

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
WASHINGTON TOWNSHIP WATER)
CORPORATION OF MONROE COUNTY,)
INDIANA, FOR APPROVAL OF (1) THE)
ISSUANCE OF LONG TERM BONDS, NOTES)
OR OTHER EVIDENCE OF INDEBTEDNESS, (2))
FOR AUTHORITY TO ENCUMBER ITS)
FRANCHISE, WORKS AND SYSTEM IN)
CONNECTION WITH SUCH BORROWING, (3))
FOR A CERTIFICATE OF AUTHORITY TO)
ISSUE LONG TERM DEBT, (4) FOR)
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR WATER SERVICE, (5) FOR)
APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES FOR WATER SERVICE, AND)
(6) FOR APPROVAL TO INCREASE CERTAIN)
NON-RECURRING CHARGES.)

CAUSE NO. 44469

APPROVED: JUN 25 2014

ORDER OF THE COMMISSION

Presiding Officers:

Carol A. Stephan, Commission Chair

Aaron A. Schmoll, Senior Administrative Law Judge

On March 24, 2014, Washington Township Water Corporation of Monroe County, Indiana, ("Petitioner" or "WTWC") filed a Verified Petition with the Indiana Utility Regulatory Commission ("Commission") seeking, generally, borrowing authority, an increase in its rates and charges and authority to increase certain non-recurring charges.

On April 8, 2014, the Presiding Officers issued a Docket Entry directing the parties to attempt to reach agreement on procedural and scheduling matters in this Cause. Counsel for Petitioner and the Indiana Office of Utility Consumer Counselor ("OUCC") conferred and were able to reach accord on procedural and scheduling matters. On April 16, 2014, Petitioner filed its Motion for Establishment of Procedural Schedule, Test Year and Cut-Off Date in Lieu of Prehearing Conference. On May 8, 2014, the Presiding Officers issued a Docket Entry which established a procedural schedule and determined other matters.

On April 30, 2014, Petitioner filed the Verified Direct Testimony and Exhibits of Mark Schmitter, Bonnie Mann and John Wetzel as its case-in-chief. On May 28, 2014, the OUCC filed the OUCC Testimony in Support of Settlement of Richard J. Corey and the OUCC Testimony in Support of Settlement of Scott A. Bell. Also, on May 28, 2014, the Petitioner and the OUCC (collectively, the "Settling Parties") filed their Joint Submission of Stipulation and Settlement Agreement ("Settlement Agreement"). On June 6, 2014, Petitioner filed its Motion for Leave to Prefile Exhibit Out of Time, which was granted at the hearing.

Pursuant to notice duly published as required by law, proof of which was incorporated into the record by reference and placed in the official files of the Commission an evidentiary hearing was held in this Cause on June 11, 2014, at 10:00 a.m., in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Petitioner and the OUCC were present and participated. No member of the general public appeared or sought to testify at the hearing.

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

1. Notice and Jurisdiction. Due, legal and timely notice of the Evidentiary Hearing held in this Cause was given and published as required by law. Petitioner is a “not-for-profit utility” as defined in Ind. Code § 8-1-2-125 and is a “public utility” as defined by Ind. Code § 8-1-2-1(a) and is subject to the jurisdiction of the Commission as provided in Ind. Code ch. 8-1-2. Petitioner’s customers were duly notified of the Petition initiating this Cause as required by 170 IAC 6-1-18(C). Therefore, the Commission has jurisdiction over Petitioner and the subject matter of this Cause.

2. Petitioner’s Characteristics. Petitioner is a not-for-profit public utility corporation duly organized and existing under and pursuant to the laws of the State of Indiana, with its principal place of business located at 1100 East Chambers Pike, Bloomington, Indiana. Petitioner has the corporate power and authority to provide water utility service and does so in Washington, Bloomington, and Bean Blossom Townships of Monroe County, Indiana, and Baker and Washington Townships of Morgan County, Indiana. Petitioner is owned by its members, who are also its customers. Petitioner provides water utility service to approximately 1,430 residential customers and 25 commercial customers. Petitioner purchases all of its water for resale from the City of Bloomington Water Utility. Petitioner’s current rates and charges for water utility service were approved by Order of the Commission entered on July 28, 2004, in Cause No. 42672 and through several water tracker adjustments subsequently approved by the Commission.

3. Relief Requested. Petitioner requested Commission authority to borrow funds, to issue notes, and/or other evidence of debt, and to encumber its utility property by mortgage and/or other security instruments and for a certificate authorizing such financing activities. Petitioner also requested Commission authority to increase its rates and charges for water utility service to enable it to pay its reasonable and necessary expenses of operation, its extensions and replacements (“E&R”), debt service and other revenue requirements as allowed by Ind. Code § 8-1-2-125. Finally, Petitioner requested authority to increase its non-recurring Main Tap and Meter Set Fee to \$1,070 to cover its actual cost.

4. Test Year and Rate Base Cut-off. As provided in the Commission’s May 8, 2014, Docket Entry, the test year for determining Petitioner’s actual and *pro forma* operating revenues, expenses, and operating income under present and proposed rates is the twelve months ended December 31, 2013, adjusted for changes that are fixed, known, and measurable for ratemaking purposes and that will occur within twelve months following the end of the test year. The rate base cut-off reflects used and useful property through December 31, 2013.

5. Petitioner's Evidence. Petitioner offered the testimony and exhibits of Mark Schmitter, Petitioner's Manager; Bonnie Mann, CPA, Petitioner's Rate Consultant; and, John Wetzell, P.E., Petitioner's Engineer as its case-in-chief.

Mr. Schmitter testified that he had managed Petitioner since 1998. He explained that his testimony in this Cause was offered to explain and support WTWC's requests: 1) for Commission authority to engage in long-term borrowing; 2) to increase its rates and charges for water service; and, 3) to increase its main tap and meter set non-recurring charge.

Mr. Schmitter described the exhibits to his testimony, which are:

Petitioner's Exhibit MS-1	The Verified Petition in Cause No. 44469
Petitioner's Exhibit MS-2	Customer Notice of Rate Increase Request
Petitioner's Exhibit MS-3	E&R Cost Detail
Petitioner's Exhibit MS-4	Cost Support for Main Tap and Meter Set Charge

Mr. Schmitter explained how WTWC will be impacted by the construction of I-69. WTWC learned that portions of its system are in the path of the I-69 construction project. As a result, WTWC will be required to relocate approximately ten miles of its mains and other related facilities. The Indiana Department of Transportation ("INDOT") has promised full reimbursement for the cost of the relocation of WTWC's facilities.

He testified that the I-69 construction project is a significant disruption and will cause WTWC to lose over 100 customers, but also presents a unique opportunity for WTWC. Many of the water mains which must be relocated were designed and installed in the 1960s and 1970s with growth projections for 30 years, which have now been exceeded. INDOT will pay to relocate mains, but only with replacements of exactly the same size. However, WTWC can have the relocated mains upsized to meet its current and future needs by paying only the difference in material costs. Paying only the marginal material costs to obtain the needed upgrades is a unique and significant benefit to WTWC and its members. WTWC's proposed upgrades must be accomplished in conjunction with the INDOT funded relocations.

