

ORIGINAL

Commissioner	Yes	No	Not Participating
Huston	√		
Freeman	√		
Krevda	√		
Veleta	√		
Ziegner			√

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
 BROWN COUNTY WATER UTILITY, INC.,)
 OF MORGANTOWN, 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.)

CAUSE NO. 45720

APPROVED: DEC 28 2022

ORDER OF THE COMMISSION

Presiding Officers:

Sarah E. Freeman, Commissioner

Carol Sparks Drake, Senior Administrative Law Judge

On May 6, 2022, Brown County Water Utility, Inc. (“BCW” or “Petitioner”) filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) seeking authority to incur long-term debt and engage in related activities, to increase its water rates and charges, and to implement a new schedule of rates and charges. Concurrently, Petitioner filed its case-in-chief, including the direct testimony of the following witnesses:

- Ben Phillips, President of BCW’s Board of Directors (the “Board”)
- Justin Hawley, BCW’s General Manager
- Ben Foley, Certified Public Accountant and Principal of Sherman, Barber and Mullikin, and
- Lori A. Young, Professional Engineer and President of Curry & Associates, Inc.

On August 1, 2022, BCW and the Indiana Office of Utility Consumer Counselor (“OUCC”) filed a Notice of Settlement and Joint Motion to Modify Procedural Schedule to accommodate the filing of a settlement agreement and supporting testimony. On August 2, 2022, a docket entry was issued revising the procedural schedule to facilitate filing an executed settlement agreement and supporting settlement testimony.

On August 22, 2022, BCW filed the Stipulation and Settlement Agreement (“Settlement Agreement”) Petitioner and the OUCC had executed to resolve the issues in this Cause. In support of the Settlement Agreement, BCW prefiled the settlement testimony of Justin Hawley, Petitioner’s General Manager, and settlement testimony for Ben Foley, Petitioner’s rate consultant and a Certified Public Accountant. Additionally, the OUCC prefiled the settlement testimony of Thomas W. Malan, a Utility Analyst with the OUCC’s Water/Wastewater Division.

On September 20, 2022, a docket entry was issued requesting clarification and additional information on Petitioner’s annual expenses for well cleaning and pump maintenance and the well cleaning and pump maintenance restricted account. An amortization schedule was also requested for the proposed bond issuances. On September 23, 2022, the OUCC filed a response to this docket entry that included Revised Schedules 1 and 12 to Mr. Malan’s settlement testimony. BCW also filed a response to the docket entry on September 23, 2022, in which Mr. Foley proposed revisions to the agreed settlement and sponsored related information.

The Commission held a settlement hearing in this Cause on September 28, 2022, at 9:00 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. BCW and the OUCC appeared, by counsel, and their respective evidence was admitted without objection or cross-examination.

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

1. Notice and Jurisdiction. Notice of the public hearing was given and published by the Commission as required by law. In addition, Petitioner demonstrated its customers were notified of the Verified Petition initiating this proceeding as required by 170 IAC 6-1-18(C). BCW is a not-for-profit utility as defined in Ind. Code § 8-1-2-125 and a public utility as defined by Ind. Code § 8-1-2-1(a). The Commission has authority to approve BCW’s rates and charges for utility service under Ind. Code § 8-1-2-125 and its borrowing request under Ind. Code §§ 8-1-2-76 through -80 and related statutes; therefore, the Commission has jurisdiction over BCW and the subject matter of this Cause.

2. Petitioner’s Characteristics. BCW is a not-for-profit public water utility incorporated in Indiana with its principal office located at 5130 North State Road 135, Morgantown, Indiana. BCW is owned by its members who are also its customers. Petitioner is governed by its seven-member Board and provides water service to approximately 5,600 residential customers and 180 commercial and institutional customers in Brown, Bartholomew, Morgan, Monroe, and Johnson Counties. BCW also provides wholesale water service to the Town of Nashville, Indiana, with Nashville currently BCW’s only wholesale customer. BCW produces and treats about 90% of its water and purchases the balance from Nashville, Citizens Water, and Jackson County Water. The Commission approved Petitioner’s current base rates in 2020 in Cause No. 45210.

3. Relief Requested. Petitioner requests Commission authority to borrow funds, issue notes and/or other evidence of long-term debt, encumber its utility property by mortgage and/or other security instruments, and a certificate authorizing such financing activities. Petitioner also requests Commission authority to increase its rates and charges for water service to enable BCW

to pay its reasonable and necessary expenses of operation and fund its extensions and replacements, debt service, and other revenue requirements, and BCW requests approval of a new schedule of rates and charges and tariff language.

4. Test Year and Rate Base Cut-off. The test year for determining Petitioner's actual and pro forma operating revenues, expenses, and operating income under present and proposed rates is the 12 months ended August 31, 2021, adjusted for changes that are fixed, known, and measurable for ratemaking purposes and will occur within 12 months following the end of the test year. The Commission finds this test year is sufficiently representative of Petitioner's ongoing operations to use for ratemaking purposes.

5. Petitioner's Case-in-Chief.

A. Ben Phillips. Mr. Phillips testified that BCW's present rates and charges yield insufficient revenue for BCW to pay all the legal and necessary expenses incident to its operation while also providing funds for needed extensions and replacements. He noted BCW is proposing a capital improvement project ("CIP") to address system repairs and improvements but will need to borrow funds to accomplish the CIP. Mr. Phillips opined that BCW's proposals are reasonable and necessary for BCW to continue providing its customers with reasonably adequate service.

Mr. Phillips testified that BCW, like many rural water utilities, has grown beyond its original system design. He indicated much of that growth was haphazard because of reacting to customer needs rather than planning parameters; however, going forward, BCW's Board intends to proactively operate the utility. He stated BCW now has a very capable, professional management team, has transitioned to a viable utility enterprise, and is well positioned to resolve its historic issues. He advised the Board looks forward to devoting more of its time to planning for BCW's future.

Mr. Phillips also advised that the Board, after reviewing the Preliminary Engineering Report, determined the CIP being proposed is important to Petitioner's overall infrastructure needs and that the current interest rate environment and the possibility of funds becoming available make this the appropriate time to pursue debt financing for the CIP. Per Mr. Phillips, the Board, after consulting with BCW's CPA and counsel, believes the potential for significant grant funds and low interest rates make the timing of the CIP important and more cost efficient for Petitioner's ratepayers.

