

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE AMENDED PETITION)
OF EASTERN BARTHOLOMEW WATER)
CORPORATION, OF TAYLORSVILLE, INDIANA,)
(1) FOR THE AUTHORITY TO ISSUE 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 OF AN AMENDMENT TO ITS)
WATER SUPPLY CONTRACT WITH THE TOWN)
OF HOPE, INDIANA)

FILED

July 18, 2017

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 44903

EASTERN BARTHOLOMEW WATER CORPORATION'S
SUBMISSION OF
THE PARTIES' STIPULATION AND SETTLEMENT AGREEMENT
IN THIS CAUSE

Comes now Eastern Bartholomew Water Corporation, by counsel, and submits the Parties' Stipulation and Settlement Agreement in this Cause.

Respectfully submitted,

/s/ Peter Campbell King
Peter Campbell King, Attorney for
Eastern Bartholomew Water Corporation

/s/ Mark W. Cooper
Mark W. Cooper, Attorney for
Eastern Bartholomew Water Corporation

Certificate of Service

I certify that a copy of the foregoing Submission has been, on the 18th day of July, 2017,
electronically served upon the following:

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OF HOPE, INDIANA)

CAUSE NO. 44903

STIPULATION AND SETTLEMENT AGREEMENT

Eastern Bartholomew Water Corporation ("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 Capital Improvement Project. Petitioner proposes to install and implement a Capital Improvement Project ("CIP"), which is described as follows:

CIP Description and Probable Cost Summary

Table with 2 columns: Description and Cost. Rows include New Water Treatment Plant (\$4,982,500), Water Storage Tank (\$747,000), Maintenance Building (\$300,000), Total Probable Construction Cost (\$6,029,500), and Construction Contingency (10.0% on New WTP) (\$498,250).

Non-Construction Costs (Engineering, Legal, Bond Council, IURC, etc.)	<u>\$884,250</u>
Probable Total Project Cost	\$ 7,412,000

CIP Non-Construction Cost Summary

Engineering (Survey, Bidding & Design)	\$ 465,435
Resident Project Representative – Construction Observation	\$ 180,000
Loan Counsel for SRF Loan	\$ 25,000
SRF Counsel	\$ 10,000
IURC Counsel	\$ 73,909
Financial Consultant	\$ 104,500
General Project Contingencies and Rounding	<u>\$ 25,406</u>
Total Non-Construction Costs	\$ 884,250

The Parties stipulate and agree the CIP is necessary for Petitioner to provide reasonably adequate service. The Parties stipulate and agree that the projected costs of the CIP are reasonable. The Parties also stipulate and agree that the Petitioner does not have the funds on hand to pay for the CIP and the proposed borrowing is a reasonable method to fund the CIP.

2. Petitioner’s Plant Value. The Parties stipulate and agree that the net original cost of Petitioner’s utility plant, as of July 31, 2016, is \$12,094,357, and is calculated as follows:

Utility Plant in Service	\$ 18,500,566
Less: Accumulated Depreciation	<u>(6,406,209)</u>
Net Utility Plant in Service	\$ 12,094,357

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 \$12,094,357. The Parties stipulate and agree that Petitioner’s proposed borrowing satisfies the requirements of IC § 8-1-4-1.

3. Borrowing Authorization. The Parties stipulate and agree that Petitioner shall be authorized to engage in long term borrowing, not to exceed \$7,412,000 in principal amount, at an interest rate not to exceed five (5) percent, and to execute documents related thereto, for the

purpose of funding: the Construction, Construction Contingency, and Non-Construction, and related, costs of Petitioner's CIP, totaling \$7,412,000, as set forth above. 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 described herein. The Commission order in this Cause will be the sole evidence of Petitioner's certificate of borrowing authority.