Mr. Schmitter explained upsizing is needed on the six-inch main paralleling State Road 37 on the east side, on the two-, three- and six-inch main on the west side of State Road 37 and four highway crossings. He explained why the upsizing is needed. The mains that are being upsized were designed when the water system was first built 50 years ago to meet the demands expected at that time for WTWC's system originally served approximately 200 customers. WTWC now serves over 1,450 customers over a significantly larger area. Mr. Schmitter testified the construction of I-69 is driving the relocation schedule and the upsizing would need to be done at that time to take advantage of the savings in installation costs. The relocation/upsizing projects started in April, 2014, and are projected to all be completed in November, 2015.

Mr. Schmitter testified as to why WTWC's elevated water tank, or water tower, need to be replaced. After 50 years of service, the 100,000 gallon water tower needs to be completely stripped to the bare metal (including the original lead based primer) and recoated, and many other updates as outlined in the tower inspection report from the fall of 2013. The repair cost of the existing water tower is \$373,000. The cost to construct a new 200,000 gallon water tower and to remove the existing water tower is \$ 774,000. The projected cost of rehabilitation is nearly 50% of the cost of a new tank and WTWC would still not meet the minimum standard of 24 hours of stored water. Mr. Schmitter stated by replacing the tank Petitioner will not only gain the full life cycle of a new tower but increase its size to provide additional storage for high demand and emergencies.

Mr. Schmitter testified as to the costs of the main upsizing, the water tower replacement and related project costs. The main upsizing projects will cost \$465,000. The water tower replacement will cost \$774,000. The related project costs are \$261,000. The total of these project costs is \$1,500,000. The detail of these costs are set forth in the PER attached to Mr. Wetzel's testimony.

Mr. Schmitter testified that Petitioner does not have \$1,500,000 on hand to pay for the cost of the projects and must borrow the money to pay for the costs of the projects. WTWC plans to borrow the money from the State Revolving Fund ("SRF") as explained in Ms. Mann's testimony. Mr. Schmitter explained if the SRF interest rate available to WTWC in January, 2015, is higher than the 2.5% projected by Ms. Mann in her testimony, that WTWC's proposed borrowing will be impacted. If the interest rate increases, then the amount of the borrowing would have to be reduced in order to stay within the requested 30.5% increase. He further explained if the amount that WTWC is able to borrow is reduced, WTWC's construction projects will be affected. Petitioner's highest priority is to take advantage of the upsizing where INDOT is paying most of the cost. If necessary, Petitioner would eliminate the water tower work from its current request and present it at a future date.

Mr. Schmitter testified that Petitioner will lose large customers, such as Nature's Way, Wayport Kennel, A&S Rentals, and TK Homes, which are some of Petitioner's highest volume users and will have much more effect than the loss of a residential customer. He testified that Petitioner has already removed six services and have dates on several others, with the complete loss realized by the end of this year. Mr. Schmitter does not believe any of the "lost" customers will build new homes or businesses within Petitioner's service area. Generally, when the State purchases a property the owner is given a very limited time to relocate which does not allow for new construction. Mr. Schmitter explained Petitioner will incur additional expenses in connection with the "lost" customers. When houses and businesses that are purchased by the State are scheduled for demolition, Petitioner is asked to completely remove the service from the property before demolition work begins so that no damage can occur to the water system. Mr. Schmitter stated what INDOT requires is different from an ordinary service termination because the service must be completely removed and disconnected from the water main. An ordinary service termination would be to just turn the service off at the meter. INDOT does not compensate Petitioner for the complete removal of these water services.

Mr. Schmitter testified that the I-69 project will also have an impact on Petitioner's staffing needs. WTWC operates with a staff of a manager, an outside person and an office person. When everything is operating smoothly, Petitioner can manage its operations. Based on information from water system operators that have already experienced the I-69 construction, Petitioner will need to

have at least one full time employee (and at times more) who does nothing but locate (and relocate) waterlines for INDOT contractors. INDOT has explained that locating Petitioner's lines is part of the normal course of business and is not reimbursable. This will be in addition to the increased activities construction will bring, the removal of services and, in all likelihood, damage repairs to Petitioner's lines. Mr. Schmitter explained that hiring an additional employee at \$12 per hour will cost WTWC approximately \$520 per week or \$27,000 per year, plus benefits (health insurance as mandated) of \$220 (will vary with age of employee) per month, or \$2,640 per year. The total expense would be \$29,640 annually.

Mr. Schmitter explained the projects which Petitioner plans to fund through its E&R revenue requirement. Because expenses have increased in recent years, the meter replacement program had to be deferred. The annual cost to replace 10% of the meters is \$22,500. Mr. Schmitter testified relocations for I-69 will leave some short sections of six-inch Transite pipe that Petitioner will be responsible for replacing/upgrading. Upon completion of the I-69 project, Petitioner should be able to get back to the replacement of water lines. The estimates provided only include the material cost, as Petitioner would use its existing labor force and equipment. Details of these costs are set forth in Exhibit MS-3 attached to Mr. Schmitter's testimony. Additionally, there are numerous two and three inch lines that need to be upgraded to meet current demands as well as loop closings to increase water quality and flow. Examples of these are Boltinghouse Road main (two inch to four inch), Old 37 main (Sample to Anderson two inch to four inch), Wylie Road main (loop closing), and Godsey Road main (loop closing). Mr. Schmitter stated with the completion of a hydraulic model in 2013 Petitioner will be reevaluating its priority list.

Mr. Schmitter testified that Petitioner's current Main Tap and Meter Set Charge does not cover its actual cost to provide that service. The current Charge is \$720 and it was established in 2004. Mr. Schmitter explained the actual current costs incurred by WTWC to accomplish a main tap and meter set. He assembled and reviewed current invoices and quotes for the materials needed to install a new service. Mr. Schmitter also calculated WTWC's current labor and equipment costs to install a new service. Mr. Schmitter stated when WTWC sought approval of its current Main Tap and Meter Set Charge in 2003, that he had prepared a spreadsheet detailing the component costs. He took the 2003 spreadsheet and added a column showing the current costs. The updated spreadsheet, and current invoices and quotes for material were attached to Mr. Schmitter's testimony as Exhibit MS-4. He testified that WTWC proposes a \$1,070 Main Tap and Meter Set Charge to cover its actual costs.

Ms. Mann offered testimony and exhibits describing and supporting Petitioner's *pro forma* adjustments to its test year operating results in order to establish an appropriate revenue requirement. Using a test year of December 31, 2013, Ms. Mann made specific adjustments for (\$36,347) to eliminate the revenue of 100 customers that will be lost when the houses are demolished to make way for the I-69 project, along with a reduction in Purchased water of (\$12,108) to remove the cost of water used by the customers lost. Ms. Mann increased Operating Expenses by \$27,471 to reflect pro-forma payroll for 2014 including an additional employee; by \$2,812 to reflect *pro forma* costs of employee health, life and dental benefits for 2014 for existing and new employees; by \$6,550 to reflect the amortization of rate case cost over 5 years; and by \$2,415 in payroll taxes to match the increase in payroll.