B. Justin Hawley. Mr. Hawley discussed specific requirements the Commission imposed upon BCW in the Order dated November 18, 2015, in Cause No. 44648. These included using the American Water Works Association ("AWWA") guidelines and software relating to non-revenue water; following the AWWA water storage tank inspection guidelines; following capitalization guidelines prepared by a Certified Public Accountant to assist BCW in more consistently booking accounts in Petitioner's books and records; and maintaining dedicated restricted accounts for funds collected for storage tank inspection and maintenance and for well and well pump maintenance. He stated Petitioner has adopted and is complying with these requirements.

Mr. Hawley also described the proposed CIP, advising the CIP consists of needed projects, replacements, and additions for BCW's system and that he worked closely with Petitioner's engineer, Ms. Young, to develop the CIP. Mr. Hawley testified these projects are necessary for BCW to provide reasonably adequate water service, and the cost of the CIP is reasonable, but BCW does not have funds on hand to accomplish the CIP.

Mr. Hawley also described the components of BCW's proposed extensions and replacements ("E&R Plan"), indicating the E&R Plan includes the following components:

i. Service Truck Replacement. Per Mr. Hawley, BCW has seven one-half ton, four-wheel drive trucks that are used as service trucks. Each employee with field service responsibilities is provided with a service truck. He stated BCW plans to replace the oldest or most problematic truck each year, and Mr. Hawley provided pricing information he had obtained for a one-half ton, four-wheel drive pick-up truck.

ii. Construction and Maintenance Equipment. Mr. Hawley testified BCW has not historically owned or operated heavy construction and maintenance equipment such as backhoes, excavators, skid steers, or dump trucks, but the contractor Petitioner has worked with has become increasingly unavailable; consequently, Petitioner has had to turn to other, more expensive contractors for its heavy equipment work. Mr. Hawley stated that since BCW's repair and maintenance work is ongoing, Petitioner decided to acquire and operate some of its own heavy equipment because BCW believes this will enable Petitioner to achieve savings in its repair and maintenance expenses; consequently, BCW decided to acquire small equipment such as a mini-excavator, a skid steer loader, a one-ton dump truck, a one ton service truck, and a trailer mounted vacuum machine. Mr. Hawley testified BCW can perform most of its time sensitive repairs with this equipment and will be able to schedule work efficiently and save money. He stated BCW's savings on smaller jobs will help offset the higher contractor costs on larger projects.

iii. Meter Reading Software. Mr. Hawley stated that as of January 2022, BCW's meter reading software was approximately 10 years old and no longer supported by the manufacturer. Working with Badger meters, BCW purchased new meter reading software and two meter reading Toughpad tablets in January 2022, with the new software and equipment compatible with BCW's existing meters and the next generation of Orion meter technology BCW may implement in the future. Mr. Hawley testified this new software will have a useful life of approximately 10 years, and based on a March 15, 2022, purchase of \$27,310, BCW proposes to include \$2,731 in its E&R requirement for this new software and equipment.

iv. Meter Replacement. Mr. Hawley explained that BCW has a program to replace its water meters on a 10 year cycle, equaling approximately 540 meters per year. He stated this replacement schedule allows BCW to efficiently comply with 170 IAC 6-1-10. Based on a November 22, 2021, invoice the meter bases and radio read modules together cost \$238.83, with BCW proposing to include \$131,357 in its E&R requirement for meter replacement.

v. Parking Lot Sealcoating. Petitioner plans to repave the parking lot at its office facility. Mr. Hawley stated this asphalt was installed in June 2003 and is failing. After the new asphalt is installed, regular maintenance will be needed to prolong the life of this surface. Based

on the information BCW received, sealcoating needs to be performed every two years after the repaving is completed at a cost of \$2,600 per treatment; consequently BCW proposes to include \$1,300 annually in its E&R requirement for sealcoating the repaved parking lot.

vi. Computer Equipment Replacement. Mr. Hawley stated BCW maintains a network of two servers. These handle customer account and billing information, the GIS system, the electronic work order system, and general data and financial functions. He testified the servers are warranted for five years, and based on Petitioner's experience, BCW believes maintaining a server beyond the warranty period is problematic as support and repair services for older equipment are not always available. Also, he stated there are increasing compatibility challenges with new workstations and software. BCW plans to replace both of its servers every five years, with \$23,704 being the current cost to replace these.

BCW also has 10 desktop computer workstations in its office and water treatment plant. Mr. Hawley explained that each workstation consists of a computer, hard drive, and monitor. The workstation computers are warranted for three years, but after consultation with Petitioner's information technology professionals, BCW believes that with reasonable maintenance, the workstation computers will have a five-year useful life. Mr. Hawley testified the servers and workstations were combined in Mr. Foley's detail of the E&R Plan for an E&R requirement of \$8,630.

Mr. Hawley also discussed the laptops and tablets BCW currently has. He stated the laptop computers enable employees to work remotely and can be taken to meetings, seminars, and other business functions while allowing the employee to contact BCW's system. Mr. Hawley testified the life of a laptop computer is generally about five years, and the current cost to replace a laptop computer with setup is approximately \$2,477. Tablets, on the other hand, are primarily used by field service personnel for the electronic work order system, access to GIS mapping, access to the water data collection software, and access to the SCADA system. Mr. Hawley advised the ability to access and initiate work orders and complete data via the tablets has saved considerable employee time and fuel costs.

vii. Main Extensions. Mr. Hawley testified that BCW has historically processed one or two main extension applications annually, but main extension requests have significantly increased in recent years. He stated BCW processed 10 main extension requests during the test year. He explained that when a main extension is requested, BCW determines the main size, route, and whether right-of-way is required and then secures contractor estimates for this work. The applicant is advised of the cost, and if the applicant agrees and pays applicant's portion of the cost, BCW must pay its portion. Mr. Hawley advised that for BCW, three times the estimated annual revenue from a 5/8 inch residential meter is \$1,838.88. Typically, there is interest in subsequent connections to the main extension soon after its installation.

