State.

3. The Grantee shall require all lessees and subrecipients to comply with the record keeping, reporting and auditing requirements prescribed by 2 C.F.R. 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements) for all CDBG-activities.

4. All Grantees with Subrecipients having an interest in CDBG-assisted property must record a signed Office of Community and Rural Affairs Subrecipient Agreement with the County Recorder for the county in which the project is located.

B. REPORTING

The Grantee shall require the lessee or subrecipient to submit the following reports to Grantee:

1. Semi-Annual progress reports for the period January 1 - June 30 is due no later than July 31. For the period of July 1 - December 31, the report is due no later than January 31. Such reports outlining activities undertaken during the quarter toward completion of the Project and the progress in meeting the prescribed CDBG national objective of the Project;
2. Semi-Annual financial statements due by the 15th day following the end of each calendar quarter, such reports detailing all revenues and expenses applicable to the Project during the quarter;
3. A report at the conclusion of the Project which summarizes the successes or failures of the assisted activity, and the level of attainment respective to the CDBG national objective of the Project.

These reports shall be submitted by the lessee or subrecipient until the Grantee is issued a Certificate of Completion for the Project by the State.

All Grantees and subrecipients must jointly submit to the State semiannual subrecipient reports, using the form prescribed by the State. All such subrecipient reports must be submitted by July 31 and January 31 of each year, for the preceding six-month period, until the issuance of a "Certificate of Project Completion" by the State to the Grantee.

EXHIBIT F

ECONOMIC OPPORTUNITIES FOR LOW AND VERY LOW INCOME PERSONS UNDER THE HOUSING AND URBAN DEVELOPMENT ACT

Grantee understands and agrees to comply with Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u) and 24 CFR 135.38 ("Section 3") for the Project carried out under this Grant Agreement. Section 3 establishes requirements for creating economic opportunities for low and very low income persons in connection with certain HUD funded projects.

All contractors and subcontractors for non-professional services working on this Project must also comply with Section 3. Grantee agrees to ensure that all contractors and subcontractors for non-professional services shall have the following addendum inserted in to their contract with Grantee:

"Addendum to Contract dated _____, 20_____, between _____ (Grantee), and _____ (Contractor),

(Collectively, "The Parties").

1. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing. Upon request by contractor, the Grantee shall furnish to

contractor a verbatim copy of 24 Code of the Federal Register (CFR), Subchapter B – Employment and Business Opportunity, Subparts A through E contractor's use in compliance by contractor and his/her subcontractors with applicable requirements of 24 CFR part 135.

2. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Section 3 regulations.

3. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

4. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

5. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

6. Noncompliance with HUD's regulations in 24 CFR part 135 may result in remedies, termination of this contract for default, and debarment or suspension from future HUD assisted contracts. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b)."

Electronic Approval History

	User ID	Approver Name	Datetime	Description
1	M249902	Moss,Mitzi L	02/26/2019 8:42:31AM	Agency Fiscal Approval
2	T278748	Glickman,Tammera	02/27/2019 9:01:49AM	IDOA Legal Approval
3	A283589	Cummings,Andrew Michael	02/28/2019 4:34:44PM	SBA Approval
4	M338811	Skarbeck,Molly H	03/01/2019 10:28:29AM	Attorney General Approval
5	S306218	Mullaney,Stephanie Jude	03/05/2019 11:12:48AM	Attorney General Approval

Box, Lauren

From: Harkins Jr., William D. <wharkins@ifa.IN.gov>
Sent: Tuesday, July 30, 2019 9:30 AM
To: Buzz Krohn
Cc: Jarrod Hall; Isavka@triadassoc.net
Subject: SRF Additional Subsidization Award (Lizton)

Buzz,

We have completed our final review of all requests for additional subsidization for State Fiscal Year 2020. As a reminder, each year, the SRF aims to make available as much additional subsidization as is possible to encourage communities to construct needed water and sewer infrastructure projects for Hoosiers. This year alone, we received over \$84 Million in requests for additional subsidization from 34 communities.

We are pleased to announce the SRF Loan Program will provide a record amount of over \$27 Million in additional subsidization to 18 borrowers this year, including your client, the **Town of Lizton** for which the SRF will provide **\$1,400,000** in additional subsidization.

We look forward to completing the planned financing for **Lizton** prior to December 16, 2019.

Thank you,

Bill



Bill Harkins
SRF Director
INDIANA FINANCE AUTHORITY
100 North Senate Ave., STE 1275
Indianapolis, IN 46204
(p): 317-234-4862
(e): wharkins@ifa.in.gov

TOWN OF LIZTON, INDIANA

INFORMATION CONCERNING PROPOSED MUNICIPAL WATER UTILITY

REVISED - JULY 31, 2019



PRELIMINARY - FOR DELIBERATIVE PURPOSES

Otto W. Krohn, CPA, CGMA, MA
James W. Treat, CPA, CGMA, MA
Jarrod S. Hall, CPA, CGMA, MA

231 E. Main Street, Westfield, Indiana 46074
(317) 867-5888
www.owkcpa.com

American Institute of CPA's
Indiana CPA Society
SEC Registered MA

ACCOUNTANTS' SPECIAL PURPOSE COMPILATION REPORT

July 31, 2019

Town Council
Town of Lizton
106 Lebanon Street
Lizton, IN 46149

Re: Proposed Water Utility Financial Capability Analysis
IDEM Financial

In connection with the establishment of the proposed Lizton Municipal Water Utility, we have, at your request, compiled this special purpose report. The report includes projected balance sheets as of December 31st, 2020 to 2039, along with the related projected income statements and projected statements of cash flows for the years then ending. The key assumptions underlying the projections are also included in the accompanying comments, and also on Schedule 1. The projected financial statements are presented on Schedule 2.

This report has been compiled by us in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants for the limited purpose of demonstrating the Town's financial and managerial capacity to own and operate a proposed municipal water utility, as required by the Indiana Dept. of Environmental Management. We have not audited or reviewed the projected financial information and, accordingly, do not express an opinion or provide any assurances thereon. There are usually differences between projected financial statements and actual results; and, the variations may be material.

Management is responsible for the assumptions underlying the projection which includes information provided by the Town's consulting engineers and other sources.

Our responsibility is to compile the projection in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information, including projected financial information, in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the projected financial information.

This report is intended solely for the information and internal use by management of the proposed Lizton Municipal Water Utility and to comply with specific regulatory requirements of the Indiana Department of Environmental Management and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which is a matter of public record.

O.W. Krohn & Associates, LLP

TOWN OF LIZTON, INDIANA
PROPOSED MUNICIPAL WATER UTILITY

SUMMARY OF SIGNIFICANT ASSUMPTIONS – 20 YEAR PROJECTION

Project Costs & Funding:

The Town has negotiated an arrangement with the Indiana Department of Transportation (INDOT) and Citizens Energy Group's Water Division to establish a municipally owned water utility that would serve the residents of the Town and INDOT's Rest Area on I-74, located just northwest of Lizton. INDOT has agreed to put up \$2M of the proposed \$4.1M estimated project costs; and, the Town has applied for a \$700,000 Community Focus Fund Grant. The Town has also applied for funding through the Indiana Finance Authority's State Revolving Fund (SRF) Loan Program and hopes to be able to take advantage of SRF's subsidized funding programs. In order to maintain a rate of approximately \$56 per month for a typical residential user, the Town anticipates approximately \$1,400,000 of funding in the form of a "Forgivable Bond Anticipation Note" (BAN).

Customer Base:

While the Town has approximately 270 potential users (Equivalent Dwelling Units or EDUs), in addition to INDOT, the projection assumes an initial customer base of 175 EDUs with modest growth assumptions over the 20 year projection as noted in Schedule 1.

Cost of Purchased Water for Resale:

The projection assumes that the Town would pay CEG its normal retail volume charges which begin at \$4.93 per 1,000 gallons that gradually decrease to less than \$3.00 per 1,000 gallons after passing a 750,000 gallon per month usage threshold. It is understood that changes in the cost of purchasing water for resale may be passed onto the Town's retail users under an established Water Cost Adjustment Tracking procedure.

Other O&M Costs:

Pursuant to discussions with the Town and the Town's consulting engineers, we have prepared an annual budget for other operating expenses anticipated for the Utility. Such other expenses include a part-time utility manager and a cost sharing arrangement for administration and billing costs with the Town's existing Wastewater and Storm Water Utilities.

Commitment / Connection Fees:

In order to establish up-front commitments from potential users, the Town is collecting a \$250 per EDU commitment fee that will provide the utility with some initial working capital. Subsequent connectors will be subject to a proposed \$1,100 per EDU Connection Fee, as well as potential future System Development Charges (SDCs) and/or main extension contributions that are not presented in this illustration.


Financial Capability:

Based upon the assumptions noted above and identified in the 20 year projection, the Town has demonstrated its financial capacity and capability of sustainability of the proposed new municipal water utility. Said assumptions drive the 20 year projected balance sheets, income statements and statement of cash flows. The initial commitment fees will provide some working capital for the proposed new utility. The availability of a potable water system, along with the Town's existing Wastewater and Storm Water Utilities, is expected to drive future development for the Town and its surrounding areas.

Rates & Charges:

The Town's proposed initial Tariff Sheet is presented as supplementary information.

LIZTON (INDIANA) PROPOSED MUNICIPAL WATER UTILITY
KEY ASSUMPTIONS AND 20 YR PROJECTED FINANCIAL STATEMENTS

TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY											TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY SCHEDULE 1										
20 YEAR PROJECTED CUSTOMER BASE, OPERATING BUDGET & REVENUE REQUIREMENTS PER TOWN OFFICIALS											20 YEAR PROJECTED CUSTOMER BASE, OPERATING BUDGET & REVENUE REQUIREMENTS PER TOWN OFFICIALS										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
INITIAL CUSTOMER BASE (EDUs)	0	179	181	184	188	193	199	206	214	223	233	243	253	263	273	283	293	303	313	323	333
ASSUMED GROWTH (EDUs)	179	2	3	4	5	6	7	8	9	10	10	10	10	10	10	10	10	10	10	10	10
TOTAL CUSTOMER BASE (EDUs)	179	181	184	188	193	199	206	214	223	233	243	253	263	273	283	293	303	313	323	333	333
ASSUMED MONTHLY USAGE (GALLONS) / EDU	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250	5,250
LINE LOSS - ESTIMATED / EDU	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
TOTAL WATER PURCHASES / EDU	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750
TOTAL WATER PURCHASES / MO.	1,029,250	1,040,750	1,058,000	1,081,000	1,109,750	1,144,250	1,184,500	1,230,500	1,282,250	1,339,750	1,397,250	1,454,750	1,512,250	1,569,750	1,627,250	1,684,750	1,742,250	1,799,750	1,857,250	1,914,750	1,972,250
TOTAL WATER PURCHASES / YR.	12,351,000	12,489,000	12,696,000	12,972,000	13,317,000	13,731,000	14,214,000	14,766,000	15,387,000	16,077,000	16,767,000	17,457,000	18,147,000	18,837,000	19,527,000	20,217,000	20,907,000	21,597,000	22,287,000	22,977,000	23,667,000
ANNUAL CASH OPERATING EXPENSES:																					
ANNUAL COST OF PURCHASED WATER	\$ 52,955	\$ 53,360	\$ 53,967	\$ 54,777	\$ 55,790	\$ 57,005	\$ 58,422	\$ 60,042	\$ 61,864	\$ 63,889	\$ 65,913	\$ 67,938	\$ 69,963	\$ 71,988	\$ 74,012	\$ 76,037	\$ 78,062	\$ 80,087	\$ 82,111	\$ 84,136	\$ 86,160
DISTRIBUTION EXPENSES	28,000	28,000	28,500	28,500	29,000	29,500	30,000	30,500	31,000	31,500	32,000	32,500	33,000	33,500	34,000	34,500	35,000	35,500	36,000	36,500	37,000
CUSTOMER ACCOUNTS (Split w/ WWTP)	15,000	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,000	19,500	20,000	20,500	21,000	21,500	22,000	22,500	23,000	23,500	24,000	24,500	25,000
ADMINISTRATIVE & GENERAL	15,000	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,000	19,500	20,000	20,500	21,000	21,500	22,000	22,500	23,000	23,500	24,000	24,500	25,000
TOTAL ANNUAL CASH OPERATING EXPENSES	110,955	112,360	114,467	116,277	118,790	121,505	124,922	128,542	132,364	136,389	140,413	144,438	148,463	152,488	156,512	160,537	164,562	168,587	172,611	176,636	180,660
DEBT SERVICE REQUIREMENTS:																					
BOND PRINCIPAL & INTEREST	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEBT RESERVE - ASSUMES PREFUNDED WITH COMMITMENT FEES	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500
REPLACEMENTS & COVERAGE ALLOWANCE	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500
TOTAL REVENUE REQUIREMENTS	\$ 120,455	\$ 121,860	\$ 123,967	\$ 125,777	\$ 128,290	\$ 131,005	\$ 134,422	\$ 138,042	\$ 141,864	\$ 145,889	\$ 149,913	\$ 153,938	\$ 157,963	\$ 161,988	\$ 166,012	\$ 170,037	\$ 174,062	\$ 178,087	\$ 182,111	\$ 186,136	\$ 190,160
AVERAGE MONTHLY COST / EDU	\$ 56.08	\$ 56.11	\$ 56.14	\$ 55.75	\$ 55.39	\$ 54.86	\$ 54.38	\$ 53.75	\$ 53.01	\$ 52.18	\$ 51.35	\$ 50.52	\$ 49.69	\$ 48.86	\$ 48.03	\$ 47.20	\$ 46.37	\$ 45.54	\$ 44.71	\$ 43.88	\$ 43.05
CUMULATIVE FUNDS FOR REPLACEMENTS, CAPITAL IMPROVEMENTS & RESERVES																					
CASH FLOW FROM RATES	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500	\$ 9,500
SUBSEQUENT CONNECTOR FEES	\$750																				
SUBSEQUENT CONNECTOR PMTS TO INDOT																					
CASH FLOW FROM COMMIT. / CONN. FEES	\$1,100	44,750	2,200	3,300	4,400	5,500	6,600	7,700	8,800	9,900	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
TOTAL ANNUAL CASH FLOW	\$ 54,250	\$ 11,700	\$ 12,800	\$ 13,900	\$ 15,000	\$ 16,100	\$ 17,200	\$ 18,300	\$ 19,400	\$ 20,500	\$ 21,600	\$ 22,700	\$ 23,800	\$ 24,900	\$ 26,000	\$ 27,100	\$ 28,200	\$ 29,300	\$ 30,400	\$ 31,500	\$ 32,600
CUMULATIVE CASH FLOW	\$ 54,250	\$ 65,950	\$ 78,750	\$ 92,650	\$ 107,650	\$ 123,750	\$ 140,950	\$ 159,250	\$ 178,650	\$ 199,150	\$ 220,650	\$ 243,150	\$ 266,650	\$ 291,150	\$ 316,650	\$ 343,150	\$ 370,650	\$ 399,150	\$ 428,650	\$ 459,150	\$ 490,650
<p>Assumes \$4.1M Project Costs - Project Costs are anticipated to be funded with \$2M from INDOT, \$.7M CFF Grant and \$1.4M SRF Forgivable BAN. SRF = State Revolving Fund Program CFF = Community Focus Fund INDOT = Indiana Department of Transportation (INDOT desires water service for Rest Area on I-74) Note: The Town anticipates assessing a Subsequent Connector Fee to reimburse INDOT a portion of their initial contribution over 15 yrs.</p> <p>Assumes that Billing & Administrative Costs to be Shared between Existing Wastewater & Stormwater Utilities.</p> <p>Assumes Lizton purchases 100% of its Water Supply from Citizen's Energy Group (CEG) at CEG's Present Rate Schedule. Assumes that any change in the cost of purchasing water from CEG would be recouped through a Wholesale Water Cost Tracking Factor</p> <p>Assumes Prefunded Debt Service Reserve from Prepaid Commitment Fees</p> <p>Annual Purchased Water Cost 179 EDUs 200 EDUs 270 EDUs WATER COST \$52,955 \$62,269 \$67,938 Assumes current CEG Water Rates for estimated number of customers / EDUs.</p>																					
																					