Ms. Mann also provided schedules showing the revenue requirements requested by the Petitioner, including operating expenses and taxes as adjusted, E&R based on the additional projects that Petitioner needs that are not being financed through this debt request, debt service based on projected borrowings of \$1,500,000 over 20 years at an interest rate of 2.5% and the debt service reserve is calculated based on a five year funding requirement. These were reduced by interest income drawn directly from the Petitioner's books and records without adjustment. The total of the revenue requirement elements requested was \$650,302 which when compared to the adjusted current revenues of \$498,321 was the requested revenue increase of \$151,981 or 30.50% of adjusted pro-forma present revenue.

Ms. Mann also explained that the debt will be borrowed from the SRF. Due to some timing constraints and the serial nature of the improvements related to the I-69 project, SRF has offered to provide the Petitioner with a Supplemental Loan of up to \$2,000,000 at 2.5% from its Supplemental Loan Fund as a loan to bridge the costs of construction through the end of January 2015. Petitioner will be required to retire this Supplemental Loan during January of 2015 and replace it with a 20 year loan at the interest rate then available from the SRF. Ms. Mann also stated that once the permanent financing has been finalized, Petitioner will report back to the Commission on the debt. If the interest rate is 2.5%, Petitioner will report the details of its borrowing to the Commission and the OUCC. If the interest rate is less than 2.5%, Petitioner will report the details of the borrowing to the Commission and the OUCC, and propose a true-up. If the lowest interest rate available to Petitioner from SRF, or another lender, is more than 2.5% in, or about, January, 2015, Petitioner will borrow less than \$1,500,000, but as much as its authorized debt service revenue requirement will allow. Petitioner will report the details of its borrowing to the Commission and the OUCC. However, if the increase in interest rates is such that the entire project cannot be funded, Petitioner will eliminate the water tower project and only borrow the amount for the remaining project. Ms. Mann also recommended that any true-up, if necessary, would be made similar to the one approved by the Commission for the Petitioner in its June 16, 1999, Order in Cause No. 41441.

Finally, Ms. Mann testified in support of an increase in Petitioner's Main Tap and Meter Set Charge to \$1,070.

Mr. Wetzel, a Professional Engineer, registered in the State of Indiana since 1998, and employed by Midwestern Engineers, Inc. ("MEI"), testified on behalf of Petitioner. Petitioner's Witness Wetzel testified that MEI has provided engineering services to Petitioner for various projects since the early 1970s. His testimony also: 1) provided an overview of the existing WTWC service area and facilities; 2) explained the current problems and needs of the existing system; 3) discussed the proposed INDOT construction of new I-69 - Section 5 (which will run from the south side of the City of Bloomington to the just south of the City of Martinsville); 4) outlined the direct conflicts with WTWC facilities that the INDOT construction of I-69 causes; 5) addressed necessary improvements needed on the WTWC system to meet the current and projected water demands of its system and explained necessary future extensions and replacements; and 6) presented the probable project costs that can be expected as a result of the proposed project.

Mr. Wetzel sponsored a Preliminary Engineering Report ("PER") completed in March of 2014, and a tank inspection report ("Tank Report") completed in November of 2013, for the Petitioner's existing 100,000 gallon elevated water storage tank (Tank 1).

The PER summarized:

1. The location of the project area, the new I-69 improvements that INDOT is making, the deficiencies of the existing WTWC water system and the proposed improvements.
2. The existing water facilities, population trends, water usage demands and historical customers along with the projected populations for the areas served by the system and the projected water demands of the system.
3. Possible improvement alternatives. These include alternatives for distribution system improvements and alternatives for water storage improvements.
4. The proposed improvements and presented probable project costs, the preliminary design summary for the improvements, and a schedule for completion of the proposed improvements.

The Tank Report summarized a visual survey of the tank that was performed to evaluate the physical condition and appearance of the components of the tank and to identify any coating damage to or deterioration and degradation of the same. Pictures, along with descriptions for each, were contained in the report. The Tank Report provided a recommendation for repainting and various miscellaneous repairs. The probable project costs for the repainting and repairs to the tank were also presented.

Mr. Wetzel's testimony described WTWC's existing water system. WTWC purchases all of their water from the City of Bloomington on a wholesale basis. They currently have five (5) connection points to the City of Bloomington. There are two (2) water storage tanks providing total usable water storage of 208,000 gallons for WTWC. The average daily demand for the system in 2013 was 242,600 gpd (in 2012 it was 282,000 gpd). Mr. Wetzel testified that the projected average daily demand in the year 2034 will be approximately 308,000 GPD. The Recommended Standards for Water Works states that the minimum storage capacity for systems not providing fire protection shall be equal to the average daily consumption. The usable storage capacity in WTWC's system does not meet this criteria. WTWC's distribution facilities consist of approximately 125 miles of 1-inch through 12-inch water mains. However, nearly 2/3 of the mains in the system are 3-inch or less. The majority of the water mains immediately adjacent to SR 37 are over 40 years old. There are two (2) booster stations within the system that pump water to from the City of Bloomington into the WTWC tanks.

Mr. Wetzel then explained the improvements that INDOT is making for the new I-69 and detailed the conflicts with the existing WTWC facilities that this INDOT improvement will have. Since the INDOT construction is encroaching on the existing WTWC facilities, INDOT will reimburse for the relocation of "like size" mains. However, in several of the conflict locations, the existing mains have been in service for nearly 50 years. Since their installation, the number of customers served and the average and peak water demands have greatly increased. Several of the mains do not have the capacity to continue to provide adequate service to the existing and projected customers. Thus, upsizing of some of the mains and appurtenances, during the necessary relocation, was recommended. In addition to the upsizing of mains and appurtenances, additional

storage (in the form of a new elevated water storage tank with a capacity of at least 200,000 gallons) was also recommended in order to meet the minimum storage capacity requirements outlined in the Recommended Standards for Water Works.

Mr. Wetzel testified that the proposed improvements (upsizing some of the mains to be relocated and additional storage facilities) are necessary in order for WTWC to continue to provide adequate and reliable water service to its customers. The INDOT improvements for new I-69 are eminent. In order to keep the existing mains which are in conflict with the INDOT improvements in service, there is no choice but to relocate them. The cost for upsizing portions of these mains is minimized to the users of the system because only the material cost difference for the bigger pipe is the responsibility of WTWC. The cost for construction of the mains and the associated non-construction costs would be reimbursed by INDOT. The probable project cost for the upsizing and additional storage capacity is \$1,500,000. Based upon costs seen in the past on similar type projects, Mr. Wetzel testified that these costs are reasonable.

6. Settlement Agreement and Supporting Evidence. The Parties prefiled a Settlement Agreement which was admitted into evidence as Joint Exhibit 1. A copy of the Settlement Agreement is attached hereto and incorporated by reference herein. The Settlement Agreement addressed all of the areas of Petitioner's requested relief: rate relief; borrowing authority; and approval to increase its non-recurring Main Tap and Meter Set Fee.