Based on recent demand, Mr. Hawley testified BCW projects it will process 10 main extension applications and 11 subsequent connections annually; therefore, BCW proposes to include \$38,616 in its E&R requirement to pay the revenue allowance for main extensions and subsequent connectors.

viii. Creek Crossings and Unstable Main Replacements. Mr. Hawley stated much of BCW's system is located in hilly, rough, wooded terrain with many creeks and streams. BCW presently has mains that cross creeks and streams in approximately 50 locations. Mr. Hawley explained that over time the creeks and streams erode, exposing BCW's mains, and when mains are exposed, they lose physical support and are subject to freezing and damage. He stated this leads to leaks or complete breakage. Mr. Hawley testified there are approximately 12 creek crossings and unstable mains that require repair. BCW secured quotes for these repairs, averaged the prices quoted to determine an average cost per project, multiplied that cost by 12, and divided that product by five years. This resulted in \$36,209 being included annually in BCW's E&R Plan.

ix. Office and Field Software Upgrades. Mr. Hawley stated BCW has been using an Alliance software product supported by United System. The software is configured into functional modules for billing, work orders, accounts payable, general ledger, and other. BCW was using the "G4" version of the software, but recently updated to "G5" for two of its accounts payable and general ledger modules at a cost of \$20,000 per module. Based on previous experience, he testified BCW believes upgrades will be required every 10 years and included \$8,000 annually in its E&R requirement for this item.

x. Valve Replacement, Hydrant Replacement, Master Meters, SCADA Replacement, Filter Media Replacement, and Service Line Replacements. Mr. Hawley deferred to Ms. Young to explain the proposed valve, hydrant, SCADA, filter media, and service line replacements, but he testified BCW included \$15,500 in its E&R requirement for valve replacement, \$21,200 for hydrant replacement, \$33,000 for SCADA replacement, \$24,838 for filter media replacement, and \$16,000 for service line replacements. He also deferred to Ms. Young to discuss the proposed installation of certain master meters, noting \$12,200 was include in BCW's E&R requirement for the master meter installations.

Mr. Hawley also testified regarding significant increases in the cost of water treatment chemicals. He explained that since October 2021, BCW's chemical costs have increased by \$117,882 or 64%. BCW has contacted several suppliers attempting to obtain future cost estimates and been advised the availability of chemicals will become more uncertain, with prices anticipated to increase.

Mr. Hawley testified in support of BCW's wage adjustment. He stated that from the end of 2020 to early 2021, BCW lost four of its 11 staff members to other employers because of better wages and benefits. Based on his research, there were significant post-pandemic wage increases in BCW's service area in both the public and private sectors, making it difficult for BCW to retain its employees; consequently, the Board enacted a new wage scale on January 18, 2022, that provided an across-the-board \$2.00 per hour increase for all employees. Mr. Hawley testified that since implementing this increase, Petitioner has been able to fill most of its vacant positions.

C. **Ben Foley.** Mr. Foley explained the rate study he prepared for BCW, advising that his study sets forth the proper level of rate relief for BCW in this Cause and the forecasted revenue requirements to cover Petitioner's estimated operating expenses, E&R funding, and repayment of Petitioner's existing and proposed long-term debt. Based on his rate study, Mr. Foley testified

BCW needs increased annual operating revenues of \$382,198, which represents a 9.94% increase above forecasted present rates, implemented across-the-board. He stated the proposed 9.94% increase is calculated based on two assumptions: (1) that BCW is able to secure financing through the Indiana Finance Authority State Revolving Loan Fund (“SRF”) program at interest rates of 2.0% (20-year repayment) and 2.2% (30-year repayment) to finance its proposed CIP, and (2) actual project costs are \$5,102,000. If the interest rates BCW is able to obtain from SRF increase to 4.0% (20-year repayment) and 4.2% (30-year repayment) and BCW’s project costs increase beyond \$6,122,400, he testified Petitioner’s required rate increase could increase to 14.40%.

Mr. Foley supported the test year being the 12 months ended August 31, 2021. He stated this test year, when coupled with fixed, known, and measurable adjustments expected to occur within 12 months, is representative of BCW’s operations for ratemaking purposes.

Mr. Foley also explained the financial rate study he prepared, noting this study contains historical and forecasted statements of income at present and proposed rates, a summary of forecasted cash flows and revenue requirements, and the forecasted rate increase. The study also provides details concerning the adjustments he made in developing the forecasts and a schedule summarizing the components of BCW’s E&R Plan, the calculation of Petitioner’s maintenance reserve accounts, and the calculation of BCW’s working capital requirements.

Mr. Foley explained the method he used to develop the forecasted information and provided the rationale for each revenue and expense adjustment. He noted these adjustments do not consider all the expenditures BCW is expected to incur during the forecast period. In accordance with the requirements approved in Cause Nos. 44648 and 45210, BCW has been reserving funds for large maintenance expenses that are not expected to occur within the forecast period and annually reports the deposits made to and maintenance expenses paid from these accounts in its annual report to the Commission. These include accounts for maintenance of BCW’s water storage facilities, wells, well pumps, and high-service pumps. He testified only a portion of this expense is included in the test year expenses. Additional annual required reserves are included on the forecasted schedule of cash flows and revenue requirements and required increase in rates and charges. Mr. Foley testified that he included the five-year E&R Plan in Petitioner’s revenue requirement at an annual amount of \$435,480 based on the average annual expenditures over the plan’s term.

Mr. Foley described BCW’s existing long-term debt, the terms of each debt issuance, and the status of the debt service reserve accounts. He testified that BCW seeks authority in this Cause to incur additional debt to finance the proposed CIP. More specifically, BCW seeks to finance the CIP with waterworks revenue bonds in the amount of \$2,042,000 for Series A and \$3,060,000 for Series B to be purchased by the SRF loan program. He stated an additional requirement of \$53,933 was included to satisfy the requirement for a separate debt service reserve equal to the maximum annual debt service, funded over five years. Per Mr. Foley, BCW used an estimated interest rate of 2.0% for the proposed Series A note and 2.2% for the proposed Series B note, but there is uncertainty regarding the actual interest rate BCW will be able to obtain due to potential market fluctuation and SRF’s project priority ranking. Significant uncertainty also exists as to the final borrowing amount BCW will require to complete the proposed projects due to current supply chain and labor shortage issues; consequently, BCW seeks additional borrowing authority up to

\$1,020,400 and agrees to restrict its use of borrowed funds to those based on construction bids for completion of the projects described in the PER, related contingencies, and soft costs. BCW proposes to file a true-up report reflecting the actual amount borrowed, the final terms, and the debt service reserve provisions, along with a revised amortization schedule based upon the final debt terms, within 30 days of closing and will also file a revised tariff.