LIZTON (INDIANA) PROPOSED MUNICIPAL WATER UTILITY
KEY ASSUMPTIONS AND 20 YR PROJECTED FINANCIAL STATEMENTS

TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY											TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY									
20 YEAR PROJECTED BALANCE SHEET											20 YEAR PROJECTED BALANCE SHEET									
BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS											BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS									
ASSETS:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
CASH OPERATING FUNDS	\$ 40,000	\$ 41,000	\$ 42,500	\$ 44,500	\$ 47,000	\$ 49,500	\$ 52,000	\$ 54,500	\$ 57,000	\$ 59,500	\$ 62,000	\$ 64,500	\$ 67,000	\$ 69,500	\$ 72,000	\$ 74,500	\$ 77,000	\$ 79,500	\$ 82,000	\$ 84,500
BOND & INTEREST FUNDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE RESERVE FUNDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEPRECIATION / REPLACEMENT FUNDS	36,379	67,196	97,796	129,272	161,718	195,229	230,399	267,821	308,090	351,799	397,850	448,442	502,474	559,947	616,361	671,716	726,012	779,249	831,426	882,545
TOTAL CASH & INVESTMENTS	76,379	108,196	140,296	173,772	208,718	244,729	282,399	322,321	365,090	411,299	459,850	512,942	569,474	629,447	688,361	746,216	803,012	858,749	913,426	967,045
UTILITY PLANT IN SERVICE	\$4,100,000	\$4,102,200	\$4,105,500	\$4,109,900	\$4,115,400	\$4,122,000	\$4,129,700	\$4,138,500	\$4,148,400	\$4,159,400	\$4,170,400	\$4,181,400	\$4,192,400	\$4,203,400	\$4,214,400	\$4,225,400	\$4,236,400	\$4,247,400	\$4,258,400	\$4,269,400
ACCUMULATED DEPRECIATION	(102,500)	(205,000)	(307,500)	(410,000)	(512,500)	(615,000)	(717,500)	(820,000)	(922,500)	(1,025,000)	(1,127,500)	(1,230,000)	(1,332,500)	(1,435,000)	(1,537,500)	(1,640,000)	(1,742,500)	(1,845,000)	(1,947,500)	(2,050,000)
NET UTILITY PLANT IN SERVICE	3,997,500	3,897,200	3,798,000	3,699,900	3,602,900	3,507,000	3,412,200	3,318,500	3,225,900	3,134,400	3,042,900	2,951,400	2,859,900	2,768,400	2,676,900	2,585,400	2,493,900	2,402,400	2,310,900	2,219,400
TOTAL ASSETS	\$4,073,879	\$4,005,396	\$3,938,296	\$3,873,672	\$3,811,618	\$3,751,729	\$3,694,599	\$3,640,821	\$3,590,990	\$3,545,699	\$3,502,750	\$3,464,342	\$3,429,374	\$3,397,847	\$3,365,261	\$3,331,616	\$3,296,912	\$3,261,149	\$3,224,326	\$3,186,445
LIABILITIES & NET POSITION:																				
SHORT & LONG-TERM DEBT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET POSITION	\$4,073,879	\$4,005,396	\$3,938,296	\$3,873,672	\$3,811,618	\$3,751,729	\$3,694,599	\$3,640,821	\$3,590,990	\$3,545,699	\$3,502,750	\$3,464,342	\$3,429,374	\$3,397,847	\$3,365,261	\$3,331,616	\$3,296,912	\$3,261,149	\$3,224,326	\$3,186,445
ANTICIPATED INITIAL CIAC AMOUNT	\$ 4,100,000																			

TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY											TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY									
20 YEAR PROJECTED INCOME STATEMENT											20 YEAR PROJECTED INCOME STATEMENT									
BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS											BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
OPERATING REVENUES	\$ 142,584	\$ 144,177	\$ 146,567	\$ 149,753	\$ 153,736	\$ 158,515	\$ 164,091	\$ 170,464	\$ 177,633	\$ 185,598	\$ 193,564	\$ 201,530	\$ 209,495	\$ 217,461	\$ 225,426	\$ 233,392	\$ 241,358	\$ 249,323	\$ 257,289	\$ 265,254
LESS PURCHASED WATER COST	(52,955)	(53,360)	(53,967)	(54,777)	(55,790)	(57,005)	(58,422)	(60,042)	(61,864)	(63,889)	(65,913)	(67,938)	(69,963)	(71,988)	(74,012)	(76,037)	(78,062)	(80,087)	(82,111)	(84,136)
GROSS PROFIT ON SALES	89,629	90,817	92,600	94,976	97,946	101,511	105,669	110,422	115,769	121,710	127,651	133,592	139,532	145,473	151,414	157,355	163,296	169,237	175,178	181,118
LESS OTHER O&M COSTS	(58,000)	(59,000)	(60,500)	(61,500)	(63,000)	(64,500)	(66,500)	(68,500)	(70,500)	(72,500)	(74,500)	(76,500)	(78,500)	(80,500)	(82,500)	(84,500)	(86,500)	(88,500)	(90,500)	(92,500)
NET CASH OPERATING RECEIPTS	31,629	31,817	32,100	33,476	34,946	37,011	39,169	41,922	45,269	49,210	53,151	57,092	61,032	64,973	68,914	72,855	76,796	80,737	84,678	88,618
LESS DEPRECIATION EXPENSE	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)	(82,000)
ADD AMORTIZATION OF CIAC	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000
NET UTILITY OPERATING REVENUE	31,629	31,817	32,100	33,476	34,946	37,011	39,169	41,922	45,269	49,210	53,151	57,092	61,032	64,973	68,914	72,855	76,796	80,737	84,678	88,618
ADD COMMITMENT / CONNECTION FEES (\$250 / \$1,100)	44,750	2,200	3,300	4,400	5,500	6,600	7,700	8,800	9,900	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
LESS INTEREST EXPENSE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CHANGE IN NET POSITION	\$76,379	\$34,017	\$35,400	\$37,876	\$40,446	\$43,611	\$46,869	\$50,722	\$55,169	\$60,210	\$64,151	\$68,092	\$72,032	\$75,973	\$79,914	\$83,855	\$87,796	\$91,737	\$95,678	\$99,618

TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY											TOWN OF LIZTON, INDIANA - PROPOSED MUNICIPAL WATER UTILITY									
20 YEAR PROJECTED STATEMENT OF CASH FLOWS											20 YEAR PROJECTED STATEMENT OF CASH FLOWS									
BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS											BASED UPON ASSUMPTIONS PROVIDED BY CONSULTING ENGINEERS & TOWN OFFICIALS									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
OPERATING ACTIVITIES:																				
NET CASH OPERATING RECEIPTS	\$ 31,629	\$ 31,817	\$ 32,100	\$ 33,476	\$ 34,946	\$ 37,011	\$ 39,169	\$ 41,922	\$ 45,269	\$ 49,210	\$ 53,151	\$ 57,092	\$ 61,032	\$ 64,973	\$ 68,914	\$ 72,855	\$ 76,796	\$ 80,737	\$ 84,678	\$ 88,618
INVESTING ACTIVITIES:																				
CAPITAL OUTLAY - NEW CONSTRUCTION	(4,100,000)	(2,200)	(3,300)	(4,400)	(5,500)	(6,600)	(7,700)	(8,800)	(9,900)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
CAPITAL OUTLAY - REPLACEMENT COSTS meters/valves/hydrants-no pipe	-	-	-	-	-	(1,000)	(1,500)	(2,000)	(2,500)	(3,000)	(3,500)	(4,000)	(4,500)	(5,000)	(10,000)	(15,000)	(20,000)	(25,000)	(30,000)	(35,000)
Assumes that future main extensions will be funded by new development.																				
FINANCING ACTIVITIES:																				
LONG-TERM DEBT - SRF	\$ -																			
FORGIVABLE BAN - SRF	1,400,000																			
CFF GRANT	700,000																			
INDOT CONTRIBUTION	2,000,000																			
COMM. / CONN. FEES REPRESENTS 179 FEES COLLECTED	44,750	2,200	3,300	4,400	5,500	6,600	7,700	8,800	9,900	11,000	9,900	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
INTEREST PAYMENTS ON BONDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PRINCIPAL PAYMENTS ON BONDS	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-	-	-	-	-	-
NET CASH FLOW	76,379	31,817	32,100	33,476	34,946	36,011	37,669	39,922	42,769	46,210	48,551	53,092	56,532	59,973	58,914	57,855	56,796	55,737	54,678	53,618
BEGINNING CASH BALANCES	-	76,379	108,196	140,296	173,772	208,718	244,729	282,399	322,321	365,090	411,299	459,850	512,942	569,474	629,447	688,361	746,216	803,012	858,749	913,426
ENDING CASH BALANCES	\$ 76,379	\$ 108,196	\$ 140,296	\$ 173,772	\$ 208,718	\$ 244,729	\$ 282,399	\$ 322,321	\$ 365,090	\$ 411,299	\$ 459,850	\$ 512,942	\$ 569,474	\$ 629,447	\$ 688,361	\$ 746,216	\$ 803,012	\$ 858,749	\$ 913,426	\$ 967,045
CASH FUND DETAIL:																				
O&M FUND	\$ 40,000	\$ 41,000	\$ 42,500	\$ 44,500	\$ 47,000	\$ 49,500	\$ 52,000	\$ 54,500	\$ 57,000	\$ 59,500	\$ 62,000	\$ 64,500	\$ 67,000	\$ 69,500	\$ 72,000	\$ 74,500	\$ 77,000	\$ 79,500	\$ 82,000	\$ 84,500
B&I FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DSR FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
REPLACEMENT FUND	36,379	67,196	97,796	129,272	161,718	195,229	230,399	267,821	308,090	351,799	397,850	448,442	502,474	559,947	616,361	671,716	726,012	779,249	831,426	882,545

**EXHIBIT
OWK-2**

SCHEDULE 3

LIZTON (INDIANA) MUNICIPAL WATER UTILITY

**PROJECTED ANNUAL OPERATION AND MAINTENANCE COSTS
(PER CONSULTING ENGINEERS)**

<u>ANNUAL OPERATION & MAINTENANCE COSTS:</u>		<u>BASELINE AMOUNT</u>
DISTRIBUTION SYSTEM	Includes increases per IDEM Review Comments	
LABOR		\$10,000
SAMPLING / TESTING		10,000
MATERIALS & SUPPLIES		5,000
REPAIRS & MAINTENANCE		3,000
		<hr/>
TOTAL COLLECTION SYSTEM		28,000
		<hr/>
PURCHASED WATER COST		
RATE PER 1,000 GALLONS	179 EDUs	52,955
		<hr/>
TOTAL PURCHASED WATER COST		52,955
		<hr/>
GENERAL AND ADMINISTRATIVE:	Shared Overhead with Storm & Sanitary	
CUSTOMER ACCTS./BILLING	Includes allocation of wages, benefits & supplies	15,000
LEGAL & PROFESSIONAL	Includes allocation of existing overhead	5,000
INSURANCE	Includes allocation of existing overhead	5,000
OTHER	Includes allocation of existing overhead	5,000
		<hr/>
TOTAL GENERAL AND ADMINISTRATIVE		30,000
		<hr/>
TOTAL PROJECTED OPERATION AND MAINTENANCE COSTS		\$110,955
		<hr/>

SCHEDULE 4

LIZTON (INDIANA) MUNICIPAL WATER UTILITY

SUMMARY OF NUMBER OF POTENTIAL INITIAL USERS & EQUIVALENT USERS

BASED UPON CURRENT NUMBER OF LIZTON'S MUNICIPAL WASTEWATER CUSTOMER BASE PER UTILITY BILLING DEPARTMENT

<u>CUSTOMER TYPE</u>	<u>CURRENT AREA RATIO</u>	<u>CURRENT NO. OF USERS</u>	<u>CURRENT # EQUIVALENT CUSTOMERS</u>
RESIDENTIAL			
SINGLE FAMILY DWELLING UNITS	1.0000	171	171.0
DUPLEX UNITS	2.0000	8	16.0
APARTMENTS	26.0000	1	26.0
COMMERCIAL			-
SMALL BUSINESSES	1.0000	25	25.0
INDIANA DEPARTMENT OF TRANSPORTATION			
GARAGE	1.0000	1	1.0
REST AREA	14.0000	1	14.0
TOTAL NUMBER OF USERS & EQUIVALENT USERS (EDU'S)		<u>207</u>	<u>253.0</u>
EDU COMMITMENTS TO DATE - RESIDENTIAL / SMALL BUSINESSES			164.0
EDU COMMITMENTS TO DATE - INDOT			<u>15.0</u>
TOTAL PROJECTED INITIAL USER BASE			<u>179.0</u>

PROJECTED INITIAL WATER PURCHASES (4,000 GAL / MO / EDU IN SALES)

ESTIMATED WATER PURCHASES / MO / EDU (GALLONS)		5,750
TIMES ASSUMED CUSTOMER BASE TARGET		179
TIMES TWELVE MONTHS		<u>12</u>
ESTIMATED ANNUAL WATER PURCHASES (IN GALLONS)	100.0%	<u>12,351,000</u>
ESTIMATED ANNUAL WATER SALES (IN GALLONS)	91.3%	<u>11,277,000</u>

EXHIBIT OWK - 3

SCHEDULE 5
IURC UPDATES

LIZTON (INDIANA) MUNICIPAL WATER UTILITY

ESTIMATED PROJECT COSTS, POTENTIAL RANGE OF FUNDING OPTIONS & IMPACT ON INITIAL WATER RATES

ASSUMES 179 EDUs AS INITIAL CUSTOMER BASE - 4,000 GALLONS / MO / EDU

PROJECT COSTS & FUNDING:	SRF LOAN OPTION 1	SRF LOAN / GRANT OPTION 2	SRF GRANT OPTION 3
<i>CONNECTION FEE / EDU - FOR FUTURE CUSTOMER GROWTH (Information Only)</i>	\$ -	<i>Conn. Fee Only</i> \$1,100.00	<i>Includes INDOT SDC</i> \$1,850.00
TOTAL ESTIMATED PROJECT COSTS	\$ 3,870,000	\$ 3,870,000	\$ 3,870,000
PROJECT CONTINGENCIES	230,000	230,000	230,000
LESS POTENTIAL GRANTS / CONN. FEES:			
INDOT CONTRIBUTION	(2,000,000)	(2,000,000)	(2,000,000)
OCRA GRANT	(700,000)	(700,000)	(700,000)
SRF FORGIVABLE BAN		(1,050,000)	(1,400,000)
SRF BOND ISSUE SIZE FOR CLOSING ON DECEMBER 16th, 2019	<u>\$ 1,400,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>

CALCULATION OF PROPOSED AVERAGE MONTHLY RATE PER EDU

ASSUMES INITIAL CUSTOMER BASE AS NOTED - 5,250 GALLONS / MO / EDU (70 GPD / CAPITA)

ANNUAL REVENUE REQUIREMENTS:	OPTION 1	OPTION 2	OPTION 3
EDU's	179	179	179
SRF Bond Amount	\$1,400,000	\$350,000	\$0
PRO FORMA CASH OPERATING EXPENSES			
PURCHASED WATER - INCLUDES ESTIMATED WATER LOSS RATIO OF 8.7%	\$ 52,955	\$ 52,955	\$ 52,955
OTHER OPERATING COSTS	58,000	58,000	58,000
ANNUAL DEBT SERVICE			
PROPOSED DEBT SERVICE <u>RATE</u> <u>TERM</u>	85,619	21,405	-
2.000% 20			
DEPRECIATION / REPLACEMENT ALLOWANCE	21,405	11,000	9,500
ADDITIONAL REVENUE REQUIREMENT ALLOWANCE			
MINIMUM REVENUE REQUIREMENTS	<u>\$ 217,979</u>	<u>\$ 143,360</u>	<u>\$ 120,455</u>
	TOTAL EDUs	NO SRF GRANT	WITH SRF GRANT
AVERAGE MONTHLY BILL:	180	\$100.94	\$66.38
	205		\$19,914
IMPACT OF ADDITIONAL USERS	230		\$16,824
	255		\$39,828
			\$59,742
			\$50,472

EXHIBIT OWK - 1

**PROPOSED
WATER TARIFF**

**LIZTON (INDIANA) MUNICIPAL WATER UTILITY
WATER TARIFF SHEET**

Town Hall
Lizton, Indiana

Page 1 of 2

SCHEDULE OF RATES AND CHARGES

For use of and service rendered by the waterworks system of the Town based on the use of water supplied by said waterworks system.