A. Settlement Agreement.

1. Petitioner's Borrowing Authority.

a. Petitioner's System Improvement Projects. The Parties agreed that Petitioner's proposed projects to upsize certain of its water mains and to replace or repair its water tower are necessary for Petitioner to provide reasonably adequate service. The Parties agreed that the projected costs of the projects are reasonable. The Parties also agreed that the Petitioner does not have the funds on hand to pay for the projects and the proposed borrowing is reasonable and is necessary to accomplish the projects.

b. Petitioner's Plant Value. The Parties agreed that the net original cost of Petitioner's utility plant, as of December 31, 2013, is \$2,418,741, and is calculated as follows:

Utility Plant in Service	\$ 4,213,413
Less: Accumulated Depreciation	(1,794,672)
Net Utility Plant in Service	\$ 2,418,741

For purposes of Ind. Code § 8-1-4-1, the Parties further agreed that the fair value of Petitioner's utility property is not less than \$2,418,741.

c. Petitioner's Borrowing. The Parties agreed that Petitioner shall be authorized to engage in long term borrowing, not to exceed \$1,500,000 in principal amount, at an interest rate not to exceed five (5) percent and to execute documents related thereto, for the purpose

of funding: Petitioner's water main upsizing and related costs; Petitioner's water tower replacement, or repair, project and related costs; engineering fees; financial advisory fees, legal fees; financing fees and charges; and other related costs set forth in Petitioner's evidence.

d. Encumbrance of Property. The Parties agreed that Petitioner is authorized to encumber its utility franchise, works and system in connection with the authorized borrowing, and to execute documents related thereto.

e. Certificate of Authority. The Parties agreed that Petitioner will be issued a certificate of authority to issue the long term debt as agreed herein. The Commission order in this Cause will be the sole evidence of Petitioner's certificate.

f. Debt Service Timing Agreements. The Parties agreed that any difference between the actual interest expense incurred (when the bridge loan is outstanding) and the amount provided for debt service shall be used to pre-fund Petitioner's debt service reserve fund. The Parties agreed that any sums used to partially pre-fund the debt service reserve, as described above, will act to reduce the amount which Petitioner needs to accumulate to fully fund the debt service reserve over five (5) years. The Parties further agreed that the funds which Petitioner receives in rates to fund its debt service reserve shall be set aside and added to the debt service reserve when Petitioner closes on its permanent financing. If Petitioner is not permitted to "pre-fund" its debt service reserve account, the Parties agreed that Petitioner will put these funds (both principal collected prior to the permanent financing and debt service reserve funds) aside in a designated account and use these funds as needed to make appropriate deposits into its debt service reserve account.

g. Report of Borrowing and True-Up Procedure. The Parties acknowledge that the actual amount of Petitioner's debt issuance, interest rate, issuance costs, annual debt service and the required debt service reserve will not be known until Petitioner accomplishes its financing. Because the amounts of these several variables pertinent to Petitioner's proposed financing set forth in Petitioner's evidence are necessarily estimates, a reconciliation, or true-up, may be required after the financing is accomplished and the relevant amounts are known with certainty. In recognition of this uncertainty, the Parties agreed to the following procedure to be operative after the completion of Petitioner's long-term debt issuance:

Petitioner shall file a report of its borrowing with the Commission, serving a copy to the OUCC, within sixty (60) days after the completion of Petitioner's long-term debt issuance. This report should set forth the actual principal amount of Petitioner's debt issuance, a detailed description of the issuance costs, the interest rate, the average annual debt service requirement, the amount of any required debt service reserve and the impact of any differences between the actual debt issuance results and the debt service estimates (including debt service reserve) will have on Petitioner's rates and charges or its tariff. The report should also include the actual interest expense incurred by Petitioner for its bridge loan.

If Petitioner believes that the actual debt issuance results require a modification of its rates and charges, Petitioner should file a request to modify Petitioner's rates and charges detailing its proposed changes and an amended tariff along with its report. If

Petitioner does not request a modification of its rates and charges and the OUCC believes the actual debt issuance results require a modification of Petitioner's rates and charges, it may file a request to modify Petitioner's rates and charges. The OUCC must file its request for any proposed modifications within twenty (20) days of the filing of Petitioner's financing report.

Any party timely filing a request to modify Petitioner's rates and charges as the result of the actual debt issuances may request a hearing, re-opening the record in this Cause. The hearing should be limited to the issue of the appropriate modification to Petitioner's rates and charges based upon the actual results of Petitioner's debt issuance set forth in Petitioner's financing report. Any party not filing such a request within the time provided will have waived its opportunity to request a hearing and to propose a modification to Petitioner's rates and charges as a result of the actual debt issuance information. If the OUCC and Petitioner agree on a modification of Petitioner's rates and charges and an amended tariff and waive hearing, the financing report, request to modify Petitioner's rates and an amended tariff shall be made part of the evidentiary record in this Cause as late-filed exhibits and the amended tariff will become effective upon approval by the Water/Wastewater Division of the Commission. The amended tariff will apply at the start of the first billing cycle following its approval by the Water/Wastewater Division.

2. Petitioner's Rate Increase. The Parties presented evidence on and agreed to the specific components of Petitioner's rates and charges. The agreements of Parties regarding Petitioner's rates and charges are summarized as follows:

a. Petitioner's Test Year Operating Revenue. The Parties agreed that Petitioner's adjusted test year operating revenue at present rates is \$503,441.

b. Petitioner's Revenue Requirement. The Parties agreed that Petitioner's adjusted *pro forma* revenue requirement is \$645,593.

c. Petitioner's Authorized Rates. The Parties agreed that Petitioner shall be authorized to increase its rates and charges for water service, across-the-board, so as to produce annual revenues of \$645,593, which is an increase of \$142,152 over annual adjusted present rate revenues of \$503,441.

3. Approval to Increase Petitioner's Non-Recurring Charge. The Parties agreed that Petitioner is authorized to increase its Main Tap and Meter Set Fee to \$1,070.

B. Evidence Supporting Settlement Agreement. The OUCC offered the testimony and exhibits of Richard J. Corey and the testimony of Scott A. Bell in support of the Settlement Agreement.

Mr. Corey, Utility Analyst, testified that Petitioner's rates are to be calculated pursuant to Ind. Code § 8-1-2-125. He also described his attached schedules detailing his calculation of Petitioner's rates.

Mr. Corey described Petitioner's request to increase its rates by 30.50%. The proceeds of this increase will be used to compensate Petitioner for revenue reduction due to the loss of one hundred (100) customers caused by the construction of the I-69 project. Additionally, the proceeds will be used to pay debt service on a \$1,500,000 SRF loan that will be used to improve and/or resize certain lines that will be moved by the Indiana Department of Transportation and replace, or repair, Petitioner's elevated water tank. Finally, Petitioner proposed to increase its main tap and meter set fee to \$1,070 to cover its actual costs.