Mr. Foley opined that the proposed SRF financing provides a reasonable, cost-effective means of funding the CIP. He testified SRF's low interest rates and long amortization periods will allow the projects to be completed with less rate impact to BCW's members. For Petitioner's existing Rural Development and SRF loans, BCW's total maximum annual debt service is \$731,095, with the maximum annual debt service for the proposed SRF loans being \$269,666.

Mr. Foley testified he also included working capital in BCW's revenue requirement. Using the 45-day method, Petitioner requires additional working capital of \$23,300.

D. Lori Young. Ms. Young provided an overview of BCW's service area and facilities and engineering support for E&R Plan components. She also described the capital improvements BCW is proposing and how these improvements will meet Petitioner's current and projected needs, and she presented the probable project costs.

In describing BCW's service area, Ms. Young stated BCW faces operational challenges because of the topography, ground conditions, and limited road access to much of its system. She testified the topography changes significantly across Petitioner's system with many hills and valleys. This results in pressure concerns in the distribution system and a need for pressure reducing valves and booster stations to compensate for the elevation changes. Some areas of BCW's distribution system have over 200 psi static pressure while other areas are near 40 psi. Ms. Young advised the line pressure impacts the distribution system infrastructure and requires careful consideration when designing system improvements. Per Ms. Young, the ground conditions are also significant in BCW's service area, with shallow rock present throughout. She testified that installation of water main through rocky areas is challenging and expensive. If the pipe is not properly protected when installed, pipe failures and leaks can result from the water main pipe rubbing against rock surfaces, and leaks may be difficult to find because the water may run through rock crevices and not rise to the ground surface. Also, throughout Brown County there are many single lane gravel roads; consequently, BCW has mains that are routed through easements along gravel roads. Ms. Young testified rural routing of water mains, steep hills and valleys, natural rock, and significant vegetation characterize much of BCW's system and serve as impediments to locating distribution system leaks.

Ms. Young testified she worked with BCW to identify system needs and priorities for the five-year E&R Plan and assisted with developing cost estimates for proposed valve, hydrant, and service line replacements, and the installation of master meters at pressure reducing valves. Additionally, she assisted with reviewing filter media replacement costs and recommended BCW incorporate escalating filter media replacement costs in the E&R Plan. She also consulted with BCW regarding Petitioner's SCADA system and plan to accumulate funds for its replacement. Ms. Young explained the need for these E&R components and the associated costs, and she agreed with Mr. Hawley's plan to replace water mains where existing mains are exposed at waterway

crossings. Based on increasing costs and new regulatory requirements, Ms. Young also recommended increasing BCW's storage tank maintenance reserve by 15% for an annual increase of \$10,000.

Ms. Young described the PER, advising it is a planning study for BCW's entire distribution system, and she provided support for the projects that are components of the CIP, along with preliminary estimates of the probable construction costs for these improvements. The improvements she reviewed included the following:

- Indian Creek Water Main Replacement
- Wild Cherry Lane Water Main Replacement
- State Road 135 Water Main Replacement
- Grandview Road Water Main Replacement
- Carmel System Transmission Main Replacement
- Christiansburg Road Water Main Replacement
- New Water Supply Well
- Service Line Replacements
- Spurgeon's Booster Station Rehabilitation
- SCADA System Upgrades
- Maintenance Building with Water Fill Station
- Office Facility Improvements

Ms. Young testified she included a 15% contingency in the PER cost estimates to cover items that typically come up during final design as well as unforeseen items encountered during construction. Ms. Young advised that under current market conditions, she has recently had several projects bid where the 15% contingency did not cover construction inflation.

Ms. Young testified that due to supply chain and labor shortage issues caused by the global pandemic and international conflicts, her firm frequently now sees actual costs that are much higher than budgetary estimates prepared within the last 12 months. She is also seeing surcharges and force majeure claims for escalating material costs due to raw material shortages after bids are received. Additionally, she testified she is finding a declining number of bidders because they do not have capacity to bid additional projects.

Ms. Young testified that after the bids are received, she favors reducing the construction contingency 5% to 10%. She recommended a minimum of 5% construction contingency after bids are received, and if affordable, a 7% contingency is preferred.

6. Settlement Agreement. Subsequent to Petitioner's case-in-chief being filed, BCW and the OUCC (together, "Parties") entered into the Settlement Agreement, a copy of which is attached to this Order and incorporated by reference. The Settlement Agreement contains the Parties' agreements concerning all areas of Petitioner's requested relief in this Cause as well as addressing other matters related to Petitioner's utility service.

7. Settlement Testimony.

A. Ben Foley. Mr. Foley testified in support of the Settlement Agreement. He stated BCW's opportunity for financing has changed because BCW's project did not score within the fundable range for SRF's traditional financing; therefore, the interest rates on which the maximum annual debt service was based in Petitioner's case-in-chief will not be the rates available when BCW expects to close. He stated BCW will likely be eligible to receive project funding through pooled funding. Mr. Foley testified the rates for such funding are expected to be higher than traditional matrix rates, but the actual rates are not currently known.

Mr. Foley testified the Settlement Agreement allows BCW to obtain financing although the interest rates are not yet known. Under the Settlement Agreement, BCW is allowed to engage in IFA/SRF borrowing at interest rates up to 8.00% rather than the interest rates of 2.25% and 2.55% used to calculate BCW's debt service revenue requirement in the settlement because interest rates offered by the IFA/SRF have historically been deemed fair and reasonable by the Commission and the OUCC. Since BCW will only engage in an IFA/SRF borrowing program, Mr. Foley testified the interest rates will be reasonable.