				Rate Per 1,000 Gallons
(a) Metered Usage Per Month *				
First	5,000 gallons			\$ 14.00
Next	5,000 gallons			8.50
Next	20,000 gallons			6.75
Over	30,000 gallons			5.50
(b) Minimum Monthly Charge *				
		<u>Ratio</u>	<u>Gallons</u>	<u>Per Month</u>
<u>Size of Meter:</u>				
5/8	inch meter	1.0	4,000	\$ 56.00
3/4	inch meter	1.0	4,000	56.00
1	inch meter	2.5	10,000	112.50
1 1/2	inch meter	5.8	23,200	201.60
2	inch meter	10.0	40,000	302.50
3	inch meter	23.0	92,000	588.50
4	inch meter	40.0	160,000	962.50
6	inch meter	91.0	364,000	2,084.50
* Subject to the Wholesale Water Cost Tracking Factor - See Appendix A.				
(c) Fire Hydrants				
				<u>Per Annum</u>
Municipal Fire Hydrants - per hydrant				N/A
Private Fire Hydrant - per hydrant - per annum for all users with private hydrants				\$ 750.00
(d) Private Fire Protection - Sprinkler Systems				
				<u>Per Annum</u>
2 inch connection and under - per annum				\$ 85.00
3 inch connection				187.50
4 inch connection				335.00
6 inch connection				750.00

**LIZTON (INDIANA) MUNICIPAL WATER UTILITY
WATER TARIFF SHEET
Town Hall
Lizton, Indiana**

APPENDIX A - WHOLESALE WATER COST TRACKING FACTOR

The metered rates and minimum charges are subject to a Wholesale Water Cost Tracking

Water Cost Tracking Factor - per 1,000 Gallons \$0.0000

APPENDIX B - NON-RECURRING CHARGES

Description of Charges	Charge
System Development Charge - INDOT Main Extention Reimburs (Per EDU)	\$ 750.00
Connection charges:	
5/8 inch meter	\$ 1,100.00
Greater than 5/8 inch meter	Cost of materials, labor and equipment, but not less than \$582.00
Service Call / Reconnection during working hours	\$ 25.00
Service Call after working hours	\$ 50.00
COST	
Bad check charge	\$ 25.00
Late payment charge	10% of first \$3.00 and 3% of balance, incur 10 days after billing
Customer Deposit	\$ 90.00

From: Ogle, Eric (OCRA) <eogle1@ocra.in.gov>
Sent: Tuesday, April 16, 2019 2:05 PM
To: Amy Miller; Butts, Tammy
Cc: Lou Savka
Subject: RE: Town of Lizton - WW-18-106

Amy,

If there was a change in the ownership structure of the infrastructure as outlined in the grant application, then we would have to review that change and make a determination on how the grant is impacted. Based on the information that has been provided, we would most likely have to rescind the grant, which would mean deobligation of any unused funds and repayment of any used funds. This assessment is based on the fact that Citizens as the owner has considerable financial capacity that should have been considered in the scoring of the application. There is even the chance that said financial capacity could eliminate this project from being eligible altogether as CDBG are the funds of last resort.

With that being said, if we do rescind the grant then Lizton would be eligible to submit another application for this project with Citizens as a Subrecipient and could be awarded. This is with the assumption that Citizens is a non-profit. However, it is important to note that WDW is our most competitive program and the scoring would take Citizen's financial capacity into consideration, which could reduce the competitiveness of the application.

Thank You,



Eric Ogle
CDBG Program Director
Office of Community and Rural Affairs
Phone: (317) 775-4667
Email: eogle1@ocra.in.gov
Follow us on [Twitter](#) and [Facebook](#).

From: Amy Miller [<mailto:amiller@cornerstonegrants.com>]
Sent: Monday, April 15, 2019 10:44 AM
To: Ogle, Eric (OCRA) <EOgle1@ocra.IN.gov>; Butts, Tammy <tabutts@lg.IN.gov>
Cc: Lou Savka <lsavka@triadassoc.net>
Subject: Town of Lizton - WW-18-106
Importance: High

****** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ******

Good Morning Eric and Tammy,

Per our conversation from a week ago regarding the water project in Lizton and Citizens Water potentially taking over, IDEM is requesting the Office of Community and Rural Affairs provide a letter indicating:

**WATER SERVICE TARIFF
RATES, TERMS AND CONDITIONS
FOR WATER SERVICE WITHIN
MARION COUNTY, INDIANA**

Issued By The

**Department of Public Utilities for
The City of Indianapolis, acting by
and through The Board of Directors for Utilities,
as Trustee, in furtherance of a Public Charitable Trust for
the Water System d/b/a Citizens Water
2020 North Meridian Street
Indianapolis, Indiana 46202**

**Daniel C. Appel
President of
Board of Directors**

**Jeffrey A. Harrison
President, and
Chief Executive Officer**

Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202

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Indianapolis, Indiana 46202

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Indianapolis, Indiana 46202**

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Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202

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RULE 1. DEFINITIONS

The following terms as used in these rules have the following meanings:

- 1.1 APPLICANT** Any individual, partnership, association, firm, public or private corporation, limited liability company, government agency, institution or group thereof applying to receive or use the Utility's water services, except as the term is otherwise specifically defined in Rule 10 of these Terms and Conditions.
- 1.2 BRANCHED SERVICE PIPE -** A pipe connected to the Primary Service Pipe that supplies water to a Premises.
- 1.3 CITIZENS GAS -** The Board of Utilities of the Department of Public Utilities of the City of Indianapolis, successor trustee of a public charitable trust for the gas system, doing business as Citizens Gas, 2020 North Meridian Street, Indianapolis, Indiana 46202.
- 1.4 COMBINED BILL -** A bill issued to a Customer for any combination of more than one of the Utility Services. However, a Customer who has executed a contract for and is receiving temporary water service through a Hydrant Meter will receive a separate bill for this service.
- 1.5 COMMERCIAL CUSTOMER -** A Person being supplied with water service by the Utility who is primarily engaged in wholesale or retail trade, service, and any Person not directly covered by another service classification..
- 1.6 COMMISSION -** Indiana Utility Regulatory Commission.
- 1.7 COMMISSION'S RULES -** Rules, Regulations and Standards of Service for Utilities Rendering Water Service in Indiana pursuant to 170 IAC 6-1 et al, as revised, supplemented and replaced from time to time.
- 1.8 CONTRACTOR -** A professional licensed and/or bonded to perform plumbing services.
- 1.9 CUSTOMER -** An individual, firm, corporation, municipality, government agency or other entity that has agreed, orally or otherwise, to pay for water utility service received from the Utility.
- 1.10 CWA AUTHORITY, INC.** CWA Authority Inc., 2020 N. Meridian Street, Indianapolis, Indiana 46202 or any other professional management firm that has been retained by CWA Authority, Inc. to operate its sewage disposal system and that is acting in its capacity as the agent or representative of CWA Authority, Inc.

Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202

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- 1.11 DEFAULT VALUE -** The typical monthly usage attributable to the Customer's applicable Meter size as determined by the Utility from time to time.
- 1.12 EASEMENT -** An interest in land owned by another that entitles the Utility to a specific, limited use.
- 1.13 FIRE METER -** A device owned by the Utility which measures and records the quantity of water supplied to the Customer both for private fire service and for use other than private fire service in accordance with Rule 13.
- 1.14 HYDRANT METER -** A mobile device owned by the Utility which temporarily is connected to one of its hydrants and measures and records the quantity of water supplied to the Customer who has been assigned the device on a temporary basis.
- 1.15 INDUSTRIAL CUSTOMER -** A Person being supplied with water service by the Utility who is engaged in a process that creates or changes raw or unfinished material into another form or product.
- 1.16 IRRIGATION CUSTOMER -** A Person being supplied with water service by the Utility exclusively for irrigation purposes.
- 1.17 LANDLORD CUSTOMER -** A Customer who is the owner of a Premise that is receiving water service, but which is rented or leased to a tenant other than the owner.
- 1.18 MAIN -** A pipe owned by the Utility, located within a Public Right-of-Way or an Easement granted to the Utility or reserved for utilities, which delivers water to fire hydrants, Service Pipes, and other water utility distribution systems.
- 1.19 METER -** A device owned by the Utility which measures and records the quantity of water supplied to the Customer.
- 1.20 MULTI-FAMILY CUSTOMER -** A Person being supplied with water service by the Utility where there are multiple separate residential housing units contained within one building or several buildings within one complex.
- 1.21 PERSON -** An individual, firm, corporation, governmental agency or other entity.
- 1.22 POTABLE WATER SUPPLY -** Water meeting the drinking water quality standards enumerated in 327 IAC 8-2.

Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202

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1.23 PREMISES -

The whole or part of a dwelling, building, or structure owned, leased or operated by a single legal entity located on a single parcel or contiguous parcels of real estate and receiving water service as approved by the Utility. Examples of buildings and the corresponding number of Premises are as follows:

<u>Example</u>	<u>No. of Premises</u>
Residential House	1
Commercial Building(s)	1 per building
Double	2
Condominium	1 per unit
Apartment Complex	1 per complex

Each lot or service building will be considered a Premises, and therefore, served by a separate Service Pipe. Any exception to this must be approved by the Utility. If the situation is not described by one of the above examples or is unusual, the Utility will give such special consideration as the circumstances require in its judgment.

1.24 PRIMARY SERVICE PIPE -

A pipe connected to a Utility Main that supplies water to more than one Premises.

1.25 PUBLIC RIGHT-OF-WAY -

The entire right-of-way of a road, street or way which has been dedicated for use by the public and accepted by the appropriate governmental authority.

1.26 RESIDENTIAL CUSTOMER -

A Person being supplied with water service by the Utility that resides in a single family dwelling or building, an individual flat or apartment.

1.27 SALE FOR RESALE CUSTOMER -

A Person being supplied with water service, including stand-by service, by the Utility exclusively for resale or distribution purposes.

1.28 SERVICE PIPE -

A supply line connecting a Premises directly to the Utility's Main located (a) in a Public Right-of-Way adjacent to the real estate upon which such Premises is located, (b) in an Easement on, over or under the real estate upon which such Premises is located, (c) in an Easement adjacent to the Public Right-of-Way adjacent to the Customer's Premises, or (d) in an isolated Premises in a commercial/industrial complex.

1.29 SERVICE STOP -

A valve inserted in the Service Pipe between the Main and the Meter for the purpose of turning water on and off.

**Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202**

ORIGINAL PAGE NO. 10

- 1.30 SUMMER PERIOD -** The Meter reading dates during the months of May through October.
- 1.31 TAP -** A fitting owned by the Utility in order to connect a Service Pipe to the Main.
- 1.32 UTILITY -** The Department of Public Utilities for the City of Indianapolis, acting by and through the Board of Directors for Utilities, as trustee of a public charitable trust for the water system, doing business as Citizens Water, 2020 N. Meridian Street, Indianapolis, Indiana 46202, or any professional management firm that has been retained by Citizens Water to operate its water utility facilities and that is acting in its capacity as the agent or representative of the Citizens Water.
- 1.33 UTILITY'S RATE SCHEDULES -** The Utility's schedules of rates and charges as approved by the Commission and as revised, supplemented, and replaced from time to time. The schedule of rates and charges is available at <http://www.citizensenergygroup.com>.
- 1.34 UTILITY SERVICES -** Shall include one or more of the following services: (1) water services provided by the Utility; (2) gas delivery and gas supply services provided by Citizens Gas; and/or (3) sewage disposal service provided by CWA Authority, Inc.
- 1.35 WINTER PERIOD -** The Meter reading dates during the months of November through April.

**Citizens Water
2020 N. Meridian Street
Indianapolis, Indiana 46202**

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RULE 2. APPLICATION OF TARIFF

2.1 The terms and conditions for service, as set forth here and as amended and supplemented from time to time, shall govern all water service rendered or to be rendered by the Utility. They shall be binding upon every Customer and the Utility, and shall constitute a part of the terms and conditions of every contract for water service.

RULE 3. COMMENCEMENT OF SERVICE

3.1 General. A prospective Customer shall not connect or reconnect service, nor employ any Person to do so, without authorization by the Utility. All service rendered by the Utility shall be solely for the uses and Premises designated by the prospective Customer at the time service is requested and subject to, and in accordance with, these rules and regulations and the Utility's Rate Schedules. A Customer shall not sell or give away water to anyone, as an alternative to that Person or entity receiving water service from the Utility, unless otherwise specifically included in its agreement with the Utility for service.

3.1.1 No promises, agreements or representations of any agent, employee or authorized representative of the Utility, or its predecessor, shall be binding upon the Utility unless the same shall have been incorporated in a written contract or application.

3.2 Metered Water and Fire Service. A prospective Customer desiring metered water service to a Premises connected by an existing Service Pipe to a Main shall notify the Utility either in writing or by telephone at least three days before the desired connection date. A prospective Customer desiring metered water service to a Premises not connected by a Service Pipe to a Main shall have his Contractor submit to the Utility a written application for plumbing permit, allowing at least three working days for the application approval before calling to schedule the Tap. After the application for service is approved, all Taps will be scheduled in the order received by the Utility. The connection shall not be made until the Utility authorizes the Contractor to connect a Service Pipe to the Tap. For ¾-inch and 1-inch service lines, the Utility shall install a Meter at the time of the service connection. Service commences for the Customer when the Meter is set. For service lines larger than 1-inch, the prospective Customer may request and obtain service in accordance with these rules.

3.3 Unmetered Fire Service. The Utility will commence public or private unmetered fire service after a prospective Customer application has been approved and a confirmation letter has been sent to the Applicant. The Utility will not furnish unmetered fire service to a Premises unless metered water service for use other than fire service is also being supplied to the Premises. Unmetered fire service commences for the Customer when the Service Stop is turned on.