4. Debt Service Agreements. The Parties stipulate and agree that if Petitioner does not issue its proposed debt within sixty (60) days after Commission approval of its revised tariff implementing the rates approved herein, Petitioner should reserve the funds collected in rates for its 2017 debt and use those funds to fund the debt service reserve account. The Parties stipulate and agree that if Petitioner spends any of the funds from its debt service reserves for any reason other than to make the last payment on its proposed 2017 debt issuance, Petitioner shall file a report detailing the spending with the Commission, and serve a copy on the OUCC, within five (5) business days of the spending. The Parties stipulate and agree that any difference between the amount of the Phase I interest expense included in rates (\$237,925) and the amount of interest actually incurred will be deposited into Petitioner's debt service reserve account. The Parties stipulate and agree that when Petitioner implements its Phase II rate increase, Petitioner's annual debt service reserve requirement will be recalculated to recognize any funds which may have been added to 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 on the OUCC, within thirty (30) days after the completion of Petitioner's long-term debt issuance. This Report shall include the actual principal amount of Petitioner's debt issuance, the interest rate, an amortization schedule of the debt, the amount of the debt service reserve, and all issuance costs. The Report shall also set forth Petitioner's actual annual debt service revenue requirement and the actual amount of the required debt service reserve revenue requirement based on the results of the debt issuance. In the event there is any difference between the estimated debt service and debt service reserve revenue requirements (as set forth in Para. B,2 herein), and the actual debt service and debt service reserve revenue requirements, either an increase or decrease, Petitioner shall file along with its Report an amended tariff implementing that difference in rates. The amended tariff will apply at the start of the first billing cycle following its approval by the Commission's Water/Wastewater Division. The Parties stipulate and agree that the Commission should expressly authorize and direct its Staff to approve a tariff for Petitioner which implements the increase or decrease in rates contemplated above.

Within twenty (20) days of the filing of Petitioner's Report of Borrowing, the OUCC may file an objection to the Report of Borrowing, setting forth the basis of the objection. In the event of an objection, either party may request a hearing and seek to re-open 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 Report of Borrowing.

If, however, the OUCC and Petitioner both agree that the modification of rates need not take place due to the lack of materiality of the difference or otherwise, the true-up need not take place if both parties state their waiver of the requirement through a writing filed with the Commission in this Cause.

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 \$1,590,960.

2. Petitioner’s Revenue Requirement. The Parties stipulate and agree that Petitioner’s adjusted pro forma revenue requirements for Phase I are \$1,788,458 and for Phase II are \$1,981,405, and are calculated as follows:

	<u>Phase I</u>	<u>Phase II</u>	<u>Overall</u>
Operating Expenses	\$1,081,866	\$1,044,305	\$1,044,305
Working Capital	27,228	27,238	27,238
Debt Service	446,245	713,257	713,257
Debt Service Reserve	121,990	101,158	101,158
Extensions and Replacements	<u>355,250</u>	<u>355,250</u>	<u>355,250</u>
Total Revenue Requirements	2,032,579	2,241,208	2,241,208
Less: Interest Income	(447)	(447)	(447)
Less: Town of Hope (Resale)	(163,561)	(179,243)	(179,243)
Less: Rental Income	(33,340)	(33,340)	(33,340)
Less: Reconnection Fees	(6,661)	(6,661)	(6,661)
Less: Miscellaneous	(31,300)	(31,300)	(31,300)
Less: Usage Fee Revenue	(6,093)	(6,093)	(6,093)
Less: Elizabethtown Billing Fees	(1,655)	(1,655)	(1,655)
Less: Construction Revenue, Net	<u>(1,064)</u>	<u>(1,064)</u>	<u>(1,064)</u>
Net Revenue Requirements	<u>\$1,788,458</u>	<u>\$1,981,405</u>	<u>\$1,981,405</u>

3. **Petitioner's Authorized Rates.** The Parties stipulate and agree that Petitioner's current rates and charges which provide annual adjusted revenues of \$1,590,960 are insufficient to satisfy Petitioner's annual pro forma adjusted revenue requirement of \$1,981,405 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 \$1,788,458 for Phase I and \$1,981,405 for Phase II, which is an increase of \$197,498 for Phase I and \$192,947 for Phase II, over annual adjusted present rate revenues of \$1,590,960.

C. Amendment to Contract Between Petitioner and the Town of Hope for Wholesale Water Service. The Parties stipulate and agree that the November 19, 2015, Amendment to Agreement for Connection of Utilities and Water Purchase Contract between Petitioner and the Town of Hope, Indiana, is fair, reasonable and should be approved by the Commission.

D. Other Agreements of the Parties. The Parties stipulate and agree as follows:

1. The OUCC recommended setting the design capacity of the new pressure filters at the proposed water treatment plant at 3.0 MGD+ based on two or three new filters in service at a 3.0 gpm/ft² filtration rate. Petitioner agrees to establish this design capacity. However, Petitioner reserves the right to reset the design capacity if it becomes necessary at some future time, subject to applicable IDEM regulations.