Mr. Foley testified that to allow BCW to participate in the March 2023 pooled financing, BCW needs a Commission order authorizing the borrowing and approved rates to support Petitioner's debt service by the end of 2022. He stated the IFA bases approval of the debt on rates that allow the net income available for debt coverage to be 125% of maximum debt service. The revenue requirement included in the Settlement Agreement is expected to satisfy the 125% coverage requirement. The debt service revenue requirement in the Settlement Agreement is based on a five-year average debt service, which is less than he calculated the maximum debt service to be. Mr. Foley stated that once BCW's debt service reserve accounts are fully funded, that revenue will be available for debt service after 2028.

Mr. Foley also discussed the restricted E&R fund for paying customer requested main extension costs that the Commission established in Cause No. 45210. He testified that as part of this settlement, the Parties agreed to provide for customer requested main extension costs Petitioner incurs as part of Petitioner's E&R revenue requirement and agreed to eliminate BCW's continued contributions to the E&R Fund from its revenue requirement. He opined that this methodology is simpler, less burdensome, and less costly to administer and is consistent with the language the Commission approved creating the E&R Fund. Mr. Foley stated the Parties agreed to eliminate the E&R Fund, along with Petitioner's related duties, and agreed any money in the E&R Fund will be released to Petitioner to be used to pay BCW's contribution to customer requested main extension costs.

Mr. Foley testified the Settlement Agreement adequately and fairly provides for the current needs of BCW and its ratepayers, provides reasonable rates for BCW's ratepayers, and serves the interests of the public.

B. Justin Hawley. Mr. Hawley also testified in support of the Settlement Agreement. He stated it is important BCW participate in SRF's Spring Pool in March 2023 to finance BCW's CIP. He views this Spring Pool as offering BCW the best opportunity to secure the most cost-effective interest rates and financing under the SRF program. Mr. Hawley supported the Settlement

Agreement because, from his perspective, it allows BCW to move forward with its CIP, and these are much needed improvements to BCW's system.

C. Thomas W. Malan. Mr. Malan, a Utility Analyst for the OUCC, also provided testimony supporting the Parties' settlement. Mr. Malan testified the Parties agreed to an across-the-board revenue increase of \$266,468, which represents a 6.89% rate increase. He stated the Settlement Agreement represents a compromise the Parties support as fair, reasonable, and beneficial to BCW and its customers. Mr. Malan opined that the Settlement Agreement is in the public interest because it will enable Petitioner to have sufficient funds to pay its necessary operating expenses and fund capital improvements, while ratepayers will benefit from lower rates than those Petitioner originally proposed. He stated the Parties also value the certainty and speed of implementing this negotiated outcome. Mr. Malan testified that under the Settlement Agreement, the Parties agree Petitioner should be authorized to increase its rates and charges for water service to reflect a total net revenue requirement of \$4,205,529. This includes total operating expenses of \$2,568,392, reflecting an increase of \$176,491 to the test year operating expenses. Mr. Malan reviewed the Parties' agreed expense adjustments for employee expenses, purchased power, chemicals, materials, legal contractual services, testing contractual services, transportation, general liability insurance, and miscellaneous expenses, and he presented a comparison of the adjustments Petitioner originally proposed to those the Parties agreed upon, which include a \$4,021 reduction to test year legal expense and elimination of a \$200 test year miscellaneous expense.

Mr. Malan testified the Parties agreed to E&R of \$435,480. This E&R is based on BCW's five-year average, as Petitioner proposed, excluding the \$50,000 BCW was permitted to retain in Cause No. 45210. Mr. Malan stated the Parties also agreed to an annual working capital revenue requirement of \$4,525.

With respect to Petitioner's proposed borrowing, Mr. Malan testified the Parties agreed to borrowing authority of \$6,000,000. Mr. Malan stated the debt service revenue requirement is, however, based on total borrowing of \$5,090,000, with the maximum borrowing authority providing \$910,000 of additional contingency to be available in case of inflationary pressures on construction costs. He testified the borrowings upon which rates are based reflect a \$12,000 reduction in net anticipated legal expenses. The Parties also agreed on a debt service revenue requirement of \$957,503 based on the average debt service payment for the next five years since this is the estimated life of the agreed rates. Mr. Malan also testified the Parties agreed Petitioner will file a true-up report within 30 days of closing on the long-term debt issuances explaining the new loan terms, the balance actually borrowed, and the amount of debt service reserve, and will provide an itemization of all issuance costs actually incurred to that date. Mr. Malan testified Petitioner is also to include a revised tariff, amortization schedule, and a calculation of the rate impact in a manner similar to the schedules attached to his settlement testimony, and the OUCC should be afforded at least 21 days after service of the true-up report to review and potentially challenge Petitioner's proposed true-up.

8. Docket Entry Information. On September 20, 2022, a docket entry was issued (the "Docket Entry") requesting additional information on Petitioner's annual expense for well and well pump maintenance ("Well Expense"), the Well Expense restricted account, and amortization schedules for the proposed bond issuances.

In Petitioner's Docket Entry responses (the "Responses") prepared and verified by Mr. Foley, Mr. Foley acknowledged that upon additional review, errors were discovered in the assumptions used to calculate the annual Well Expense. He stated it was assumed maintenance will occur annually on seven wells, but two of those wells are no longer in service; however, the planned addition of a new well in the CIP means six wells should have been included in the calculation. The second error was assuming that each well will be cleaned and serviced annually. Per the Responses, BCW's well cleaning is performed based on annual flow test results, and historically, only one or two wells are serviced each year. Per the Responses, the cost to clean and service each well that was used to calculate the Well Expense in BCW's case-in-chief is not supported by current information, and more current information obtained from Petitioner's well servicing contractor indicates the weighted average cost to test and clean each well and rebuild the pump is \$20,632. Mr. Foley stated Petitioner and the OUCC have agreed to use \$21,000 as the cost per well; therefore, the total expected cost to clean all six wells and service the pumps is \$126,000 which the Parties propose be amortized over three years to provide the funds necessary to perform these services on two wells per year. Additionally, the Responses reflect the accumulated existing balance in the Well Expense restricted account was not considered when determining the additional proposed reserve requirement. Per Mr. Foley, it is proposed this oversight also be corrected. Assuming Petitioner will service two wells and pumps annually at a total cost of \$42,000, Mr. Foley proposed allowing rates to fund the restricted account for one well (\$21,000) and using the existing funds in the restricted account to fund well maintenance for the second well. Over five years, this will reduce the restricted account by \$105,000, leaving an expected balance of \$62,000. Mr. Foley provided a schedule supporting this calculation. In response to the request in the Docket Entry for debt amortization tables, these were also provided for the proposed Series A and B bond issuances.