3.4 Emergency Service. When necessary for the health or safety of a Customer or his/her property, the Utility may authorize temporary emergency water service in any manner appropriate to the circumstances and consistent with sound engineering practice and will charge the Customer involved in such service, during the period of emergency, the appropriate charges prescribed in the Utility's Rate Schedules for the water usage and size of Meter through which they receive water service.

3.5 Unauthorized Use of Water. Unless authorization for water service has been granted by the Utility, water shall not be turned on at any Premises by anyone other than the Utility's representatives, except that a Contractor authorized by the Utility to connect a Service Pipe to a Tap may temporarily turn on the water to test his work. The Contractor shall turn the water off immediately after testing. Before and after such test, the Utility may lock the valve on the upstream side of the Meter in the closed position until commencement of service is authorized

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by the Utility. If the water is turned on (or, in the case of a Contractor with permission, left on) without authorization in violation of these Rules, the Customer will be required to pay the cost of water service for the Premises (as determined using Meter readings where possible, or a Default Value where a Meter reading is not possible) for such billing cycles in which the water was on without authority from the Utility. In the case of a Contractor leaving the water turned on, a charge shall not be imposed if the Customer establishes to the satisfaction of the Utility (including but not limited to proof that the Premises was not occupied) that the violation was inadvertent and that no water was used.

3.6 Fraudulent Use of Water. Upon detecting a device or scheme that has been utilized to avoid or attempted to avoid full payment for water service or unauthorized use of a fire hydrant, the Utility may, after estimating the volume of water service so used:

3.6.1 Immediately disconnect such water service without notice pursuant to Rule 6.2;

3.6.2 Bill and demand immediate payment from the Person benefiting from such device or scheme the actual costs of water used, corrections and repairs, or two hundred dollars (\$200.00), whichever is more; and

3.6.3 Bill any and all damages as provided by Indiana Code 34-24-3-1 et seq. based upon the Utility's reasonable and customary estimate thereof.

RULE 4. CUSTOMER SECURITY DEPOSITS

4.1 Deposit Requirements. In accordance with the Commissions' Rules pursuant to 170 IAC 6-1 et al, the Utility may require a Residential Customer or Applicant to pay a cash deposit as a condition of receiving or continuing to receive water service, if the Utility determines that the Residential Customer or Applicant is not creditworthy in accordance with the Commission's Rules set forth in 170 IAC 6-1-15 (as the same may be amended from time to time).

4.1.1 The Utility may require non-Residential Customers or Applicants for water services who are determined to be uncreditworthy to make a cash deposit at any time to assure payment of bills, and as a condition of receiving or continuing to receive water services.

4.1.1.1 The Utility shall determine the creditworthiness of a non-residential Applicant or Customer in an equitable, non-discriminatory manner.

4.1.1.2 A non-Residential Customer shall be deemed creditworthy if it has no delinquent bills to the Utility for water services within the last twenty-four (24) months and, within the last two (2) years has not: (a) had service disconnected for nonpayment or (b) filed a voluntary petition, has a pending petition, or has an involuntary petition filed against it, under any bankruptcy or insolvency law. For purposes of this determination, a contested bill shall not be considered delinquent.

4.1.1.3 In determining the creditworthiness of non-residential Applicants, the Utility shall consider the size of the credit exposure and the availability of objective and verifiable information about the non-residential Applicant. The Utility may consider the non-residential Applicant's payment and billing history (at least twenty-four (24) months) from other utilities and verifiable conditions, such as: non-residential Applicant's credit history with the Utility or

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independently audited annual and quarterly financial statements. The Utility will treat all financial information provided by the non-residential Applicant as confidential to the extent allowable under applicable law and, at the request of the non-residential Applicant, will return or destroy materials after review has been completed. If a non-residential Applicant refuses to provide the information above for the Utility to determine their creditworthiness, the Applicant will be deemed uncreditworthy.

4.1.1.4 If the Utility requires a deposit as a condition of providing service, the Utility must: (a) provide written explanation of the facts upon which the Utility based its decision; and (b) provide the non-residential Applicant or Customer with an opportunity to rebut the facts and show other facts determining its creditworthiness.

4.1.1.5 Such deposit shall be payable in cash and not less than forty dollars (\$40.00) nor more than an amount equal to the non-Residential Customer's three (3) highest months' usage based upon the most recent twelve (12) months historical usage or three months of projected usages for a non-residential Applicant. If the deposit required is in excess of \$120.00, it may be paid in equal installments over a period not to exceed three months, except where the deposit is required as a result of disconnection of service for nonpayment of bills, in which case full payment of the deposit will be required prior to reconnection. For non-Residential Customers with multiple accounts, each account will be treated individually for the purposes of this Rule except in the case of bankruptcy under Rule 4.1.1.2. A non-Residential Customer with multiple accounts that is assessed a deposit by virtue of delinquent payments on one account, will be assessed a deposit on only the delinquent account.

4.2 Interest on Deposits. Interest on any deposit held by the Utility on or before December 31, 2012 will earn an interest rate of six percent (6%) per annum from the date of receipt by the Utility through December 31, 2012. Effective January 1, 2013, any deposit held for more than thirty (30) days will earn interest calculated monthly at the authorized rate of interest for the current month from the date the deposit is paid in full to the Utility. The rate of interest will be the same as that established for gas utilities by the Commission in a general administrative order pursuant to 170 IAC 5-1-15(f)(2) for each calendar year.

4.3 Refunds of Deposits to Continuing Customer. Deposits and earned interest will be returned after Customer establishes an appropriate credit history with the Utility.

4.3.1 Deposits from Residential Customers and earned interest will be refunded after the Residential Customer has established an acceptable payment record for Utility Services in accordance with the Commission's Rules.

4.3.2 The deposit of any non-Residential Customer, that has been held for two or more years, and earned interest will be refunded after the non-Residential Customer has established an acceptable payment record in accordance with Rule 4.1.1.2.

4.3.3 The deposit of any Residential or non-Residential Customer who fails to establish an acceptable payment record may be retained by the Utility until Utility Services are discontinued.

4.4 Deposits Applied to Bill. Following Customer-requested termination of service, the Utility shall: (A) apply the deposit, plus accrued interest, to the final bill; or (B) upon specific request from the Customer, refund

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the deposit, plus accrued interest, within fifteen (15) days after payment of the final bill; or (C) upon specific request from the Customer transfer the deposit to a new account.

RULE 5. METER READINGS AND BILLINGS

5.1 Billings, Meter Readings and Estimates. All Meters normally will be read monthly. When for good cause, pursuant to 170 IAC 6-1-13(c), a Meter is not read on a normal interval, including failure of the Meter or remote counter to register, an estimated Meter read shall be used and so identified on the bill. The Utility will issue bills to Customers on a monthly basis for the applicable Utility Services. Bills are payable to the office of the Utility or to an authorized agent within seventeen (17) days from the date mailed. When the seventeenth (17th) day falls on a Sunday or a legal holiday, the seventeen-day period shall be considered to end the next business day.

For Customers with consumption history, estimated monthly consumption for interim billings will be based on a comparison of the most recent 12-month average and the most recent two-month average as described below. During the Winter Period, the estimated monthly consumption will be the lower of the 12-month average and the most recent two-month average. During the Summer Period, the estimated monthly consumption will be the higher of the 12-month average and the most recent two-month average. New Customers with less than a 12-month history are billed at the most recent two-month average. Under certain circumstances, a Default Value may be substituted for the use of averages.

Bills for municipal uses by the City of Indianapolis will be rendered monthly. Annual unmetered municipal consumption will be estimated, based on consultations, and treated as consumed evenly throughout the year as metered water.

Bills for unmetered fire service will be rendered monthly. If a Customer receives unmetered fire service through a Service Pipe in which a detector check with a bypass Meter is installed, as provided for in Rule 13.7, the Utility will read the Meter at the time of the annual fire service inspection, and the consumption shall be treated as consumed evenly over the period since the previous reading.

5.1.1 Meter readings in units of thousand gallons may be converted to units of hundred cubic feet for billings purposes. The factor used for making a conversion from thousand gallons to hundred cubic feet shall be based on one cubic foot being equivalent to seven and one-half (7.5) U.S. gallons.

5.2 Delinquent Bills. If payment for a Utility Services bill from a Customer is not received by the Utility or its agent within seventeen (17) days from the date the bill is mailed, the bill shall be considered delinquent.

5.2.1 All charges follow the Customer and moving from one Premises to another in no way absolves the Customer from any unpaid charges incurred at a previous location. In the case of leased property, the Landlord Customer shall be responsible to the Utility for payment of the bill, even though the tenant may pay it.

5.2.2 The Utility may add a Late Payment Charge to a Customer's delinquent Utility Services bill as set forth on Appendix B.

5.2.3 A single charge may be made for each visit to the Customer's Premises regarding a delinquent account; such charge to the Customer shall be pursuant to the Delinquent Account Trip Charge reflected on Appendix B.

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5.2.4 A single charge may be made for handling a single check from a Customer for Utility Services returned unpaid by any financial institution; such charge shall be pursuant to the Returned Check Charge set forth on Appendix B

5.2.5 The Utility may provide an Automatic Bank Deduction Plan for nonindustrial Customers (e.g. a Residential Customer or commercial Customer), which will be a payment plan whereby the Combined Bill amount is deducted each month from the nonindustrial Customer's bank account by the nonindustrial Customer's authorized financial institution. The Utility shall continue to provide to the nonindustrial Customer a monthly bill.

5.2.6 The Utility may provide a budget plan for payment of Utility Services bills by the Customer whereby the annual bill as estimated by the Utility is divided into even monthly payments. The amount actually paid by the Customer shall be balanced with the amount actually billed to the Customer and any differences shall be paid by or credited to the Customer.

5.2.7 A single charge may be made for providing a Customer with usage summary by Meter beyond the twenty-four (24) month period available online; such charge to the Customer shall be pursuant to the Usage Information Charge set forth on Appendix B.

5.3 Application of Combined Bill Payment

5.3.1 The Utility shall prorate Combined Bill payments based upon billed charges for applicable active Utility Services and apply payments first to the oldest outstanding charges for Utility Services and then to current charges pertaining to Utility Services where applicable. Payments will be applied to charges for non-Utility Services last.

5.3.2 A Customer may direct Combined Bill payments by contacting the Utility prior to the due date. For all other payments, the Utility is not obligated to direct payments.

5.3.3 Payments in excess of the charges for applicable active Utility Services will be applied to inactive Utility Services balances and prorated according to the balances of the inactive Utility Services.

5.4 Adjustments Following Estimated Bills. Where the Utility has billed based on estimated consumption, the first charge after a Meter reading is obtained shall be the difference between the actual reading and the estimated reading charged in accordance with the Utility's Rate Schedules.

5.5 Requested Meter Readings. Upon request of a Customer, the Utility will make a special reading of the Customer's Meter at a time other than the time of a regularly scheduled reading for the charge prescribed in the Utility's Rate Schedules. The Utility, however, shall have no duty to issue a special bill based on such off-cycle reading.

5.6 Remote Meter Reading Service. Remote Meter reading service is available to Customers being served through $\frac{5}{8}$ -inch, $\frac{3}{4}$ -inch or 1-inch Meters. This service allows the Utility to read Meters located inside a structure without entering the structure; or Meters that are generally difficult to locate or in potentially unsafe locations. The equipment to accomplish this service will be furnished, installed, maintained and replaced, if necessary, and owned by the Utility. A remote Meter reading device is a fixture at the Premises where it is installed and will not be moved to another location without the Utility's written consent.

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Whenever the Utility, during normal working hours (as set forth on www.citizenswater.com), is unable to read a Customer's Meter for twelve consecutive months, the Utility shall require installation of a remote Meter reading device. Once a remote Meter reading device is installed, it will remain in service until the Service Pipe to the Premises is replaced, in which event the inside Meter shall be relocated to an outside Meter pit approved by the Utility and located on the Customer's property adjacent to or near the Public Right-of-Way or Easement line.

5.7 Leakage Allowance.

5.7.1 Underground leaks. Allowance for underground Service Pipe leaks or leaks in crawl spaces or concrete floors (but not leaks in underground irrigation systems) will be 75 percent of the charge for wasted water estimated from the beginning date of the leak to the date of repair, which period shall not exceed two regular reading periods (as provided for under Rule 5.1) unless extended by missed readings. The Utility will inspect the Premises to determine the cause of the leak. Wastage will be considered as the excess consumption over normal usage, obtained by reference to the Customer's consumption record. If there is no consumption record, the average consumption for the previous calendar year for the appropriate Customer classification will be used as the normal consumption. An adjustment will be given only after the Customer has corrected the condition causing the leak and the Premises has been inspected by the Utility to determine that repairs have been properly made.

5.7.2 Other types of hidden leaks. Allowance for other types of hidden leaks (but not leaks in underground irrigation systems) will be 50 percent of the charge for wasted water. The period adjusted shall not exceed one regular reading period (as provided for under Rule 5.1) unless extended by missed readings. Such allowance will be considered only one time per Customer per service address, and only when all the following conditions exist: (a) consumption is at least double normal usage, (b) consumption is at least 2,000 cubic feet more than normal, (c) total consumption for the reading period exceeds 2,800 cubic feet, (d) circumstances indicate that a leak exists or had existed, (e) the leak shall have been hidden from open view, including toilet leaks and other concealed plumbing leaks, and (f) repairs have been made. Wastage will be determined as indicated in Rule 5.7.1. An adjustment will be given only after the Customer has corrected the condition causing the leak to the Utility's satisfaction.

5.7.3 As set forth in Rule 6.3.1, the Utility may disconnect service to the Customer after notice as provided in Rule 6.4, for the failure to repair any leaks in the Customer's water pipes, in the Service Pipes or appurtenances between the Public Right-of-Way or Easement in which the Main is located and the Meter, or in any private fire system or unmetered facilities.

5.8 Billing Errors. All billing errors, including incorrect tariff applications, will be adjusted by the Utility to the known date of error or for a period of one year, whichever period is shorter.

5.9 Adjustments Due to Meter Error. If a Meter is found to have a percentage of error greater than two percent during a test conducted by the Utility or the Commission at the request of the Customer, in accordance with these rules, the following adjustments of bills shall be made:

5.9.1 Fast Meters. When a Meter is found to have a positive average error – i.e., is fast, in excess of two percent, the Utility will refund or credit to the Customer's account the amount in excess of that determined to be an average charge for one-half of the time elapsed since the previous test, or one year, whichever is shorter. This average charge shall be calculated on the basis of units registered on the Meter

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over corresponding periods, either prior to or subsequent to the period for which the Meter is determined to be fast. No part of a Monthly Service Charge as set forth on the Utility's Rate Schedules will be refunded.

5.9.2 Slow Meters. When a Meter is stopped or found to have a negative average error – i.e., is slow, in excess of two percent, the Utility will charge the Customer an amount estimated to be the average charge for one-half of the time elapsed since the previous test, or one year, whichever period is shorter. This average charge shall be calculated on the basis of units registered on the Meter over corresponding periods, either prior to or subsequent to the period for which the Meter is determined to be slow or stopped. Such charge will be made only in cases where the Utility is not at fault for allowing the stopped or slow Meter to remain in service.

5.10 Aggregated Meter Reading. Meter readings for a Premises will be aggregated for billing purposes, in lieu of installation of a master meter, where the Customer would be entitled to a master meter for the Premises under the Utility's current rules but was previously unable to install a master meter due to rules of the Utility then in effect. The monthly charge for this service will be pursuant to the Multiple Meter Aggregated Billing Charge as reflected on Appendix A. This rule is applicable only with respect to Service Pipe and Meter installations for which a written request for aggregated Meter readings and billings was made to, and approved by, the Utility's predecessor, the Department of Waterworks of the City of Indianapolis.