Mr. Corey explained that Petitioner and the OUCC agreed to several adjustments which reduced Petitioner's proposed rate request. The OUCC reviewed Petitioner's filing and shared with Petitioner several proposed adjustments to Petitioner's request. The Parties ultimately included many of these adjustments as part of the overall settlement. Mr. Corey created a table detailing the differences between Petitioner's proposal and the settled revenue requirement.

**Comparison of Petitioner's and Settlement
Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 457,546	\$ 457,362	\$ (184)
Taxes other than Income	11,700	11,700	-
Extensions and Replacements	67,600	67,600	-
Debt Service	95,500	95,500	-
Debt Service Reserve	<u>19,100</u>	<u>13,300</u>	<u>(5,800)</u>
Total Revenue Requirements	651,446	645,462	(5,984)
Less: Interest Income	<u>(1,144)</u>	<u>(58)</u>	<u>1,086</u>
Net Revenue Requirements	650,302	645,404	(4,898)
Less: Revenues at current rates subject to increase	(498,321)	(502,225)	(3,904)
Other revenues at current rates	<u>-</u>	<u>(1,216)</u>	<u>(1,216)</u>
Net Revenue Increase Required	151,981	141,963	(10,018)
Add: Additional IURC Fee	-	189	189
Recommended Increase	<u>\$ 151,981</u>	<u>\$ 142,152</u>	<u>\$ (9,829)</u>
Recommended Percentage Increase	<u>30.50%</u>	<u>28.24%</u>	<u>-2.26%</u>

Mr. Corey described the Settled Adjustments. First, he described the revenue adjustments. Petitioner proposed to reduce its operating revenues to remove 100 residential customers lost to the I-69 project, which resulted in a loss in revenue of \$36,347. As reflected in the Settlement Agreement, the OUCC agreed to this reduction. The OUCC proposed to reduce Petitioner's penalties revenue by a pro-rata share of the reduction in water sales that is caused by the loss of 100 customers. Additionally, the OUCC proposed to re-categorize \$8,640 of hook-on fee revenue as contributions in aid of construction ("CIAC"). Finally, the OUCC proposed to use the adjusted penalties and other revenue (CIAC) as a reduction to revenue requirements in calculating Petitioner's rate increase. As reflected in the Settlement Agreement, Petitioner agreed to each of the three adjustments proposed by the OUCC. (See Settlement Schedules 1, 5 and 4).

Mr. Corey explained the expense adjustments. Petitioner proposed to adjust its purchased water to remove 100 residential customers lost to the I-69 project. Petitioner also proposed to increase its operation and maintenance expenses for changes in payroll, payroll taxes, and employee benefits. Finally, Petitioner proposed to adjust its operations and maintenance expenses for the cost of this rate proceeding. As reflected in the Settlement Schedules and the Settlement Agreement, the OUCC agreed to each of Petitioner's proposed expense adjustments. The OUCC added an adjustment to reflect Petitioner's *pro forma* present IURC fee expense by multiplying Petitioner's *pro forma* present revenues by the current IURC rate of .1329888%. (See Settlement Schedule 6, Adjustment 6). Additionally, the OUCC proposed an adjustment to reflect Petitioner's *pro forma* present IDEM fee expense by multiplying the number of Petitioner's *pro forma* present customers by the current IDEM rate of \$0.95 per connection. (See Settlement Schedule 6, Adjustment 7). As reflected in Settlement Schedule 6, the settling parties have agreed to each of the OUCC's adjustments to Petitioner's operating expenses.

Mr. Corey explained concerns regarding Petitioner's debt service timing. Petitioner proposes to issue a bridge loan (interest only) until it can secure permanent financing from the SRF. This lag creates a potential for Petitioner to over-collect. Petitioner's proposed revenue requirements include annual debt service of \$95,500, which includes both principal and interest. But Petitioner will not need revenues that include funds for principal until after it closes on its permanent financing. Thus, during the six months when Petitioner's bridge loan is interest only, it will over-collect. Because the bridge loan will be in place for six months, Petitioner will over-collect half of the estimated \$58,000, or approximately \$29,000 during this period. If interest expense is reduced, the amount of over-collection will increase.

To address Mr. Corey's concerns, the Settling Parties have agreed that any difference between the actual interest expense incurred (when the bridge loan is outstanding) and the amount provided for debt service in rates should be used to pre-fund Petitioner's debt service reserve fund. Mr. Corey explained this would affect the amount Petitioner needs to include in rates to fund its debt service reserve. Petitioner had proposed to collect \$95,500 over five years to fund its debt service reserve. This leads to an annual revenue requirement for the debt service reserve of \$19,100. If the debt service reserve is partially prefunded with \$29,000, the parties agree that Petitioner only needs \$66,500 or \$13,300 per year to fund its debt service reserve over the next five years.

Mr. Corey described other issues upon which the Settling Parties have agreed to related to Petitioner's debt service reserve. Using the calculations described above, Petitioner's rates will include \$13,300 per year to fund its debt service reserve. But Petitioner will not have a debt service reserve obligation until it closes on its permanent debt, which will be six months after it receives the SRF bridge loan. Regardless of whether Petitioner has a current debt reserve obligation, the Settling Parties agree that the funds Petitioner receives in rates to fund its debt service reserve should be set aside and added to the debt service reserve when Petitioner closes on its permanent financing. If Petitioner is not permitted to "pre-fund" its debt service account, the settling parties have agreed that Petitioner will put these funds (both principal and debt service reserve funds) aside in a designated account and use these funds on as needed basis to make the appropriate deposits into its debt service reserve.

Finally, on the matter of Petitioner's permanent financing, Mr. Corey testified the Settling Parties have agreed to true-up language for Petitioner's proposed debt and debt service reserve similar to that approved by the Commission in Petitioner's 1999 rate case in Cause No. 41441. While the language from the Cause No. 41441 final order provides a framework for the financing true-up, Paragraph A,5 of the Settlement Agreement contains the specific details of the financing true-up the parties have agreed to in this Cause.

Mr. Corey explained the Settling Parties have agreed on the proposed increase of Petitioner's main tap and meter set fee. He stated Petitioner has supported its proposed main tap and meter set fee with cost-based documentation.

Mr. Corey recommended the Commission approve the Settlement Agreement in its entirety as submitted. Through approval of the Settlement Agreement, Petitioner will receive an opportunity to earn revenues sufficient to meet its revenue requirements, including the payment of debt service necessary to allow Petitioner to improve and/or resize its lines, and allow for the repair or replacement of its aging elevated water tank. The Settlement Agreement provides bargained-for benefits that are important to each of the Settling Parties while balancing each party's interests and promoting public convenience and necessity.

In summary, Mr. Corey discussed the primary terms of the Settlement Agreement:

1. Penalties revenue will be reduced by \$285.
2. Other revenues will be reduced by \$8,640.
3. Penalties and other revenues, as adjusted, will be used to reduce Petitioner's revenues requirements in the calculation of its rate increase.
4. Petitioner's *pro forma* IURC fee will be reduced by \$133.
5. Petitioner's *pro forma* IDEM fee will be reduced by \$51.
6. Petitioner will be authorized to borrow \$1,500,000 in SRF financing.
7. Petitioner will be authorized to increase its main tap and meter set fee to \$1,070.
8. Petitioner will be authorized to increase its rates by 28.24% annually, an increase of \$142,152.