The OUCC also provided a response to the Docket Entry ("OUCC Response") in which the OUCC acknowledged that as a result of discussions after the Docket Entry was issued, an error was found regarding annual well cleaning and maintenance. In the OUCC Response, Mr. Malan concurred with Mr. Foley's analysis of the Well Expense and the errors Mr. Foley identified. He also agreed with Mr. Foley's proposal to use updated cost information and correct the errors. Mr. Malan explained the Parties' revised agreement upon these matters requires changes to Settlement Schedules 1 and 12. More specifically, in Schedule 1, the "Tank and Well & Well Pump Maintenance Expense" decreased from \$171,072 to \$67,752, a difference of \$103,320. The "Additional IURC Fees" decrease from \$340 to \$208, a difference of \$132. The "Recommended Increase" decreases from \$266,468 to \$163,016, a difference of \$103,452, and the "Recommended Percentage Increase" decreases from 6.89% to 4.22%, a difference of 2.67%.

Additionally, in Schedule 12, the total "Well and well pump maintenance expense" decreases from \$98,080 to (\$5,240), a difference of \$103,320. The "Total Tank and Well & Well Pump Maintenance Yearly Expense" decreases from \$171,072 to \$67,752, a difference of \$103,320. Revised Settlement Schedules 1 and 12 to the Settlement Agreement were provided with the OUCC Response.

9. Commission Discussions and Findings. As the Commission has previously shared, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. 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 Coal. of Ind., Inc. v. PSI Energy, Inc.*, 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 Coal.*, 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. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Public Serv. Co.*, 582 NE.2d 330, 331 (Ind. 1991)). The Commission’s procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement Agreement, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion 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.

Substantial evidence was presented from which to determine the reasonableness of the Settlement Agreement. While only BCW presented evidence supporting the relief Petitioner originally requested, the Parties subsequently agreed upon a reduced revenue requirement and modified borrowing authority for BCW, and Petitioner and the OUCC presented evidence explaining and supporting the reasonableness of the agreed borrowing authority and revised revenue requirements. OUCC witness Malan provided his analysis of the agreed revenue and expense adjustments and the agreed borrowing and borrowing terms. He also provided schedules to help explain his analysis and support for the Settlement Agreement. Mr. Malan unequivocally testified the Settlement Agreement represents a compromise the Parties support as fair, reasonable, and beneficial to Petitioner and BCW’s ratepayers.

Petitioner’s witness Foley also supported the agreed borrowing authority and testified the Settlement Agreement is reasonable and serves the public interest. Mr. Hawley testified the Settlement Agreement is an expeditious path to reasonable borrowing terms to facilitate Petitioner’s needed CIP, and he opined that the Settlement Agreement is in the best interest of Petitioner and its customers. By their respective Docket Entry responses, the Parties agreed upon a recalculation of the annual Well Expense shown in the Settlement Agreement using updated service interval and cost information. This recalculation resulted in the Parties agreeing to reduce the annual required contribution to the Well Expense restricted account and BCW’s overall revenue requirements.

The Commission finds the Parties’ agreements are supported by the evidence and represent a reasonable resolution of the issues presented. Based on the Parties’ settlement testimony and Docket Entry responses, we find the rate increase the Parties agreed upon in the Settlement Agreement, as modified by the Responses and the OUCC Responses, provides BCW with sufficient revenue to pay its reasonable and necessary expenses and implement capital improvements that are reasonable and necessary for safe and reliable water service to Petitioner’s customers. We further find the borrowing authority and related terms the Parties agreed upon, as set forth in the Settlement Agreement, are reasonable, appropriate, and comply with Ind. Code §§ 8-1-2-76 to -80 and Ind. Code § 8-1-4-1. Accordingly, the Commission finds the Settlement

Agreement, as modified by the Parties' Docket Entry responses, is reasonable, in the public interest, and is approved.

Additionally, the Commission specifically finds as follows:

A. Petitioner's Borrowing Authority. Petitioner's proposed long-term borrowing and encumbrance of its utility property as agreed in the Settlement Agreement complies with, and satisfies, the applicable financing related requirements of Ind. Code §§ 8-1-2-76 to -80 and Ind. Code § 8-1-4-1. The components of Petitioner's proposed CIP, as modified in the Settlement Agreement, were shown to be necessary for Petitioner to provide reasonably adequate service, and the projected cost of the CIP is reasonable. The Commission finds the evidence shows Petitioner has insufficient funds on hand to pay for the CIP, and the proposed borrowing is reasonable and necessary to accomplish these improvements. Additionally, BCW's total borrowing, including proposed and existing debt, will not exceed the fair value of Petitioner's utility plant, as evidenced in ¶ A.2 of the Settlement Agreement.

BCW is authorized to engage in long-term borrowing with the SRF, not to exceed \$6,000,000 in aggregate principal amount, at an interest rate not to exceed eight percent, and to execute and issue related documents, for purposes of funding Petitioner's CIP and other related costs. It is anticipated this long-term borrowing will be comprised of two bond issuances, one with a 20-year term and the other with a 35-year term. Petitioner is authorized to encumber its franchise, works, and system in connection with the authorized SRF borrowing and to execute documents related to that encumbrance. This Order will constitute Petitioner's certificate of authority to issue the long-term debt authorized herein.

The Additional Debt Related Agreements set forth in ¶ A.4 of the Settlement Agreement and the Report of Borrowing and True-Up Procedure set forth in ¶ A.5 of the Settlement Agreement are also found to be reasonable and approved.