5.11 Adjustment for Water Used Through a Fire Meter. If a Customer receives water service through a Service Pipe in which a Fire Meter is installed, and water is needed and used because of a fire, the Utility, upon written notice of and within 30 days after such use, will adjust the charges owed by the Customer for the metered water service to reflect water used solely for non-fire service purposes. The adjustment will be based upon the Customer's average monthly consumption for non-fire service purposes during the previous twelve months or for such period as the Customer has received water service from the Utility for non-fire service purposes if less than twelve months.

RULE 6. DISCONNECTION AND RECONNECTION OF SERVICE

6.1 Upon Customer's Request. A Customer desiring disconnection of service must notify the Utility at least three (3) working days in advance of the day on which disconnection is desired. The Utility will endeavor to disconnect the service within three (3) working days of the requested disconnection date. The Customer shall remain responsible for all service used and the related billings until service is disconnected pursuant to the Customer's notice, except that the Customer shall not be liable for any service rendered more than three working days after the requested disconnection date, as determined by the Utility.

6.2 Without Customer's Request and Without Notice. The Utility may disconnect water service to a Customer without request by, or prior notice to, the Customer if:

6.2.1 there exists an unapproved cross-connection of a Customer's water pipes to any other source of water supply or any other condition about the Customer's Premises that might cause contamination of the public water supply or otherwise be dangerous or hazardous to life, physical safety or property;

6.2.2 there is an outstanding order of a court, the Commission or other duly empowered authority directing disconnection;

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6.2.3 a fraudulent or unauthorized use of water is detected by the Utility, and the Utility has reasonable grounds to believe the Customer is responsible for such use;

6.2.4 the Meter or any of the Utility's regulating or measuring equipment has been tampered with, and the Utility has reasonable grounds to believe that the Customer is responsible for such tampering; or

6.2.5 the Customer fails to meet the terms of the Utility's 24-hour payment arrangement described in Rule 6.4.

6.3 Without Customer's Request But With Notice. The Utility may disconnect water service to a Customer for any of the following reasons, provided it notifies the Customer as set forth here:

6.3.1 the Customer fails to repair any leak in the Customer's water pipes, Service Pipes or appurtenances between the Public Right-of-Way or Easement in which the Main is located and the Meter, or in any private fire system or unmetered facilities;

6.3.2 the Customer vacates the Premises or fails to pay his/her water or wastewater bills or other charges related to his water or wastewater utility service installations or facilities in accordance with these rules and the Utility's Rate Schedules, the CWA Authority's Terms and Conditions for Sewage Disposal Service, or otherwise violates any of these rules;

6.3.3 the nonpayment of a delinquent bill;

6.3.4 the Customer installs a new Service Pipe or appurtenances or alters or removes the existing Service Pipe or appurtenances, including the Meter, without the Utility's written consent; or

6.3.5 the Customer fails to remedy a condition or use on his Premises which, in the Utility's judgment, endangers the Utility's distribution system.

If service is to be disconnected for any of the foregoing reasons, the Utility shall, at least seven (7) calendar days (fourteen (14) calendar days in the case of a Residential Customer) prior to the proposed disconnection, mail or personally deliver notice to the Customer or a responsible Person on the Premises, at the address of the Customer shown on the records of the Utility. The notice will be clearly marked as a "disconnection notice" and will state the date and reason for the proposed disconnection. The notice will also contain the Utility's telephone number which the Customer may call during regular business hours for further information. In the case of disconnection of a Residential Customer, the notice will also contain a reference to the pamphlet furnished by the Utility to each of its Customers for information as to the Residential Customer's rights.

6.4 Procedure for Involuntary Disconnection of Residential Customers. Immediately preceding the disconnection of Utility Services to a Residential Customer, the Utility's employee will attempt to identify himself/herself to the Residential Customer or other responsible Person then at the Premises. The employee will announce the purpose of the visit, and a record of the visit will be maintained for at least thirty (30) days. The Utility employee will also attempt to inform the Residential Customer or other responsible Person of the reason for disconnection. If the reason for disconnection is nonpayment, the Utility employee will provide the Residential Customer or other responsible Person with the amount of any delinquent Utility Services bill. The Utility employee will request from the Residential Customer any available verification that the reason for disconnection of service is no longer valid (such as, but not limited to, written evidence that the delinquent bill has been paid or evidence that

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the conditions, circumstances or practices which caused the disconnection have been corrected) or that the reason of disconnection is currently in dispute and under review, pursuant to Rule 9.

Through its employee, the Utility may offer the Utility's 24-hour payment arrangement as an alternative to disconnection. Upon the presentation of satisfactory evidence, or acceptance by the Customer or other responsible party of the Utility's 24-hour payment arrangement, service will not be disconnected. The Utility employee is not required to offer the Utility's 24-hour payment arrangement as an alternative to disconnection. When the employee has disconnected the service, the employee will give to a responsible Person at the Residential Customer's Premises, or if no one is at home, will leave at an entry way on the Premises, a notice stating that service has been disconnected and the telephone number of the Utility where the Customer may arrange to have service reconnected.

6.5 Duplicate Notice Protection Plan. Effective October 1, 2012, a Residential Customer may request the Utility notify a predesignated third party of a Utility Service disconnection notice issued to the Residential Customer. Such request shall be made in writing in the form of a Duplicate Notice Protection Plan Enrollment Application. When requested, the Utility shall notify the predesignated third party, by mail, of the pending Utility Services disconnection at the time the Utility renders the disconnection notice to the Residential Customer. The Utility may restrict the use of the Duplicate Notice Protection Plan to its Residential Customers who are elderly, handicapped, ill, or otherwise unable to act upon a service disconnection notice, as determined by the Utility.

6.6 Postponement of Disconnection of a Residential Customer for Medical Reasons. Except in the case of disconnection for any of the reasons set forth in Rule 6.2, the Utility will postpone the disconnection of Utility Service to a Residential Customer for ten (10) days if, prior to the disconnect date specified in the disconnect notice, the Customer provides the Utility with a medical statement from a licensed physician or public health official stating that such disconnection would be a serious and immediate threat to the health or safety of a designated Person in the household of the Residential Customer. The postponement of disconnection will be continued for one additional 10-day period upon the Customer furnishing the Utility an additional medical statement dated on or before the end of the first 10-day period.

6.7 Other Circumstances Postponing Disconnection of Residential Customer. The Utility will not disconnect service to a Residential Customer who:

6.7.1 fails to pay for water or sewage disposal services rendered at a different Premises, metering point, residence, or location, unless such bill has remained unpaid for at least forty-five (45) days, or

6.7.2 fails to pay for water or sewage disposal services to a previous occupant of the Premises served, unless the Utility has reason to believe the Customer is attempting to defraud the Utility by using another name, or

6.7.3 Prior to the disconnect date specified in the disconnect notice, establishes to the Utility's satisfaction the existence of a financial hardship as the reason for his inability to pay the full amount due and (a) pays at least \$10 or one-tenth ($1/10$) of the delinquent bill, whichever is less, (b) agrees to pay the remainder of the outstanding bill within three months, (c) agrees to pay all undisputed future bills for service as they become due and (d) has not breached any similar agreement with the Utility within the past twelve months. The terms of the agreement must be in writing. The Utility may add to the Residential Customer's outstanding bill a Late Payment Charge in the amount prescribed in the Utility's Rate Schedules, or

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6.7.4 is unable to pay a bill which is unusually large due to prior incorrect reading of the Meter, incorrect application of the Utility's Rate Schedules, incorrect connection or functioning of the Meter, prior estimates where no actual reading was taken for over two months, a stopped or slow Meter or remote Meter reading device, or any human or mechanical error of the Utility, and (a) pays an amount at least equal to the Customer's average bill for the twelve (12) bills immediately preceding the bill in question, (b) agrees to pay the remainder within three months, and (c) agrees to pay all undisputed future bills for service as they become due. The terms of the agreement must be in writing. The Utility may not add to the Customer's outstanding bill any Late Payment Charge.

6.8 Time of Disconnection. In cases of disconnection of service for nonpayment, the Utility will disconnect service between the hours of 8:00 a.m. and 3:00 p.m., prevailing local time, except that requested disconnections and disconnections for any reasons set forth in Rules 6.2 and 6.3, above, may be made at any time. Disconnections of service for nonpayment will be made on days on which the Utility's office or call center is open to the public and before twelve noon (12:00 noon) of the day immediately preceding a day on which the Utility's office or call center is to be closed to the public.

6.9 Remedies Not Exclusive. The remedies provided to the Utility in this Rule 6 shall not be exclusive and shall be in addition to any other remedies which the Utility has at law or in equity.

6.10 Continuation of Service Pending Disposition of Complaint. If a Customer receiving service has paid and continues to pay all undisputed charges, the Utility shall not disconnect any service related to the disputed charges:

- (a) while the Utility's proposed resolution is under review by the Commission's Consumer Affairs Division or the Commission; or
- (b) sooner than ten (10) days after a decision by the Commission's Consumer Affairs Division or the Commission.

If a Customer and the Utility cannot agree what portion of the charges in a bill are undisputed, to avoid disconnection, the Customer should pay on the disputed bill an amount equal to one twelfth ($\frac{1}{12}$) of the estimated annual billing for service to be rendered to the Customer. For a Customer who has been a Customer for at least twelve (12) months, the estimate will be based on the Customer's average bill for the twelve (12) months immediately preceding the disputed bill.

6.11 Reconnection. After disconnection of water service to a Premises in accordance with these rules, the Utility will reconnect the service to a Premises as soon as reasonably possible, but at least within one (1) working day after it is requested to do so, if: (1) all conditions, circumstances or practices which caused the disconnection have been corrected, (2) all unpaid bills for water or sewage disposal service have been paid, (3) the deposit, if required by the Utility in accordance with Rule 4.1 above, has been made by the Customer, (4) a responsible Person is present in the Premises to see that all water outlets are closed to prevent damage from escaping water, and (5) the Customer has paid the Utility's Reconnection Charge as prescribed in the Utility's Rate Schedules on Appendix B.

RULE 7. METERS

7.1 Ownership and Size of Meter and Pit. All Meters shall be owned, installed, removed and maintained by the Utility. The Utility shall determine the kind and size of Meter to be used in connection with any Service Pipe. Except as provided in Rule 7.3, all Meter pits, Meter pit covers and other materials comprising the Meter pit facilities shall be purchased, owned, installed, removed, and maintained in a safe manner by the Customer.

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Repair to or replacement of missing or damaged Meter pit lids for public safety reasons shall be made by the Utility, but at the Customer's expense. Each Customer shall pay a fee for installing a Meter as set forth in Appendix A of the Utility's Rate Schedules.

7.2 Location and Protection of Meter and Pit. Meters larger than 1-inch shall be installed in an approved Meter pit or inside the structure served. However, if, in the Utility's judgment, a backflow prevention device is required, it shall be located adjacent to the Public Right-of-Way or Easement line unless otherwise approved by the Utility prior to installation. Meters shall always be placed upstream of backflow devices. See Rule 12 for more details. Unless otherwise approved by the Utility, Meters 1-inch and smaller shall be installed in a Meter pit approved by the Utility located on the Customer's property adjacent to or near the Public Right-of-Way or Easement line.

Upon request of a Customer and before installation, the Meter pit will be located at the point requested by the Customer if practicable and in accordance with sound utility standards. The Meter pit must be constructed to protect the Meter from freezing and damage from vehicular traffic and located to be convenient and accessible for the Utility representatives. The pit location should be designed to prevent an inflow of surface water.

Meters which cannot be installed in outside pits shall be located inside the structure served as approved by the Utility. An inside Meter shall be as near as possible to the point where the Service Pipe enters the building in a clean, dry, safe place, protected from freezing and hot water and not subject to wide temperature variations. In case of damage to a Meter or any of its immediate attachments by reason of any act, neglect or omission on the part of the Customer (including, but not limited to, the freezing of an inside Meter), the Customer shall pay the Utility the Damaged Meter Replacement charge prescribed in Appendix B of the Utility's Rate Schedules for repair and replacement of the Meter.

The Meter shall at all times be accessible for reading, inspection and removal for testing. The Utility reserves the right to put seals on any water Meter or on its couplings for any Premises, and may turn off the supply if such seals are found broken or removed.

7.3 Change in Location. All changes in the location of a Meter shall be approved by the Utility and, except as hereinafter provided, at the Customer's expense. Whenever the Service Pipe to a Premises having an inside Meter is replaced, the Meter shall be relocated in a Meter pit approved by the Utility located on the Customer's property adjacent to or near the Public Right-of-Way or Easement line, in which case the Utility, at its expense, will provide the Customer with the Meter connection, pit cover, lid and Service Stop, to be installed by the Customer at his/her expense.

7.4 Multiple Meters. Where water for a Premises is metered at more than one Service Pipe for the convenience or at the request of the Customer, each location shall be billed separately except as provided in Rule 5.10. If the Utility determines that water for a Premises should be metered through more than one Service Pipe for the convenience of the Utility, Meter readings shall be aggregated and billed as if from a single Meter. In no event will Meter readings be aggregated for two or more Premises.

7.5 Temporary Hydrant Meters. Where temporary water service is requested from one of the Utility's designated hydrants, the Customer will receive this service through a Hydrant Meter assembly after executing a contract with the Utility and paying the required Temporary Hydrant Meter Deposit and Temporary Hydrant Connection charges as prescribed in the Miscellaneous Service Charges tariff of the Utility's Rate Schedules. The Hydrant Meter will be issued by the Utility and secured to the hydrant by the Customer. The Utility reserves the right to remove its hydrant connection and Meter and terminate this service at any time it deems

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necessary or appropriate, without prior notice. The deposit is refundable upon service termination as provided in Rule 4.4.

Each temporary Hydrant Meter depositor shall report to the Utility by the first day of each month the amount of water which passed through the Meter during the prior month. The reports may be subject to verification by the Utility and will serve as the basis for billing for water service. In the event no report of water usage is furnished to the Utility, the charges for water service will be based on estimates as provided in Rule 5.1. Any temporary Hydrant Meter depositor who fails to report water usage for any two months during the preceding 12-month period shall pay a Late Reporting of Temporary Hydrant Meter Water Usage charge for each subsequent late reporting, as prescribed in Appendix B of the Utility's Rate Schedules.

7.6 Meter Testing Records and Procedure. Whenever a Meter in service is tested, a record will be kept of the location of the Meter, the reason for making the test and the readings of the Meter before and after the test. For the determination of Meter accuracy, the Utility will use the test flows for the various types of Meters specified from time to time in 170 IAC 6-1-9 of the Commission's Rules.

7.7 Frequency of Testing. Meters will be inspected and tested by the Utility in accordance with the following program, known as the "Statistical Quality Control Program:"

7.7.1 The Statistical Quality Control Program shall be based on ANSI/ASQ Z1.4, Sampling Procedures and Tables for Inspection by Attributes. Sample size code letters will be taken from Table I, General Inspection Level II. Sample size and acceptance-rejection numbers will be determined from Table II A, single sampling plan for normal inspection, using Acceptance Quality Level (AQL) 10.

7.7.2 The Meters for quality control sampling will be separated into homogenous groups by manufacturer, model, design, or other distinguishing characteristics by year set. The sample for each group will, as far as possible, be taken from routine Meter exchanges, removals, and field tests for each year, except that those Meters removed or exchanged because of known or suspected defects or for special tests may be excluded from the quality control sample.