Mr. Bell, Director of the OUCC Water/Wastewater Division, described Petitioner's Capital Improvement Project and Petitioner's engineering testimony. Mr. Bell explained because the installation cost associated with the proposed project will be paid for by INDOT, the contractor who will install the water mains has already been determined and approved by INDOT. Therefore, Petitioner will advertise and receive bids for only the materials associated with the project. The only exception is the construction of the new water storage tank, for which the bids will include both material and installation costs. The bidding process will ensure Petitioner receives a competitive price for its project.

Mr. Bell testified that during his on-site inspection, he met with Mr. Schmitter and reviewed each component of the proposed project. The consulting engineering firm, MEI, has provided Petitioner with a set of overall plans showing both the existing water mains and the proposed water main relocations and upgrades. MEI is currently working on the detailed plans for each component of the overall project. Mr. Schmitter drove Mr. Bell to observe the existing water storage tanks and the proposed location for the new 200,000 gallon tank. They also visited the existing water booster

stations. Mr. Bell explained Petitioner's contractor has already begun boring SR 37 to install water main casings in anticipation of the I-69 project.

Mr. Bell testified that the proposed project is reasonable and necessary. Petitioner has a unique opportunity to replace and upgrade portions of its water distribution system that currently have limitations to serving its current and future customers. With INDOT paying for a significant portion of the cost of the proposed project, the customers of the Petitioner will enjoy the benefits of an upgraded distribution system at a significantly reduced cost. Mr. Bell stated these system upgrades will serve as a base for all other improvements that may be necessary in the future. Mr. Bell recommended the Commission approve the issuance of the proposed financing and long-term debt associated with funding the proposed project. He also recommended that the Petitioner provide a notice of completion of the project and include the total cost incurred.

Mr. Bell stated that Petitioner has provided testimony to support the proposed \$67,600 in E&R revenue requirement. Mr. Bell testified that the OUCC and Petitioner have agreed to include \$67,600 for the E&R revenue requirement.

Mr. Bell discussed Petitioner's historical lost or non-revenue water. Replacing almost 30,000 linear feet of water main that was originally installed in the 1960s and 1970s with high density polyethylene water main will significantly reduce the loss water in those areas. Also, Petitioner's E&R funds will pay for the proposed small main replacement program and annual meter replacements, which should also reduce lost water. Mr. Bell recommended Petitioner should continue to monitor its lost water and determine how the proposed projects improved the level of lost water. He also recommended Petitioner should also continue with the meter replacement program and small main replacement program to reduce lost or non-revenue water.

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

Further, any Commission decision, ruling or order – including the approval of a settlement – must be supported by specific findings of fact and sufficient evidence. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition v. Public Service Co.*, 582 N.E.2d 330,331 (Ind. 1990)). The Commission's procedural rules also require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports: the terms of the Settlement Agreement; that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2; and that such agreement serves the public interest.

Upon review of the substantial and uncontroverted evidence of record, we find that the Settlement Agreement is the product of arms-length negotiations between the parties, and that the terms of the Settlement Agreement are supported by the evidence and represent a reasonable

resolution of the issues presented to the Commission. The Commission further finds that the terms of the Settlement Agreement are reasonable, and the approval of the Settlement Agreement to be in the public interest. Therefore, the Commission finds the Settlement Agreement should be approved in its entirety without change.

Consistent with the evidence of record and the terms of the Settlement Agreement approved herein, the Commission specifically finds:

A. Petitioner's Borrowing Authority. The Commission finds that Petitioner's proposed projects to upsize certain of its water mains and to replace or repair its water tower are necessary for Petitioner to provide reasonably adequate service, and the projected costs of the projects are reasonable. The Commission also finds the Petitioner's proposed borrowing is reasonable and necessary to accomplish the projects.

The Commission finds that the net original cost of Petitioner's utility plant, as of December 31, 2013, is \$2,418,741 and that the fair value of Petitioner's utility property is not less than \$2,418,741.

The Commission finds that Petitioner should be authorized to engage in long-term borrowing, not to exceed \$1,500,000 in principal amount, at an interest rate not to exceed five (5) percent, and to execute documents related thereto, for the purpose of funding: Petitioner's water main upsizing project and related costs; Petitioner's water tower replacement, or repair, project and related costs; engineering fees; financial advisory fees; legal fees; financing fees and charges; and other related costs set forth in Petitioner's evidence. The Commission finds Petitioner should be authorized to encumber its franchise, works and system in connection with the borrowing authorized herein, and to execute documents related to that encumbrance. The Commission finds that Petitioner should be issued a certificate of authority to issue the long-term debt authorized herein.

The Commission also finds the procedures set forth in the Debt Service Timing Agreements paragraph of the Settlement Agreement are reasonable and should be approved. The Commission further finds the procedures set forth in the Report of Borrowing and True-Up Procedure paragraph of the Settlement Agreement are reasonable and should be approved.

Finally, the Commission finds that Petitioner's Verified Petition, proposed long-term borrowing, and proposed encumbrance of its utility property complies with, and satisfies, all applicable requirements of Ind. Code ch. 8-1-2 and Ind. Code § 8-1-4-1.

B. Petitioner's Rate Increase.

1. Petitioner's Test Year Operating Revenue. The Commission finds that Petitioner's adjusted test year operating revenue at present rates is \$503,441.

2. Petitioner's Revenue Requirement. The Commission finds that Petitioner's adjusted pro forma revenue requirement is \$645,593, and is calculated as follows:

Operating Expenses	\$ 457,362
Taxes other than Income	11,700
Extensions and Replacements	67,600
Debt Service	95,500
Debt Service Reserve	<u>13,300</u>
Total Revenue Requirements	645,462
Less: Interest Income	(58)
Add: IURC Fee	<u>189</u>
Net Revenue Requirements	\$ 645,593

3. Petitioner's Authorized Rates. The Commission finds that Petitioner's current rates and charges which provide annual adjusted revenues of \$503,441 are insufficient to satisfy Petitioner's annual *pro forma* revenue requirement of \$645,593 and Petitioner's current rates are, therefore, unjust and unreasonable. The Commission further finds that Petitioner shall be authorized to increase its rates and charges for water service, across-the-board, so as to produce annual revenues of \$645,593 which is an increase of \$142,152, over annual adjusted present rate revenues of \$503,441, which is a 28.24% increase

C. Approval to Increase Petitioner's Non-Recurring Charge. The Commission finds that Petitioner is authorized to increase its Main Tap and Meter Set Fee to \$1,070.

8. Effect of Rate Increase. Based on the rate increase approved herein, a customer using 5,000 gallons per month would experience a monthly increase of \$10.03, which results in a monthly bill of \$45.53. The monthly minimum bill (which is for 2,060 gallons) would increase by \$4.36 per month, resulting in a monthly bill of \$19.80.