2. The OUCC recommended that Petitioner set up a restricted account for funds limited to the payment of Periodic Maintenance Expenses, which consist of: Tank Repair and Painting; Well and Well Pump Maintenance; High Service Pump Maintenance; and, Filter Media Replacement. Petitioner agrees with this recommendation. Petitioner shall create and maintain a

dedicated restricted account for funds collected for Periodic Maintenance Expenses. Petitioner shall annually deposit no less than \$75,536 into the Periodic Maintenance Expenses Account. The funds in this account shall be restricted to use for the purposes intended, except, however, funds in this restricted account may be used to pay debt service when due if other funds are not available for the payment of debt service. Petitioner shall report annually, at the time of the filing of its IURC Annual Report, on the activities of this account to the IURC and the OUCC. However, if at any time Petitioner is required to invade either of these restricted accounts for the payment of debt service, Petitioner shall report such event to the IURC and the OUCC within fourteen (14) days of the event.

3. The OUCC recommended that once a proposed water treatment plant is successfully operating, that Petitioner take existing water treatment plant number 2 offline, remove all media, clean the filter cells, and have the steel structure professionally inspected inside and out to determine the condition of the interior steel components and steel tank shell. Petitioner agrees with this recommendation, however, the timing of compliance will be subject to Petitioner having available funds to conduct the required work and inspections.

4. The OUCC recommended that Petitioner evaluate increased water purchases from the City of Columbus, Indiana, in future rate cases and attempt to negotiate lower wholesale purchased water rates. Petitioner agrees with this recommendation.

5. The OUCC recommended that Petitioner increase its tap fee to recover its actual cost so new customers pay their connection costs without subsidy from Petitioner's existing customers. Petitioner agrees with this recommendation and agrees to submit a revised connection fee through a Thirty Day Filing within one hundred eighty (180) days of the Commission's final order in this Cause.

6. The OUCC recommended that Petitioner be required to follow the Commission's Main Extension Rules. Petitioner agrees with this recommendation.

7. The OUCC recommended that Petitioner be required to track its main extension and looping projects and provide that information in its next general rate case. Petitioner agrees with this recommendation.

8. The OUCC recommended that Petitioner investigate digitizing its water main drawings on a faster schedule so that it can have a functioning water system map. Petitioner agrees with this recommendation subject to the availability of funds for this purpose.

9. The OUCC recommended that Petitioner conduct annual top down water audits using the free AWWA software. Petitioner agrees with this recommendation. Petitioner further agrees to provide the results of its top down water audits to the OUCC. If, after Petitioner has completed its third annual top down audit, its audit shows unaccounted for water in excess of fifteen percent (15%) and the OUCC recommends a bottom up audit, Petitioner will do a bottom up audit of suspect areas of its system, if Petitioner has funds available for that purpose.

10. The OUCC recommended that Petitioner complete its Asset Management Plan. Petitioner agrees with this recommendation and will complete its Asset Management Plan within one (1) year after the substantial completion of Petitioner's CIP.

11. The OUCC recommended that Petitioner stop paying Indiana Sales Tax on purchases unless required by law to do so. Petitioner agrees with this recommendation. The OUCC also recommended that Petitioner seek a refund from the Indiana Department of Revenue ("IDOR") of any unnecessarily paid Sales Tax amounts which may be lawfully refunded. Petitioner agrees with this recommendation. Petitioner will file its request for refund with IDOR within thirty (30) days of the issuance of the Commission's final order in this Cause. The

OUCC recommended that Petitioner report the result of its refund request to the Commission, and serve the OUCC, within thirty (30) days of receiving the result of its request for refund. If the result is that Petitioner receives a refund from IDOR, Petitioner will also provide its plan for returning the refunded amount to its customers through a bill credit, or bill credits. Petitioner agrees with these recommendations.

E. 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 Case and the Parties have 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 their 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 after the hearing in this Cause.

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.

F. Authority to Execute.

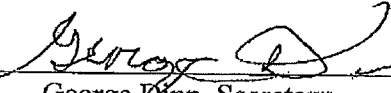
The undersigned have represented and agreed that they are fully authorized to execute this Stipulation and Settlement Agreement on behalf of the designated Parties who will be bound thereby.

Eastern Bartholomew Water Corporation



Ted Darnall, President
Petitioner's Board of Directors

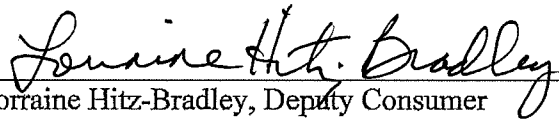
Date: 7-17-17



George Dinn, Secretary
Petitioner's Board of Directors

Date: 7-17-17

Indiana Office of Utility Consumer
Counselor

By: 
Lorraine Hitz-Bradley, Deputy Consumer
Counselor

Date: 7/18/17