B. Petitioner's Rate Increase. The approved rate increase shall be as set forth in the Settlement Agreement and subsequently modified by the Parties' agreements in their respective Docket Entry responses.

i. Petitioner's Test Year Operating Revenue. Petitioner's adjusted test year operating revenue at present rates is \$3,939,401.

ii. Petitioner's Revenue Requirement. Petitioner's adjusted pro forma revenue requirement is \$4,102,209 and is calculated as follows:

Operating Expenses	\$ 2,564,171
Extensions and Replacements	435,480
Additional Maintenance Reserve	67,752
Working Capital	4,525
Debt Service	957,503
Debt Service Reserve	<u>77,670</u>
Total Revenue Requirements	4,107,101
Less: Interest Income	(542)
Other Income	<u>(4,350)</u>
Net Revenue Requirement	<u>4,102,209</u>

iii. **Petitioner’s Authorized Rates.** Petitioner’s current rates and charges, which provide annual adjusted revenues of \$3,939,401 are insufficient to satisfy Petitioner’s annual pro forma revenue requirement of \$4,102,209 and are, therefore, unjust and unreasonable. Accordingly, BCW is authorized to increase its rates and charges for water service, across-the-board, to produce annual revenues of \$4,102,209, plus \$208 for additional IURC fees, which is an increase of \$163,016 or 4.22% over annual adjusted present rate revenues of \$3,939,401.

C. **Other Agreements Under the Settlement Agreement.** The Commission also finds the Parties’ agreements set forth in Subparagraphs C.1 through C.3 of the Settlement Agreement are reasonable and are approved. With respect to Subparagraph C.4, we find the requirement to continue to maintain, fund, and report on the dedicated restricted account for Storage Tank Inspection and Maintenance, as currently required, continues to be appropriate, reasonable, and is approved. The Parties’ agreements set forth in the Docket Entry responses modify the annual funding amount for the Well and Well Pump Maintenance restricted account to \$21,000. Based on the Docket Entry responses, we find the annual funding amount for the Well and Well Pump Maintenance account is modified to \$21,000 consistent with the Parties’ responses. The requirement to continue to maintain and report on the Well and Well Pump Maintenance restricted account consistent with the Order in Cause No. 45210 is appropriate and approved.

10. **Effect of Rate Increase on Customers.** Based on the rate increase approved in this Order, the effect on residential customers (taking service from 5/8 inch meters) is:

- The Minimum Charge, which includes 2,000 gallons of usage, will increase by \$1.08 from \$25.54 to \$26.62;
- For 4,000 gallons of usage, the increase will be \$2.16, from \$51.08 to \$53.24; and
- For 5,000 gallons of usage, the increase will be \$2.68, from \$63.43 to \$66.11.

11. **Use of Settlement Agreement.** The Parties agree 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. The Commission finds, with regard to future citation of the Settlement Agreement, 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, as modified by the Parties' Docket Entry responses, is approved.

2. BCW is authorized to increase its rates and charges for water service, across-the-board, to produce annual revenues of \$4,102,209, plus \$208 in additional Commission fees, representing an increase of \$163,016 over annual adjusted present rate revenues of \$3,939,401, consistent with Finding No. 9. B. above.

3. Consistent with Finding No. 9. A. above, Petitioner is authorized to engage in long-term borrowing with the SRF not to exceed \$6,000,000 in aggregate principal amount, at an interest rate not to exceed eight percent, for purposes of funding Petitioner's Capital Improvement Projects (as set forth in ¶ A of the Settlement Agreement) and other related costs and to encumber its utility franchise, works, and system in conjunction with the authorized borrowing and to execute related documents.

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

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

6. Prior to implementing the rates approved above, BCW shall file a new schedule of rates and charges with the Commission's Water/Wastewater Division for approval by the Division. Such rates and charges shall be effective on or after the date of this Order, subject to the Division's review and agreement.

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

HUSTON, FREEMAN, KREVDA, AND VELETA CONCUR; ZIEGNER ABSENT:

APPROVED: DEC 28 2022

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

**Dana Kosco
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
 BROWN COUNTY WATER UTILITY, INC.,)
 OF MORGANTOWN, 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,)

CAUSE NO: 45720

STIPULATION AND SETTLEMENT AGREEMENT

Brown County Water Utility, Inc. (“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 according to the terms and conditions set forth below (which terms and conditions are collectively referred to herein as the “Settlement”).

A. Petitioner’s Financing.

1. Petitioner’s Capital Improvement Projects. Petitioner proposes to install and implement Capital Improvement Projects (“CIP”), which are described as follows:

CIP Description and Estimated Cost Summary

New Well	\$125,000
Carmel System Water Transmission Main Replacement	765,980
Wild Cherry Lane Water Main Replacement	62,200
Morgantown/Indiana Creek Water Main Replacement	91,160
SR 135 Water Main Replacement South of Morgantown	164,000
Grandview Road Water Main Replacement	33,820
E. Christiansburg Rd. Water Main Replacement	330,000
Service Line Replacements	840,000
Spurgeon's Booster Station Rehabilitation	105,000
SCADA Upgrades	330,000
Maintenance Building with Water Fill Station	660,000
Office Facility Improvements	155,000
New Meter Reading Equipment	30,000
Estimated Construction Cost	<u>\$3,692,160</u>
<i>Construction Contingency</i>	568,000
<i>Additional Contingency</i>	877,840
<i>Non-Construction Costs (See Below)</i>	862,000
Probable Total Project Cost	<u><u>\$6,000,000</u></u>

Non-Construction Costs

Engineering Design, Bidding, Contract Administration	\$365,000
Asset Management Planning	50,000
Bond Counsel	40,000
Rate Consultant - Funding	40,000
Rate Consultant - IURC Rate Case*	40,000
SRF Closing Fees	15,000
Labor Standards	12,000
Preliminary Engineering Report	30,000
Legal	100,000
Easements	50,000
Environmental - Arch Study	10,000
Construction Observation	110,000
Total Non-Construction Cost	<u><u>\$862,000</u></u>

The Parties stipulate and agree the CIP is necessary for Petitioner to provide reasonably adequate service. 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.

The Parties recognize and agree that in this period of inflationary pressure, Petitioner requires “Additional Contingency” as agreed above. Therefore, the Parties stipulate and agree that total expenditures for the CIP are not to exceed \$6,000,000. The Parties also stipulate and agree that Petitioner will prioritize CIP components and may revise or delete certain CIP components, so as to limit total CIP expenditures to \$6,000,000.

2. Compliance with IC 8-1-4-1. The Parties stipulate and agree that the total amount of borrowing, including previous debt, does not exceed the fair value of Petitioner’s utility plant (including proposed additions in this Cause).