7.7.3 If an inadequate sample of Meters is routinely exchanged or removed, the balance of Meters required for sampling will be obtained from Meters in service by removal on a randomly selected basis.

7.7.4 Beginning in the year indicated in the table below and continuing through subsequent service years, Meter groups will be sample tested annually, being allowed to continue in service until an annual sample reaches its rejection number of deviant Meters. The service life of Meter groups may be extended by this quality control program as long as ninety percent of the Meters in a sample group does not exceed an accuracy figure of 102.0 percent when tested at not less than 35% of its rated capacity.

5/8-inch Meters	9th year
3/4-inch Meters	7th year
1-inch Meters	5th year
1 1/2-inch (and larger) Meters	3rd year

A Meter may be inspected and tested by the Utility at any time that the Utility suspects it of registering inaccurately.

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7.8 Meter Tests Requested by Customers. The Utility will test the accuracy of a Meter upon written request by a Customer. The Customer shall pay the Meter Test at Customer Request charge set forth in the Miscellaneous Service Charges tariff of the Utility's Rate Schedules for any Meter test after the second test of such Meter if:

- (1) the Meter
 - (a) was tested within the prior thirty-six (36) months at the Customer's request; and
 - (b) any error of the Meter is found to be in compliance with Rule 7.6; and
- (2) the test is made
 - (a) at the Customer's request; or
 - (b) due to a billing dispute; and
- (3) Meter is found to be in compliance with Rule 7.6.

A written report giving the results of the test will be made to the Customer within 10 days after the test has been completed and a complete record of the test will be kept in the office of the Utility.

7.9 Tests Under Commission Supervision. Upon application of any Customer to the Commission and at the discretion of the Commission, a test will be made of a Customer's Meter by the Utility under the supervision of an employee of the Commission pursuant to 170 IAC 6-1-12 of the Commission's Rules (as may be amended from time to time).

RULE 8. UTILITY'S RESPONSIBILITY FOR SERVICE

8.1 Interruptions, Pressure, and Volume. The Utility will use reasonable care and diligence to avoid interruptions and fluctuations in its service, but it cannot and does not guarantee that interruptions and fluctuations will not occur. Variations in pressure or volume of flow are to be expected. In the Utility's judgment, Customers requiring uniform service, an uninterrupted supply, or uniform pressure or volume shall make their own special provisions on their Premises. Customers needing special provisions for uninterrupted service may also be required to install multiple Meters or multiple backflow devices to allow the Utility to test Meters and backflow devices or repair Meters during the Utility's normal business hours and to allow the Customer to repair its backflow devices.

8.2 Liability for Damage. The Utility shall not be liable for damages of any kind or character for any deficiency in pressure, for failure of water supply, for bursting or breaking of any Mains, services, Service Pipes, stops, valves or fixtures, wherever located, for any deficiency in any attachment to Mains, services, service branches or any other facilities used by the Utility, or for any other interruption of water supply caused by breaking of machinery, stopping for repairs or for any reason or occurrence beyond the reasonable control of the Utility. The Utility shall not be responsible for damage caused by change in water quality that may be occasioned by cleaning of pipes, reservoirs or standpipes, or the opening or closing of any gate valves or hydrants or any other cause when the same is not due to lack of reasonable care on the part of the Utility.

8.3 Liability for Failure or Delay in Performance. The Utility shall not be held liable for any failure or delay in performing any of the things undertaken by it under any service contract when such failure or delay is caused by strike, acts of God, unavoidable accident, or other contingencies beyond its control, and in no manner due to its fault, neglect, or omission, nor shall Utility be liable for damage caused by interruption in, or failure of service, or by sewage disposal escaping from piping on Customer's property.

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RULE 9. COMPLAINT PROCEDURE

9.1 Complaint. A Customer may complain at any time prior to disconnection to the Utility about any bill, a security deposit, a disconnection notice, or any other matter relating to the Utility's service and may request a conference about such matters. The complaints may be made in person, in writing, or by completing a form available from either the Commission or from the Utility at its business office. A complaint shall be considered filed upon receipt by the Utility, except mailed complaints shall be considered filed as of the postmark date. In making a complaint or requesting a conference (hereinafter "complaint"), the Customer shall state his/her name, service address and the general nature of his/her complaint. The Utility will continue service to Customer pending disposition of a complaint in accordance with the terms of Rule 6.10.

9.2 Investigation of Complaint and Notification of Proposed Disposition. Upon receiving each such complaint, the Utility will investigate the matter, confer with the Customer when requested and notify him/her, in writing, of its proposed disposition of the matter. Such written notification will advise the Customer that he/she may, within seven days following the date on which such notification is mailed, request a review of the Utility's proposed disposition by the Commission. If the Customer requests a special Meter reading, the first reading of the Customer's Meter by the Utility during its investigation shall not be subject to the charge for a special Meter reading prescribed in the Utility's Rate Schedules. Subsequent readings, however, if requested by the Customer, will be subject to the charge.

9.3 Service During Review of Complaint. In accordance with the Commission's Rules pursuant to 170 IAC 16 et al, if the Customer is receiving service at the time the complaint is received by the Utility, his/her service will not be disconnected until at least ten days after the date on which the Utility mails the notification of its proposed disposition of the matter to the Customer.

If the Customer desires review of the Utility's proposed disposition, he/she must submit a written request to the Commission in accordance with the Commission's Rules as set forth in 170 IAC 16-1-5.

9.4 Record of Complaints. The Utility's record of complaints under this rule will be available during normal business hours (as set forth on www.citizensenergygroup.com) upon request by the concerned Customer, his/her agent possessing written authorization, or the Commission.

9.5 This rule does not preclude the right to file a complaint with the Commission as permitted by the Commission's Rules and/or by statute.

RULE 10. MAIN EXTENSIONS

10.1 Definitions. The following terms as used in this rule have the following meanings:

10.1.1 "Completion date of the Main extension" means the date the Utility declares the Main extension to be in service and releases it for Taps.

10.1.2 "Cost of the Main extension" means the estimated cost of installing the Main or the actual cost of a developer-installed extension.

10.1.3 "Deposit" means the amount required to be deposited by or on behalf of each prospective Customer for a Main extension prior to the Utility commencing construction of the Main extension.

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10.1.4 “Main extension” means the Mains, hydrants and appurtenances installed by the Utility to provide the water utility service requested by or on behalf of the prospective Customer or Customers, but does not include the Customer’s Service Pipe.

10.1.5 “Original depositor” means a prospective Customer who enters into a Main extension agreement with the Utility and makes a deposit with the Utility prior to the completion date of the Main extension.

10.1.6 “Parcel” means a lot as platted or if the area to be served is not platted, the equivalent of a “lot” as determined in accordance with the Commission’s Rules 170 IAC 6-1.5-30.

10.1.7 “Prospective Customer” or “applicant” means the Person requesting the Main extension in order to receive water utility service from the Utility.

10.1.8 “Subsequent connector” means a Person who was not an original depositor and who connects to the Main within 10 years after the completion date of the Main extension.

10.1.9 “Subsequent connector’s fee” means the amount required to be paid to the Utility by each subsequent connector prior to his/her being permitted to connect to the Main.

10.1.10 “Total required deposit” means the amount by which the cost of the Main extension exceeds the amount equal to three times the estimated annual revenue to be received by the Utility from the prospective Customer or Customers less the Utility’s costs of connecting said prospective Customer or Customers to the Main.

10.2 Written Agreement and Scheduling of Projects. Persons desiring Main extensions shall apply therefore in writing to the Utility. All Main extensions require a prior written agreement between the Utility and the prospective Customer or Customers, who shall contract to connect to the Main within nine months after the completion date of the Main extension and receive service from the Main extension for a period not less than three years.

All Main extension projects will be carried out in accordance with the Commission’s Rules 170 IAC 6-1.5 and this Rule 10. They will be scheduled for construction in the order in which the Utility receives the total required deposit under the Main extension agreement or the executed Main extension agreement if there is no required deposit.

10.3 Design of Main Extension. All Main extensions installed to provide domestic water service shall also provide fire protection service. Unless otherwise specifically provided for in the Main extension agreement, the Main extension will be designed to deliver domestic water service at a rate sufficient to serve the number of parcels abutting the Main extension and public fire protection service at a minimum rate of 1,000 gallons per minute at 20 pounds per square inch residual pressure. In addition to the above, the Utility will determine the size of Main reasonably necessary to serve the applicant without degrading the integrity of the Utility’s distribution system.

10.4 Determination of Cost of Main Extension.

10.4.1 General. The cost of a Main extension may be either (a) the actual cost of a developer-installed extension; or (b) the estimated cost of the extension. The estimated cost of the Main extension to satisfy the design characteristics set forth in Rule 10.3 or such other design characteristics as are

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specifically requested by the prospective Customer or Customers will be based on the length of the Main and unit cost for installing the appropriately sized Main. All such costs will be determined annually by the Utility, based on the Utility's actual average cost to install Mains during the previous calendar year, adjusted for known increases or decreases in materials, equipment, special construction, overhead and labor costs. The total of such estimated costs shall be the cost of the Main extension for all purposes under the Main extension agreement. If, however, one or more of the prospective Customers requests special service, such as higher flow or pressure, which the Utility determines requires the installation of a Main larger than that which would otherwise be necessary to serve the domestic and fire protection requirements of the prospective Customers generally, the Utility will compute the cost of an alternative Main extension which would meet the needs of the prospective Customer or Customers assuming no one of them required any special service, which cost will be used to determine the deposit required from each of the original depositors other than those requesting the special service and the subsequent connector's fees.

The applicant shall be required to pay the cost of the Main extension and the full gross-up any applicable state and federal taxes associated with the cost of the extension, and the applicant shall receive refunds as provided in this Rule 10.

10.4.2 Length and Location of Main Extension.

10.4.2.1 Extension of Main to Intersection or Parcel Adjacent to Parcel Having Available Service. The Main extension shall run to the end of the lot or frontage of the most remote original applicant to be served. However, if such lot or frontage abuts an intersecting street, the terminal point of the extension shall be located so that the Main to be installed ties into the existing Main in the intersecting street. If there is no Main in the intersecting street, the cost of the Main extension shall be computed on the basis of an extension of the Main to the center of the street. If the Main to be extended terminates within a parcel served thereby and the extension of such Main is to serve only the immediately adjacent parcel, the Utility, at its expense, will extend the existing Main to the mutual property line and such line will be considered the beginning point of the Main extension.

10.4.2.2 Termination of Main Extension in Permanent Cul-De-Sac. If the public thoroughfare in which the Main is to be installed dead ends in a permanent cul-de-sac, the Main will be installed to wrap around the cul-de-sac in the unpaved portion of the Public Right-of-Way, so that the Service Pipe to serve each parcel abutting the public thoroughfare may be connected to the Main without disturbing the paved portion of the public thoroughfare in the cul-de-sac and without crossing any property line other than the right-of-way line.

10.4.2.3 Termination of Main Extension Against Natural or Physical Barrier. If the public thoroughfare in which the Main is to be installed dead ends against a railroad, creek, river or other physical or natural barrier, or if the Main is to serve the last lot or last facing pair of lots in a street, the Main to be installed may terminate at the physical or natural barrier, at the point where the most remote Service Pipe is to be connected to the Main, or at a point perpendicular to the farthest corner of the house or structure located on the parcel adjacent to the barrier, whichever the Utility in its reasonable engineering judgment determines is the most appropriate under the circumstances.

10.4.2.4 Mains to be Installed in Public Thoroughfare. The Utility shall not have a duty to locate a Main other than in a public thoroughfare. In its discretion, the Utility may install a

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Main in an Easement or right-of-way granted to the Utility where installation of the Main in the public thoroughfare is impracticable or installation of the Main in an Easement will, in the Utility's engineering judgment, benefit the Utility's distribution system.

10.5 Determination of Revenue Allowance. The revenue allowance for each Main extension shall be equal to three times the estimated annual revenue to be received from the Customer or Customers to be attached to the Main less the estimated cost of connecting the prospective Customer or Customers to the Main, which cost shall be based on the size of the Tap and Meter through which the prospective Customer or Customers will receive service. If the revenue allowance exceeds the cost of the Main extension, the Main extension shall be a "free extension," subject to the terms and conditions described in Rule 10.6.

In determining the revenue allowance, the Utility will estimate the annual revenue to be received by it from each of the prospective Customers based on the average annual revenue received from Customers of the same classification having similar characteristics during the previous calendar year. If there is evidence available that would indicate that such an estimate would be inapplicable, the Utility will estimate the annual revenue based on such evidence.

Where the Main extension will serve Residential Customers, an immediate revenue allowance will be allowed only for existing residences or residential units where construction of the building containing the units has commenced above the first floor and where the prospective Customer or developer, as the case may be, agrees to take service within nine months following the completion date of the Main extension. Where the Main extension is to serve a proposed commercial or industrial real estate development, no immediate revenue allowance will be allowed for prospective Commercial or Industrial Customers unless, in the Utility's judgment, sufficient construction has commenced and pertinent data is available to the Utility to permit it to identify the prospective Commercial or Industrial Customers in order to determine anticipated water demands and estimate the annual revenue to be received from such prospective Customers.

10.6 Guarantee to Insure Connection to Free Extension. If the Main extension is estimated to be a "free extension," as identified in Rule 10.5, the Utility may require each prospective Customer to make a reasonable deposit, not to exceed three years' estimated revenue from such Customer, to guarantee that such prospective Customer connects to, and takes service from, the Main extension within nine months after the completion date of the Main extension. Each such deposit will be returned as soon as practicable after the prospective Customer commences service from the Main extension. If a prospective Customer fails to connect to and take service from the Main extension, the Utility will retain the deposit as liquidated damages for the loss resulting to it from the prospective Customer's failure to commence service as anticipated and relied upon by the Utility, unless a sufficient number of other prospective Customers become Customers so as to qualify the Main extension as a free extension. If the deposit amount exceeds the actual cost, the Utility will refund the difference between the actual cost and the deposit to the Customer. However, if the actual cost exceeds the deposit amount, the Utility will retain the deposit in total and will bill the Customer for the difference.

10.7 Allocation of Total Required Deposit Where There is More Than One Prospective Customer. Unless otherwise agreed upon among the prospective Customers, each shall pay to the Utility his/her proportionate share of the total required deposit based on the ratio of the number of parcels for which each Customer requests water service to the total number of parcels for which water service is requested by all of the prospective Customers. When a prospective Customer owns more than one parcel but does not elect to arrange for service to all parcels, he/she may designate which of the parcels are to be served and shall make deposits for each of the parcels to be served. A separate Main extension agreement shall be entered into with respect to each parcel for which water service is requested.

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10.8 Cash or Secured Deposits. A prospective Customer's deposit shall be made in cash or, in lieu of cash, it may be secured by an irrevocable letter of credit acceptable to the Utility and issued by a national bank or a bank chartered under the laws of the State of Indiana. In all cases, said letter of credit shall permit the Utility upon request to draw funds for the purchase of materials to be used for the Main extension and unconditionally guarantee payment of the remainder of the deposit within three days after the completion date of the Main extension.

10.9 When Deposits Collected are Less than Total Required Deposit. In the event that the amount of deposits collected by the Utility from the original depositors is less than the total required deposit when the Utility is ready to commence installation of the Main, the Utility may elect either to cancel the project and return all deposits or to proceed with the Main extension. If the Utility elects to proceed with the Main extension, the amount by which the total required deposit exceeds the deposits collected shall be identified as the Utility's "repayable investment," and no refunds will be made to depositors until the Utility has recovered all of its repayable investment, with interest at the annual rate of one percent (1%) over local prime at the time the proposed written agreements for the Main extension are sent by the Utility to the prospective Customer or Customers.