9. Engineering Recommendations. Although not addressed in the Settlement Agreement, OUCC Witness Bell recommended that Petitioner provide a notice of completion of its project, including the total costs incurred, to the Commission and the OUCC. Mr. Bell also recommended Petitioner should continue to monitor its lost water and determine if the proposed projects reduced the level of lost water. Finally, Mr. Bell recommended Petitioner should continue with its meter replacement program and small main replacement program as a part of Petitioner's Extensions and Replacements projects.

At the hearing in this Cause, Petitioner agreed to comply with Mr. Bell's recommendations. The Commission finds Mr. Bell's recommendations are reasonable, agreed to by Petitioner and should be approved. Petitioner shall include updates on lost water and meter replacements in its annual report to the Commission.

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

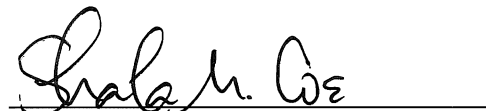
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The Settlement Agreement, which is attached to this Order, is approved.
2. Petitioner shall be authorized to increase its rates and charges for water service, across-the-board, so as to produce annual revenues of \$645,593, which results in an increase of \$142,152.
3. Petitioner shall file with this Commission under this Cause, prior to placing into effect the new rates and charges approved herein, tariff schedules set out in accordance with this Commission's rules for filing utility tariffs. Upon their approval by this Commission's Water/Wastewater Division, said tariffs shall replace all present and prior rates and charges.
4. Petitioner is hereby granted a Certificate of Authority to issue long term debt not to exceed \$1,500,000 as approved herein. This Order shall be the sole evidence of Petitioner's certificate.
5. In accordance with Ind. Code § 8-1-2-85, Petitioner shall pay a fee of twenty-five cents (\$0.25) for each one hundred dollars (\$100) of water utility revenue bonds issued, to the Secretary of the Commission, within thirty (30) days of the receipt of the financing proceeds authorized herein.
6. Petitioner shall be authorized to increase its non-recurring Main Tap and Meter Set Charge to \$1,070.
7. Petitioner shall comply with the OUCC Engineering recommendations set forth in Paragraph No. 9.
8. This Order shall be effective on and after the date of its approval.

STEPHAN, MAYS, AND WEBER CONCUR; ZIEGNER ABSENT:

APPROVED: JUN 25 2014

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



Shala M. Coe

Acting Secretary to the Commission

OFFICIAL
EXHIBITS
STATE OF INDIANA

Joint Exhibit No. 1

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
WASHINGTON TOWNSHIP WATER)
CORPORATION OF MONROE COUNTY,)
INDIANA, FOR APPROVAL OF (1) THE)
ISSUANCE OF LONG TERM BONDS, NOTES)
OR OTHER EVIDENCE OF INDEBTEDNESS,)
(2) FOR AUTHORITY TO ENCUMBER ITS)
FRANCHISE, WORKS AND SYSTEM IN)
CONNECTION WITH SUCH BORROWING,)
(3) FOR A CERTIFICATE OF AUTHORITY TO)
ISSUE LONG TERM DEBT, (4) FOR AUTHORITY)
TO INCREASE ITS RATES AND CHARGES)
FOR WATER SERVICE, (5) FOR APPROVAL)
OF A NEW SCHEDULE OF RATES AND)
CHARGES FOR WATER SERVICE, AND)
(6) FOR APPROVAL TO INCREASE CERTAIN)
NON- RECURRING CHARGES.)

CAUSE NO: 44469

IURC
JOINT

EXHIBIT No. 1

6-11-14

DATE

AT
REPORTER

STIPULATION AND SETTLEMENT AGREEMENT

Washington Township Water Corporation of Monroe County, Indiana ("Petitioner") and the Indiana Office of Utility Consumer Counselor ("OUCC"), being all of the parties to this Cause (collectively called the "Parties"), Stipulate and Agree for the purposes of resolving the issues in this Cause to the terms and conditions set forth below (which terms and conditions are collectively referred to herein as the "Settlement").

A. Petitioner's Borrowing Authority.

1. Petitioner's System Improvement Projects. The Parties stipulate and agree that Petitioner's proposed projects: 1) to upsize certain of its water mains; and 2) to replace, or repair, its water tower, are necessary for Petitioner to provide reasonably adequate service. The Parties stipulate and agree that the projected costs of the projects are reasonable. The Parties also stipulate and agree that the Petitioner does not have the funds on hand to pay for the projects and the proposed borrowing is reasonable and is necessary to accomplish the projects.

2. Petitioner's Plant Value. The Parties stipulate and agree that the net original cost of Petitioner's utility plant, as of December 31, 2013, is \$2,418,741, and is calculated as follows:

Utility Plant in Service	\$ 4,213,413
Less: Accumulated Depreciation	<u>(1,794,672)</u>
Net Utility Plant in Service	\$ 2,418,741

For purposes of IC 8-1-4-1, the Parties further stipulate and agree that the fair value of Petitioner's utility property is not less than \$2,418,741.

3. Borrowing Authorization. The Parties stipulate and agree that Petitioner shall be authorized to engage in long term borrowing, not to exceed \$1,500,000 in principal amount, at an interest rate not to exceed five (5) percent, and to execute documents related thereto, for the purpose of funding: Petitioner's water main upsizing and related costs; Petitioner's water tower replacement, or repair, project and related costs; engineering fees; financial advisory fees, legal fees; financing fees and charges; and other related costs set forth in Petitioner's evidence. The Parties further stipulate and agree that Petitioner shall be authorized to encumber its utility franchise, works and system in conjunction with the authorized borrowing, and to execute documents related thereto. Finally, the Parties stipulate and agree that Petitioner shall be issued a certificate of authority to issue the long term debt as agreed herein. The Commission order in this Cause will be the sole evidence of Petitioner's certificate.

4. Debt Service Timing Agreements. The Parties stipulate and agree that any difference between the actual interest expense incurred (when the bridge loan is outstanding) and the amount provided for debt service shall be used to pre-fund Petitioner's debt service reserve fund. The Parties stipulate and agree that any sums used to partially pre-fund the debt service reserve,

as described above, will act to reduce the amount which Petitioner needs to accumulate to fully fund the debt service reserve over five (5) years. The Parties further stipulate and agree that the funds which Petitioner receives in rates to fund its debt service reserve shall be set aside and added to the debt service reserve when Petitioner closes on its permanent financing. If Petitioner is not permitted to “pre-fund” its debt service reserve account, the Parties stipulate and agree that Petitioner will put these funds (both principal collected prior to the permanent financing and debt service reserve funds) aside in a designated account and use these funds as needed to make appropriate deposits into its debt service reserve account.