3. Borrowing Authorization. The Parties stipulate and agree that Petitioner’s long-term borrowing will consist of two (2) bond issuances, one issuance with a Twenty (20) Year Term and the other with a Thirty-Five (35) Year Term. The Parties stipulate and agree that Petitioner shall be authorized to engage in long term borrowing, which is comprised of two (2) bond issuances, not to exceed \$6,000,000 in aggregate principal amount, at an interest rate not to exceed Eight (8) percent, and, to issue and execute all necessary documents related thereto. The Parties stipulate and agree that the purpose of the authorized borrowing is to fund: the Construction, Construction Contingency, and Non-Construction costs of Petitioner’s CIP, and any related CIP costs, all not to exceed \$6,000,000, 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 issue and 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. Additional Debt Related Agreements. Petitioner agrees any borrowing authority approved by the Commission will expire two years from the date of the Commission's Order approving such borrowing. The Parties agree that Petitioner may begin collecting the new rates in its next billing cycle after a Commission Order in this Cause approving new rates. In the first two months after Petitioner receives borrowing approval and it begins collecting the new rates, Petitioner may use the amounts collected in rates, designated to pay debt service and fund debt service reserve requirements, up to an amount of \$50,764, as it deems necessary. If there is a delay greater than two months in issuing the bonds after Petitioner begins collecting the new rates under an Order in this Cause, the amounts collected in rates, designated to pay debt service and fund debt service reserve requirements, will be placed into a restricted account, which will be used to reduce debt. If Petitioner does not issue the bonds within a year of receiving borrowing authority and collecting the new rates, Petitioner agrees to issue a rebate back to ratepayers of all funds in the restricted account.

Petitioner further agrees that if at any time Petitioner makes withdrawals from its debt service reserve account(s) for any purpose other than final debt payment(s), it will report on any access of the restricted account to the Commission and the OUCC within fourteen (14) days of the event.

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, is 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 ("True-Up Report") with the Commission, serving a copy on the OUCC, within thirty (30) days after the final completion of each financing, or both if issued simultaneously, of Petitioner's long-term debt issuances. The True-Up Report should set forth the actual principal amount of Petitioner's debt issuances, the interest rate, the actual non-construction cost, the average annual debt service requirement, the amount of any required debt service reserve and the impact of any differences between the actual debt issuances results and the debt service estimates (including debt service reserve) will have on Petitioner's rates and charges or its tariff. In the event any differences would require a modification to Petitioner's rates and charges (either an increase or a decrease), along with its True-Up Report Petitioner shall file an amended tariff implementing that modification, or modifications. Within twenty (20) days of the filing of Petitioner's True-Up Report, the OUCC may file an objection to the True-Up Report, 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 issuances set forth in Petitioner's True-Up Report.

In the event both the OUCC and Petitioner agree that the True-Up modification of rates and charges need not take place due to the lack of materiality of the difference or otherwise, the True-Up rate modification need not take place if both Parties waive the requirement through a

writing filed with the Commission in this Cause. In the event that a True-Up modification to Petitioner's rates and charges is done, the amended tariff reflecting the True-Up modification will become effective, and apply to consumption, at the start of the first billing cycle following its approval by the Commission's 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 \$3,939,401.

2. Petitioner's Revenue Requirement. The Parties stipulate and agree that Petitioner's adjusted *pro forma* revenue requirement is \$4,205,529, and is calculated as follows:

Operating Expenses	\$ 2,564,171
Extensions and Replacements	435,480
Additional Maintenance Reserve	171,072
Working Capital	4,525
Debt Service	957,503
Debt Service Reserve	<u>77,670</u>
Total Revenue Requirements	4,210,421
Less: Interest Income	(542)
Other Income	<u>(4,350)</u>
Net Revenue Requirement	4,205,529
Less: Rev @ current rates sub to inc	(3,865,993)
Other revenues at current rates	(73,408)
Net Revenue Increase Required	266,128
Add: Additional IURC Fees	<u>340</u>
Recommended Increase	<u>\$ 266,468</u>
Percentage Increase	6.89%

3. Petitioner's Authorized Rates. The Parties stipulate and agree that Petitioner's current rates and charges which provide annual adjusted revenues of \$3,939,401 are insufficient to satisfy Petitioner's annual *pro forma* adjusted revenue requirement of \$4,205,529 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 \$4,205,529, and additional funds of \$340 for Additional IURC Fees, which is an increase of \$266,468, over annual adjusted present rate revenues of \$3,939,401.

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

1. Upon issuance of an Order in this Cause, the requirements of an additional \$50,000 of E&R per calendar year to fund and maintain a restricted E&R account as ordered by the Commission's March 26, 2021, Docket Entry in Cause No. 45210, are no longer required. The Parties agree Petitioner is no longer required to fund and maintain the restricted E&R account. The Parties further agree any funds currently in the restricted E&R account are released to be used for the payment of Petitioner's required contributions to future customer requested main extension costs.

2. Petitioner shall institute a water loss program and a valve maintenance program.

3. Petitioner shall follow the Commission's Main Extension Rule and complete the IURC Annual Report correctly to reflect all extensions.

4. Petitioner shall continue to maintain, fund, and report on; the dedicated restricted accounts for both Storage Tank Inspection and Maintenance, and Well and Well Pump Maintenance as directed by, and according to the terms set forth in, Finding Paragraph 10, C of the Commission's January 2, 2020, Order in Cause No. 45210 at pages 19-20.

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. If the Settlement is withdrawn, 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 any appropriate evidence, in the event this Cause is required to be litigated.

The Petitioner has prefiled its direct testimony 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 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 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.

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.

Brown County Water Utility, Inc.

By: Ben Phillip
Ben Phillips, Petitioner's Board President

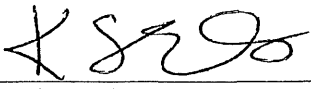
Date: August 22, 2022

ATTEST:

By: Roger Hickey
Roger Hickey, Petitioner's Secretary

Date: August 22, 2022

Indiana Office of Utility Consumer
Counselor

By: 
Kelly Earls, Deputy Consumer Counselor

Date: Aug. 22, 2022