10.10 Return of Deposits Upon Failure to Commence Construction. Upon receipt and retention by the Utility of the total required deposit, no refund of any deposit will be made unless within 180 days after the Utility's receipt of the total required deposit, construction of the Main extension shall not have begun. In the event that the Utility has not commenced installation of the Main extension within 180 days after receipt of the total required deposit from the original depositors, the Utility shall, upon written request from an original depositor, refund his/her deposit. Unless such refunded deposit and all other refunded deposits are replaced by the same or other original depositors within 90 days thereafter, the Utility may cancel the project and refund all remaining deposits thereon. The Utility shall not be liable for damage to any Person, firm, corporation, organization or other entity for failure to install the Main extension within any particular period of time, regardless of the type of damage claimed.

10.11 Connection and Service. An original depositor shall be entitled to one Service Pipe connection for each parcel for which a deposit is made. An original depositor shall connect to and receive water service from the Main extension within nine months after the completion date of the Main extension and shall use and pay for such service for a period of at least three years. In the event the original depositor fails to connect to and take service from the Main extension within nine months after the completion date of the Main extension, the revenue allowance for such prospective Customer shall be identified as the Utility's repayable investment and no refunds will be made to the original depositors until the Utility has recovered all of its repayable investment, with interest at the annual rate of one percent (1%) over local prime at the time the proposed written agreements for the Main extension are sent by the Utility to the prospective Customer or Customers. The Utility may also require a bond to enforce the faithful performance of the prospective Customer's connection and service obligations.

10.12 Utility May Install Larger Mains. The Utility may install Mains larger than the size of Mains used to determine the cost of the Main extension in order to provide for future extensions. The additional cost of installing such larger Mains shall be the Utility's expense.

10.13 Subsequent Connector's Fee. If the owner or occupant of any unconnected parcel abutting the Main but not included in the original application for the Main extension, requests water service any time within ten years after the completion date of the Main extension, the owner shall, prior to the Utility permitting the connection of said parcel to the Main, pay a subsequent connector's fee for each parcel for which service is requested. The amount of the subsequent connector's fee shall be the cost of the Main extension divided by the number of parcels abutting the Main used to compute the cost per parcel in determining the amount of the total required deposit from the original depositors for the Main extension, unless otherwise determined in accordance with Rule 10.4.1. If the

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owner of land which abuts the Main extension and was unplatted on the completion date of the Main extension and said owner or his/her heirs, successors or assigns (hereinafter, collectively the "owner") subdivides said land within 10 years after the completion date of the Main extension in such a manner that some or all of the parcels will not require service directly from the Main extension, and the owner requests a lateral Main extension from the Main extension to serve such land, the owner shall pay to the Utility a subsequent connector's fee for each parcel abutting the earlier Main extension, regardless of whether such parcels are to be served by the earlier Main extension or by the lateral Main extension. Applicants for service connections for parcels within subdivision developments included in a Main extension agreement shall not be required to pay a subsequent connector's fee. The subsequent connector's fee shall be in addition to any other charges which the subsequent connector must pay to the Utility in order to connect to and receive service from the Utility.

10.14 Provisions Regarding the Refund of Deposits.

10.14.1 All Main extensions are the Utility's property. The Utility shall have the right to make further extensions therefrom without the original depositors being entitled to any refund by reason of such further extensions or connections thereto, except as provided in Rule 10.13.

10.14.2 No refund shall be based on connections to the Main extension made more than 10 years after the completion date of the Main extension. In no event shall the total amount of the refunds to an original depositor exceed the amount of his deposit. No interest shall be paid on any deposit made pursuant to this Rule 10.

10.14.3 No refund of any deposit shall be made on account of any Customer connecting to the Main extension for whom a final revenue allowance was allowed in establishing or adjusting the amount of such deposit, or whose property does not directly abut upon the particular section of the public thoroughfare in which the Main extension is installed.

10.14.4 In the event that more than one party contributes to the total required deposit, refunds shall be divided among the parties making the total required deposit in the same proportion as their contributions bear to the total required deposit, unless otherwise provided for in the Main extension agreement.

10.14.5 The Utility shall notify the original depositor or depositors of the completion date of the Main extension. Within 30 days after the first anniversary of said completion date, and within 30 days after the next nine anniversaries of said completion date, the Utility shall compute credits toward its repayable investment, if any, and the refunds due the original depositor or depositors. Such credits shall consist of the sum of the following:

- (a) The subsequent connector's fees collected by the Utility from Customers connected to the Main extension after the completion date of the Main extension and for whom no credit has been previously allowed.
- (b) A revenue allowance in the amount specified in the Main extension agreement for each single family Residential Customer who connected to the Main after the completion date of the Main extension and for whom no credit has previously been allowed.
- (c) A revenue allowance for each non-Residential or Multi-Family Customer for whom no credit was previously allowed in the amount of three times the first normal 12-months'

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Metered Water Service and Private Fire Protection Service bills paid by such Customer within four years after connection to the Main, less the Utility's cost of so connecting them. If the connection occurs in the tenth year after the completion date of the Main extension, the credit under this subparagraph (c) shall be based on the Utility's estimate of the first normal 12-months' revenue from that Customer for each non-residential or multiple dwelling unit complex Customer who connected to the Main extension and for whom no credit has previously been allowed.

(d) A revenue allowance for each non-Residential or Multi-Family Customer for whom a partial credit was previously allowed in the amount of three times the first normal 12-months' metered and private fire protection service bills paid by such Customer, less the amount of the partial credit previously allowed.

10.14.6 All credits shall first be applied to pay the Utility its repayable investment and accrued interest thereon, if any. After the Utility's repayable investment and interest thereon has been fully paid, all further credits shall be refunded to the original depositor or depositors by check mailed to the original depositor's last known address, as shown on the Utility's books and records. Any refund which cannot be made after the refund becomes due and payable because the Utility is unable to locate the intended recipient will be reported as unclaimed property to the State of Indiana in accordance with the Disclaimer of Property Interests Acts (Indiana Code 32-17.5, et. Seq.), as the same may be amended from time to time.

10.14.7 In the case of a phased residential real estate development where the preliminary plat of the entire development, in a form satisfactory to the Utility, is provided to the Utility at the time of the first request by the developer for a Main extension, refunds may be aggregated as follows: During the ten-year period, beginning with the date that the first Main extension for that development is placed in service, the amount of any refunds generated in excess of the deposit made on any phase of the development shall be applied against the deposit made for any earlier phase of the development, so long as the total amount of refunds to the original depositor does not at any time exceed the total amount of his deposits during such period.

10.15 Optional Surcharge Main Extension in Developed Residential Area. The Utility will install a Main extension for owners of single or double family dwellings along an existing street in a developed residential area in accordance with the terms and conditions hereinafter described, provided each of said owners enters into a Main extension agreement with the Utility in which said owners, for themselves and their successors in interest in the Premises (hereinafter the "owner"), agree to become and remain Customers of the Utility for at least 60 consecutive months following the completion date of the Main extension and abide by the terms and conditions set forth in this Rule 10.15. Upon request by the Utility, applicants for such a Main extension shall provide the Utility with proof of their property ownership.

The cost of the Main extension shall be determined in accordance with Rule 10.4.1. To determine each owner's share of that cost, the Utility will divide the cost of the Main extension by the number of dwellings whose owners enter into the Main extension agreement. That amount, plus the estimated cost of connecting the owner to the Main, will be the responsibility of each owner and is hereinafter referred to as the "Full Owner's Share". Each owner entering into the Main extension agreement will have the option of either paying to the Utility for each affected dwelling at the time of the execution of the Main extension agreement (1) the Full Owner's Share," less the Utility's revenue allowance, for each dwelling or (2) a "Partial Owner's Share," which shall be equal to the greater of (a) 10% of the Full Owner's Share or (b) the percentage of the Full Owner's Share required so that the monthly Main extension surcharge (as hereinafter described) will not exceed a maximum amount fixed by the Utility from time to time. For those owners paying a Partial Owner's Share, the remainder of the Full Owner's Share (the

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“Remaining Balance”) shall be paid to the Utility through a “main extension surcharge” on his/her monthly water bill, over a 60-month period commencing the month following that in which the Main is placed in service. The amount of such monthly Main extension surcharge will be approximately 1/60th of the Remaining Balance. The Utility shall not be entitled to any interest on the Remaining Balance, and an owner electing the Partial Owner’s Share option shall not be entitled to a revenue allowance.

Subsequent connectors to a Main extension installed pursuant to this Rule 10.15 within 10 years following the in-service date of the Main extension shall pay to the Utility a subsequent connector’s fee in an amount computed in accordance with Rule 10.13. Until such time as the Utility has recovered its investment in the Main extension, less any revenue allowances made for a Full Owner’s Share (Utility’s “investment”), the Utility will not be obligated to refund any subsequent connector’s fees or revenue allowances connected therewith. The Utility shall review all projects as of each anniversary of the in-service date of the Main extension. If at that time the Utility has recovered its investment, the Utility will thereafter, until the end of the contract term, make refunds from subsequent connector fees and related revenue allowances, and from Main extension surcharge payments as hereinafter described. Such fees, allowances and payments will be divided equally, per dwelling, among all depositors of Full and Partial Owner’s Shares. Those who have deposited a Full Owner’s Share will be refunded the resulting amounts. The same amounts will be credited against the unpaid portion of the Remaining Balance on the contract obligation of the current owner of a Premises for which a Partial Owner’s Share was deposited. No owner, however, shall be refunded, or credited for, amounts in excess of the sum of deposits and any payments made by such owner (“owner’s investment”). When the Utility has recovered its investment and all owners have recovered their owners’ investment, the Main extension contract shall terminate and no further refunds will be made or subsequent connector fees collected.

An owner that pays a Partial Owner’s Share, but does not connect a Service Pipe to the Main, shall be known as a “surcharge Customer”. Since such a Customer will not be receiving a monthly water bill, the Utility will send the surcharge Customer a separate monthly bill for the Main extension surcharge. A monthly Main extension bill which remains unpaid for a period of more than 17 days following the mailing of the bill by the Utility shall be delinquent. If such bill remains delinquent for 7 days following the Utility’s mailing of a delinquency notice, said Customer shall be deemed to have forfeited to the Utility his Partial Owner’s Share and all monthly surcharge payments previously made to the Utility. During the term of the Main extension contract, any subsequent applicant for water service to the owner’s Premises, including a defaulting surcharge Customer as provided for in the foregoing sentence, shall be deemed a subsequent connector and pay a subsequent connector’s fee for such service.

An owner that occupies a dwelling served by a Service Pipe connected to the Main extension installed pursuant to this Rule 10.15 must pay all Main extension surcharges by the due date of the accompanying water bill. A monthly Main extension surcharge which remains unpaid for a period of more than 17 days following the mailing of the bill by the Utility shall be delinquent. If such bill remains delinquent for 7 days following the Utility’s mailing of a disconnect notice, the Utility may declare the entire unpaid amount of the owner’s Remaining Balance immediately due and payable, and upon non-payment thereof, may disconnect water service to the owner’s Premises. A Landlord Customer served by a Service Pipe connected to the Main extension shall agree with the Utility, for the years that the monthly surcharge payment will remain in effect, that the owner is the Customer and will receive and pay the monthly bills for water service and the Main extension surcharges. The Landlord Customer shall further agree that if the monthly Main extension surcharges are not received by the Utility within 7 days following the Utility’s mailing of a disconnect notice, the Utility may declare the entire amount of the owner’s unpaid Remaining Balance immediately due and payable, and upon non-payment thereof, may disconnect water service to the owner’s Premises with notice and in accordance with Rule 6. In the event of a disconnection of water utility service under this Rule 10.15, such service may thereafter be restored only when the entire amount of the owner’s Remaining Balance and the Utility’s disconnect and reconnect charges have been paid.

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The failure of one or more owners that paid a Partial Owner's Share to pay all of his or their monthly Main extension surcharges shall not preclude the Utility from collecting monthly Main extension surcharge payments from other owners and subsequent connector fees until its repayable investment has been recovered.

10.16 Special Contracts for Rate Surcharge in Developed Residential Area. Pursuant to 170 IAC 6-1.5-40, the Utility will make a Main extension to an unserved, developed residential area ("designated area") if the owners of at least 50% of the dwellings in the area contract ("Special Contract") for service, on terms acceptable to the Utility, providing for the Utility's recovery of the cost of the Main extension ("main extension cost") and its cost of connecting Customers' Service Pipes to the Main through Monthly Area Rate Surcharges and Area Rate Tap fees, as prescribed in the Miscellaneous Service Charges tariff of the Utility's Rate Schedules, applicable to all Customers and potential Customers in the designated area until the Utility has recovered the Main extension cost. If owners of fewer than 50% of the dwellings in an area enter into a Special Contract for the area, the Utility may elect not to proceed with a Main extension under this rule.

The Monthly Area Rate Surcharge will be determined by dividing the Main extension cost by the number of potential Customers in the designated area and dividing the resulting remainder by no fewer than 120 months.

An owner who contracts for service and pays the Area Rate Tap fee, but fails to connect to the Main within six months after the date the Main is placed in service, or one who does not contract for service and does not pay such fee before a Main is installed, shall, prior to commencement of service, pay the Utility at the time the owner connects to the Main and in addition to the Area Rate Tap fee, the Secondary Connector Fee prescribed in the Miscellaneous Service Charges tariff of the Utility's Rate Schedules for the designated area which fee will be credited against the Main extension cost.

10.17 Other Rules. All Main extensions shall be installed, service connections made and water service rendered by the Utility in accordance with all applicable rules and standards prescribed by the Commission and the Utility's Rate Schedules and rules approved by the Commission as revised, supplemented, and replaced from time to time.

RULE 11. SERVICE PIPES AND OTHER FACILITIES

11.1 Installation and Ownership of Service Pipes. The Service Pipe shall be installed and owned by the Customer. The type, kind and quality of all pipe and materials installed between the Main and the Meter connection shall be subject to approval by the Utility. The Meter and Tap will be furnished, installed, maintained and replaced, if necessary, by an approved Contractor or the Utility and are the Utility's property. If the Tap is installed by the Utility outside regular working hours for the convenience of the Customer, the Customer shall be charged the actual cost to the Utility of labor and equipment used in the work. The Customer or his/her Contractor shall install the Meter connection, which will be furnished by the Utility, but is owned, repaired or replaced, if necessary, by the Customer. If the connection is damaged or lost by the Customer or his Contractor, the Customer shall pay the Utility the cost thereof, but the Customer will not be held responsible for loss or damage if he/she has used reasonable care to protect the Utility's property.

11.2 Maintenance of Service Pipes. The Utility will maintain, repair or replace the portion of the Service Pipe and appurtenances between the Main and the Public Right-of-Way line made necessary by leaks.

The Customer will maintain, repair or replace the portion of the Service Pipe, and appurtenances from the Public Right-of-Way line to the Premises.

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The Utility shall have no duty to maintain, repair or replace Service Pipes which are connected to a pipe in a Public Right-of-Way, which pipe, prior to the dedication of the Public Right-of-Way, was a Service Pipe not owned by the Utility.

For Mains and Service Pipes installed in Easements, the Utility will maintain the Main and Tap but will not maintain the Service Pipe.

The Utility shall have no duty to maintain, repair or replace Service Pipes within a vacated Public Right-of-Way or Easements unless the Service Pipe crosses a Public Right-of-Way adjacent to the Easement.