5. Report of Borrowing and True-Up Procedure. The Parties acknowledge that the actual amount of Petitioner’s debt issuance, interest rate, issuance costs, annual debt service and the required debt service reserve will not be known until Petitioner accomplishes its financing. Because the amounts of these several variables pertinent to Petitioner’s proposed financing set forth in Petitioner’s evidence are necessarily estimates, a reconciliation, or true-up, may be required after the financing is accomplished and the relevant amounts are known with certainty. In recognition of this uncertainty, the Parties stipulate and agree to the following procedure to be operative after the completion of Petitioner’s long-term debt issuance:

Petitioner shall file a report of its borrowing with the Commission, serving a copy to the OUCC, within sixty (60) days after the completion of Petitioner’s long-term debt issuance. This report should set forth the actual principal amount of Petitioner’s debt issuance, a detailed description of the issuance costs, the interest rate, the average annual debt service requirement, the amount of any required debt service reserve and the impact of any differences between the actual debt issuance results and the debt service estimates (including debt service reserve) will

have on Petitioner's rates and charges or its tariff. The report should also include the actual interest expense incurred by Petitioner for its bridge loan.

If Petitioner believes that the actual debt issuance results require a modification of its rates and charges, Petitioner should file a request to modify Petitioner's rates and charges detailing its proposed changes and an amended tariff along with its report. If Petitioner does not request a modification of its rates and charges and the OUCC believes the actual debt issuance results require a modification of Petitioner's rates and charges, it may file a request to modify Petitioner's rates and charges. The OUCC must file its request for any proposed modifications within twenty (20) days of the filing of Petitioner's financing report.

Any party timely filing a request to modify Petitioner's rates and charges as the result of the actual debt issuances may request a hearing, re-opening the record in this Cause. The hearing should be limited to the issue of the appropriate modification to Petitioner's rates and charges based upon the actual results of Petitioner's debt issuance set forth in Petitioner's financing report. Any party not filing such a request within the time provided will have waived its opportunity to request a hearing and to propose a modification to Petitioner's rates and charges as a result of the actual debt issuance information. If the OUCC and Petitioner agree on a modification of Petitioner's rates and charges and an amended tariff and waive hearing, the financing report, request to modify Petitioner's rates and an amended tariff shall be made part of the evidentiary record in this Cause as late-filed exhibits and the amended tariff will become effective upon approval by the Water/Wastewater Division of the Commission. The amended tariff will apply at the start of the first billing cycle following its approval by the Water/Wastewater Division.

B. Petitioner's Rate Increase.

1. Petitioner's Test Year Operating Revenue. The Parties stipulate and agree that Petitioner's adjusted test year operating revenue at present rates is \$503,441.

2. Petitioner's Revenue Requirement. The Parties stipulate and agree that Petitioner's adjusted pro forma revenue requirement is \$645,593, and is calculated as follows:

Operating Expenses	\$ 457,362
Taxes other than Income	11,700
Extensions and Replacements	67,600
Debt Service	95,500
Debt Service Reserve	<u>13,300</u>
Total Revenue Requirements	645,462
Less: Interest Income	(58)
Add: IURC Fee	<u>189</u>
Net Revenue Requirements	\$ 645,593

3. Petitioner's Authorized Rates. The Parties stipulate and agree that Petitioner's current rates and charges which provide annual adjusted revenues of \$503,441 are insufficient to satisfy Petitioner's annual pro forma revenue requirement of \$645,593 and Petitioner's current rates are, therefore, unjust and unreasonable. The Parties further stipulate and agree that Petitioner shall be authorized to increase its rates and charges for water service, across-the-board, so as to produce annual revenues of \$645,593 which is an increase of \$142,152, over annual adjusted present rate revenues of \$503,441.

C. Approval to Increase Petitioner's Non-Recurring Charge.

The Parties stipulate and agree that Petitioner is authorized to increase its Main Tap and Meter Set Fee to \$1,070.00.

D. The Settlement and Use of the Settlement.

1. The Settlement. The Parties shall support this Settlement before the Commission and request that the Commission expeditiously accept and approve the Settlement. If the Settlement is not approved by the Commission without amendment, the Parties agree that the terms thereof shall not be admissible in evidence or in any way discussed in any proceeding. Further, the concurrence of the Parties with the terms of the Settlement is expressly predicated upon the Commission's approval of the Settlement without amendment. If the Commission alters the Settlement in any material way or imposes any additional obligations on Petitioner, the Settlement shall be deemed withdrawn unless that alteration is unanimously consented to by the Parties in writing. In that event, an informal attorneys' conference will be promptly requested wherein a procedural schedule will be fixed for the processing of the balance of this Cause. The Parties expressly reserve all of their rights, including the right to present appropriate evidence, in the event this Cause is required to be litigated.

The Petitioner has prefiled its direct testimony and the OUCC has prefiled testimony in support of this Settlement, all of which shall be offered into evidence without objection and the Parties hereby waive cross-examination. The Parties agree that Petitioner's evidence and the evidence in support of this Settlement constitutes substantial evidence to support this Settlement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact or conclusions of law necessary for the approval of this Settlement, as filed. The Parties shall prepare and file an agreed proposed order with the Commission as soon as possible, but not later than June 13, 2014.

2. Use of the Settlement. If the Settlement is approved by the Commission the Parties agree that the terms of the Settlement are intended to represent a resolution by compromise of the issues in this Cause. The Parties further agree that the provisions of the Settlement may never be

deemed an admission by any of the Parties, may never be used as substantive precedent in future Commission proceedings and may never be used against any of the Parties in subsequent regulatory or other Commission proceedings, except to the extent necessary to enforce the Settlement.

The Parties stipulate and agree that the Settlement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that either of the Parties may take with respect to any issue or item whether or not resolved herein, in any future regulatory or other proceeding.

E. Authority to Execute.

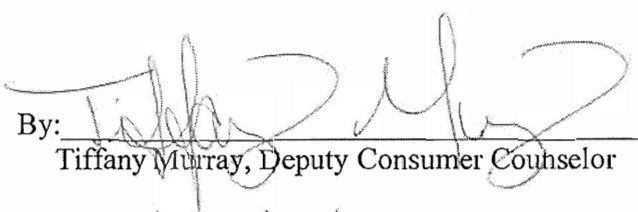
The undersigned have represented and agreed that they are fully authorized to execute this Stipulation and Settlement Agreement on behalf of the designated Parties who will be bound thereby.

Washington Township Water Corporation
of Monroe County, Indiana

By: _____
Kenny Bryant, Petitioner's Board President

Date: _____

Indiana Office of Utility Consumer
Counselor

By:  _____
Tiffany Murray, Deputy Consumer Counselor

Date: 5/28/14 _____

deemed an admission by any of the Parties, may never be used as substantive precedent in future Commission proceedings and may never be used against any of the Parties in subsequent regulatory or other Commission proceedings, except to the extent necessary to enforce the Settlement.

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E. Authority to Execute.

The undersigned have represented and agreed that they are fully authorized to execute this Stipulation and Settlement Agreement on behalf of the designated Parties who will be bound thereby.

Washington Township Water Corporation
of Monroe County, Indiana

By: Kenny Bryant - President
Kenny Bryant, Petitioner's Board President

Date: 5/28/14

Indiana Office of Utility Consumer
Counselor

By: _____
Tiffany Murray, Deputy Consumer Counselor

Date: _____