11.3 Disconnection of Old Service Pipes. The Utility will disconnect, at its expense, inactive Service Pipes at the Tap under the following conditions: (1) when the Utility receives a “wrecking” notification for a Premises; (2) when an active Service Pipe serves the Premises; (3) when a Customer installs a new Service Pipe; or (4) when there are no existing on-site needs for water service. If the situation is not described by one of the above conditions or is unusual, the Utility will give such special considerations as the circumstances require in its sole judgment.

All Service Pipe disconnections will be scheduled by the Utility. The Utility is under no obligation to disconnect inactive Service Pipes prior to construction of new or modified Service Pipes.

Any damages to inactive Service Pipes in the Public Right-of-Way or Easement, prior to disconnections performed by the Utility, shall be the responsibility of the property owner.

11.4 Service Pipe Installation Requirements. Service Pipes, including branches, shall be installed according to the following specifications:

11.4.1 The minimum inside diameter of the Service Pipe shall be 3/4-inch (or in accordance with the building code applicable to the area).

11.4.2 The Service Pipe shall run in a straight line perpendicular to the Main or from the Main to the property line or Easement line of the Premises being served. Any exceptions to this practice must be approved by the Utility.

11.4.3 The Service Pipe shall be installed and maintained with a minimum cover of 4 1/2 feet from the Main to a point where the Service Pipe is otherwise protected from freezing.

11.4.4 The Service Pipe shall include a Service Stop of the type approved by the Utility. Service Pipes for Meters one-inch or smaller installed in an outside Meter pit shall have a Service Stop with a locking device, which is a part of the Meter connection furnished by the Utility. Service Pipes for Meters one-inch or smaller which cannot be installed in an outside pit shall have a Service Stop approved by the Utility placed between the curb and the Public Right-of-Way line. Unless otherwise approved, the Service Stop shall be placed in the unpaved portion of the Public Right-of-Way near the curb edge of the sidewalk and shall be in front of the structure served. In streets where there are no sidewalks or curbs, such Service Stops, as a general rule, shall be placed in the Public Right-of-Way as close to the property line as possible. All Service Pipes 1 1/2-inch or larger shall have a Service Stop installed within three feet of the Main. In no case shall Service Stops be placed in vaults under the sidewalk.

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11.4.5 Each Service Stop except those installed in pits shall be provided with an approved box. The top of the box shall be set level with the grade of the surrounding street, sidewalk, or ground. This box shall be originally installed and owned by the Customer and if located on private property shall be maintained and kept to proper grade by the Customer.

11.4.6 Each Service Pipe shall contain an approved shut-off valve. Where the Meter is located in a building, the valve shall be located where the Service Pipe first enters the building and on the street side of the Meter. Where the Meter is located in an outside pit, the valve shall be installed either in the basement or in a riser pipe just above the first floor so that all outlets are controlled. A drawing showing the proposed layout of Branched Service Pipes and valves shall be submitted to, and have been approved by, the Utility prior to installation of said Service Pipes and valves.

11.4.7 Any Service Pipe laid in proximity to an existing or proposed sewer or drain line shall be installed in accordance with the current plumbing rules and regulations of the State of Indiana applicable to such installation.

11.4.8 Every Premises shall receive water utility service through a separate Service Pipe unless the Utility approves and authorizes the provision of water utility service to two or more separate Premises through a Primary Service Pipe and related Branched Service Pipes in accordance with Rule 11.12.

A Service Pipe shall not extend from one Premises to another across a Public Right-of-Way.

A Service Pipe shall not extend across a property, lot or Easement line except in those instances where the Main to which the Service Pipe is connected is installed in a Public Right-of-Way or in an Easement parallel to the Public Right-of-Way.

11.4.9 The Utility, upon request, will review a Customer's plans and specifications with respect to the type, location and arrangement for the service, Service Pipe and other facilities downstream from the Meter, but the Utility is not responsible for the adequacy of such Service Pipe and facilities downstream from the Meter or for selection by the Customer of the best or most economical type of service or Metering arrangement.

11.5 Replacement of Service Pipes. The Utility recommends against extending or reconnecting a previously installed Service Pipe to a building if such Service Pipe is or may be of inadequate capacity and invites the Customer or Contractor to obtain the advice of the Utility regarding the size of the Service Pipe which would be adequate for the proposed service. If the Customer elects to install a new Service Pipe, the installation shall be made by the Customer.

11.6 Metering Points. Unless the Customer requests additional metering points and the request is approved by the Utility, service shall be supplied through a separate Service Pipe and Meter for each Premises.

In new or unusual situations or situations not described by the existing rules, service and metering points must be reviewed and approved by the Utility prior to installation.

11.7 Relocation of Service Pipes. The Utility shall not be liable for the cost of moving or relocating a Service Pipe or related appurtenances to serve the convenience of the Customer.

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If the Utility relocates a Main in connection with a public improvement project, the Utility will, at its expense, reconnect the Service Pipe from the old Main to the new Main.

If a Service Pipe must be relocated or lowered in connection with a public improvement project not involving a Utility Main relocation, the Service Pipe will be relocated or lowered at the expense of the public improvement project agency.

11.8 Undersized Service Pipes. The Utility is not responsible for inadequate or unsatisfactory service due to an undersized Service Pipe. Replacement of an undersized Service Pipe and appurtenances shall be at the Customer's expense.

11.9 Thawing Frozen Service Pipes. The Utility shall not be required to attempt to thaw Service Pipes.

11.10 Irregularly Located Service Pipes. A Service Pipe which is irregularly located shall, at the Utility's expense, be relocated and connected to a new Main abutting the Premises when subsequently installed for other purposes.

The Utility shall not be under any obligation to permit connection or to supply service to any Customer whose Premises does not abut a Main.

11.11 Modification of Facilities. Where modification of the Customer's facilities, or modification of the type or arrangement of service is required in the Utility's judgment because of changes in the use of the Premises or because of changes in the Customer's operations which affect the Utility's distribution system, such as the causing of pressure fluctuations which affect service to other Customers or damage to the Utility's system, the necessary modification shall be made at the Customer's expense at the request of the Utility. The Utility shall also be entitled to recover from such a Customer the costs of repairing its distribution system to the extent damaged by the modifications to the Customer's facilities, use of the Premises or changes in the Customer's operations.

11.12 Association of Customers. The Utility may contract, in its judgment, with two or more prospective Customers for water service from one Primary Service Pipe, provided the Customers have entered into a written contract with the Utility and with each other to provide for the maintenance of the Primary Service Pipe and all related branches, and to pay all associated Private Fire Protection Service charges.

A Service Pipe to an isolated Premises shall not extend across a property, lot or Easement line to a Main until the prospective Customer and the owner(s) of adjacent land between the isolated Premises and the Main have entered into a written contract with the Utility and with each other to provide for the maintenance of the Service Pipe and to pay all associated Private Fire Protection Service charges.

RULE 12. PLUMBING RESTRICTIONS

12.1 Lawn Irrigation System and Yard or Post Hydrant Installation Requirements. Customers shall construct an air gap or install a reduced pressure principle backflow preventer or pressure type vacuum breaker in accordance with Indiana Department of Environmental Management Rule 327 IAC 8-10-6, on the water line connecting the public water supply to any lawn irrigation facility buried below ground which has a sprinkling outlet located less than six (6) inches above grade and which is constructed after July 19, 1985.

Vacuum breakers installed on all yard or post hydrants shall be of the self-draining, nonfreezing type.

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A drawing of each such proposed lawn irrigation and hydrant installation shall be submitted to, and have been approved by, the Utility prior to installation.

12.2 Prevention of Contamination of Utility's Distribution System. No interconnection or plumbing arrangement shall be permitted that could allow contamination to enter the Utility's distribution system. Backflow prevention devices shall be installed in Customer facilities in accordance with Indiana Department of Environmental Management Rule 327 IAC 8-10. Utility-approved backflow prevention devices as required by Indiana Department of Environmental Management Rule 327 IAC 8-10 shall be installed in the Primary Service Pipe serving an association of Customers, as described in Rule 11.12. Utility approved backflow prevention or detector check devices shall be installed in all unmetered private fire service lines as described in Rule 13. Backflow prevention devices approved by the Utility shall be installed in any other Service Pipe where the Utility, in its judgment, determines that such protection is necessary.

All backflow prevention devices shall be installed at locations approved by the Utility. These devices will be selected, installed and tested in accordance with 327 IAC 8-10-7. No connection to a Service Pipe shall be made between the Main and the backflow prevention device without the Utility's prior approval.

12.3 Prevention of Circulation in Looped Systems. Service Pipes which form a complete loop and connect to a Main at two or more points shall have double check valve assemblies installed in them. The devices shall be installed near the property line at each point of connection to the Main.

12.4 Secondary Potable Water Supply. Customers having a secondary Potable Water Supply shall install, maintain and test, at their expense, proper backflow prevention devices in accordance with Indiana Department of Environmental Management Rule 327 IAC 8-10-5. This will include tanks constructed to store water furnished by the Utility's distribution system.

12.5 Non-Potable Water Supply. Where a Premises has a non-potable secondary or private fire service water supply, no connection will be allowed to the potable water piping system. This is to comply with 327 IAC 8-10-5(b).

12.6 Booster Pump Installations. All plans for booster pump installations shall be submitted to the Utility prior to installation. A booster pump must be equipped with pressure sensing controls to provide shut down when the Main pressure drops below 20 psi. Requirements for backflow prevention devices, metering or flow detection will be considered at this time.

12.7 General Requirements. Backflow prevention devices shall be installed and inspected per Indiana Department of Environmental Management Rule 327 IAC 8-10. If the Utility finds noncompliance with these rules, it will report such noncompliance to the Indiana Department of Environmental Management per Rule 327 IAC 8-10-10. The Utility may also disconnect service to the Customer in accordance with Rule 6.2.1.

RULE 13. FIRE SERVICE

13.1 Design and Installation Requirements. The type, kind and quality of all pipe and materials installed underground for fire service shall be subject to approval by the Utility. Fire service water shall pass through a Fire Meter, double check detector check assembly or detector check with a bypass Meter unless, in the Utility's judgment, fire service water is allowed to pass through a non-Fire Meter. A Fire Meter shall be installed only in a Service Pipe which supplies water to a Premises both for fire service use and use other than fire service. A detector

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check with a bypass Meter or double check detector check assembly will be installed where required by Rule 13.7. All fire service lines within buildings shall be installed in such a manner that all pipes will be easily accessible for inspection at any time. Underground pipes outside of buildings must be placed and maintained with a minimum cover of four and one-half feet. Unmetered connections with fire service systems are prohibited.

In the event that an additional Service Pipe for supplying water to the Premises solely for use other than fire service is branched from a Service Pipe supplying water to the Premises for fire service, the Customer may elect to install separate Meters in each such Service Pipe branch, in lieu of a Fire Meter in the Primary Service Pipe for the combined services. Where a fire service system is maintained under pressure from a jockey pump, the water serving the jockey pump shall be drawn from the line serving the fire pump and a separate Meter shall be installed on this line.

13.2 Alarms and Check Valves. Private fire service systems without tanks shall be equipped with a flow alarm and a double check valve assembly. Systems with tanks shall have one flow alarm and an approved backflow prevention device. Water from the Utility's supply used for filling storage tanks or reservoirs shall be metered.

13.3 Seals on Hydrants and Other Fixtures. Hydrants and other fixtures connected to a private fire service line may be sealed by the Utility, and such seals shall be broken only in case of fire or as specially permitted by the Utility. The Customer must immediately notify the Utility of the breaking of any such seal.

13.4 Discontinuance of Service. Water service for a Customer's private fire service system may be discontinued for (1) any of the reasons set forth in Rules 6 or 13.1, except vacancy of Premises, (2) the Customer's failure to notify the Utility promptly in the case where the Utility's seals on valves, fittings, or hydrants are broken, or (3) waste or unauthorized use of water by the Customer through fire service lines.

Water service for a Customer's private fire service system located in Marion County will not be disconnected at the Customer's request, unless the fire department having jurisdiction of the district in which the Premises is located has approved the disconnection. Until the fire department approves the disconnection, the Customer will continue to be obligated to pay for such service. If the Customer fails to pay for their unmetered fire service, the Utility may discontinue the metered water service as set forth in Rule 6.

If the Premises is located outside of Marion County, the Utility will not discontinue private fire service at the Customer's request, and the Customer will continue to be obligated to pay for such service, unless the Utility has received a return mail receipt showing that the fire department having jurisdiction of the area in which the Premises is located has received the Utility's notice that such service will be discontinued. If the Customer fails to pay for their unmetered fire service, the Utility may discontinue the metered water service as set forth in Rule 6.

13.5 Fire Meters. A Fire Meter shall be installed whenever a single Service Pipe is installed for the purpose of supplying water to a Premises both for fire service and for use other than fire service. The Fire Meter and Tap in the Main shall be furnished, installed and owned by the Utility. The Meter pit and all other facilities within the Meter pit shall be subject to the Utility's approval prior to installation and be constructed and installed by, and be the responsibility of, the Customer.

13.6 High Volume – High Pressure Industrial Systems. In the case of a private fire service system to serve an industrial complex owned and operated as a single entity by one Customer which will have significant water storage and high volume/high pressure pumping facilities, such system shall be installed in accordance with plans submitted to, and approved by, the Utility prior to installation. In the event that it is necessary that any part of

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such system cross or be located within a Public Right-of-Way or a Utility-owned Easement, such system shall not be deemed to violate Rule 11.4.8 if the Customer has entered into a written agreement with the Utility in which the Customer has agreed to:

13.6.1 install all of the Customer's pipes within the Public Right-of-Way or Easement in a tunnel or casing pipe extending five (5) feet onto the Customer's property on each side of the Public Right-of-Way or Easement, all details of which shall be subject to the Utility's approval,

13.6.2 pay the costs incurred by the Utility to replace with an approved pipe material any Utility Main which, in the Utility's judgment, is put in jeopardy and is located within the area disturbed by the installation of the Customer's pipes within the Public Right-of-Way or Easement,

13.6.3 maintain and repair, at the Customer's sole expense, the Customer's private fire service system, including the Customer's pipes installed within the Public Right-of-Way or Easement,

13.6.4 compensate the Utility for any and all damage to the Utility's facilities located in the Public Right-of-Way or Easement caused by the Customer, its system, installation or use,

13.6.5 indemnify the Utility against any and all liability and claims arising from damage to property or injury (whether or not alleged to be the result of the Utility's negligence) caused by the Customer's system or its installation, maintenance or use, and

13.6.6 relocate, at no expense to the Utility, its facilities installed within the Public Right-of-Way if such relocation is necessitated by a public improvement.

13.7 Detector Checks. An Underwriters Laboratory-approved detector check with a bypass Meter or double check detector check assembly shall be installed in all new private fire system Service Pipes. In addition, detector checks with bypass Meters or double check detector check assemblies shall be installed where existing private fire system Service Pipes are being modified, replaced or relocated, where existing private fire systems are being extended, and when a Customer being served has been found by the Utility to be using water, without authorization from the Utility, from an existing unmetered Service Pipe for purposes other than fire service. The detector check or double check detector check assembly shall be located after all metered Branched Service Pipe connections. The bypass Meter around the detector check or double check detector check assembly shall be sized, purchased, installed and owned by the Utility. The detector check or double check detector check assembly, Meter pit or vault, and all other piping facilities within the Meter pit or vault, shall be subject to the Utility's prior approval and be constructed and installed by, and the responsibility of, the Customer.