ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF COLUMBUS, INDIANA, FOR (1) AUTHORITY TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS, (2) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE, (3) APPROVAL OF NEW SCHEDULES OF WATER RATES AND CHARGES, AND (4) AUTHORITY TO ESTABLISH AND IMPLEMENT SYSTEM DEVELOPMENT CHARGES.	**CAUSE NO. 45427** **APPROVED: MAR 29 2021**

ORDER OF THE COMMISSION

Presiding Officer:
Sarah E. Freeman, Commissioner
Brad J. Pope, Administrative Law Judge

On August 28, 2020, the City of Columbus, Indiana ("Petitioner" or "Columbus") filed its Petition ("Petition") with the Indiana Utility Regulatory Commission ("Commission") seeking authority to: (1) issue bonds, notes, or other evidence of indebtedness; (2) increase Petitioner's rates and charges for water service; (3) establish and implement system development charges; and (4) implement new schedules of rates and charges. In support of its Petition, Columbus filed the testimony and attachments of: Scott Dompke, P.E., Executive Director of Columbus City Utilities ("CCU"), the municipal water utility owned by Columbus; James E. McNulty, Senior Project Manager with Strand Associates, Inc. ("Strand"); and Douglas L. Baldessari, CPA, Partner for Baker Tilly Municipal Advisors, LLC ("BTMA"). On September 2, 2020, Petitioner filed a revised version of Mr. Dompke's testimony that removed certain confidential information.

On October 16, 2020, Southwestern Bartholomew Water Corporation ("SBWC") filed its Petition to Intervene, which was granted by docket entry on October 27, 2020.

On December 12, 2020, the OUCC prefiled its case-in-chief including the testimony and attachments of: Thomas W. Malan, Utility Analyst in the Water/Wastewater Division; Kristen Willoughby, Utility Analyst in the Water/Wastewater Division; Shawn W. Dellinger, Utility Analyst in the Water/Wastewater Division; and Jerome D. Mierzwa, principal and Vice President of Exeter Associates, Inc. SBWC also filed its case-in-chief testimony on December 15, 2020, including the testimony of: Ben Foley, principal for Sherman, Barber & Mullikin; and Chris Ekrut, CFO of NewGen Strategies and Solutions, LLC, and a Director in the firm's Environmental Practice.

On January 6, 2021, following informal settlement discussions between the parties, Petitioner filed its Notice of Potential Settlement and Motion to Vacate Procedural Schedule. The Notice indicated that the parties had reached a settlement in principle resolving all issues in this Cause and that the parties expected to file the final Settlement and supporting testimony by January 13, 2021.

On January 13, 2021, Petitioner filed a Stipulation and Settlement Agreement (the "Settlement"), among Petitioner, the OUCC, and SBWC (collectively, the "Settling Parties") with respect to all issues raised in this Cause. In support of the Settlement, Petitioner filed the Settlement Testimony of Mr. Baldessari, and the OUCC filed the Settlement Testimony of Mr. Malan.

The Indiana Utility Regulatory Commission ("Commission") set this matter for an Evidentiary Hearing to be held on January 27, 2021, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. On January 20, 2021, a docket entry was issued advising that due to the ongoing COVID-19 pandemic and with the consent of the parties, the hearing would be conducted via video conference. Petitioner, the OUCC, and SBWC appeared and participated at the hearing at which the testimony and exhibits of Petitioner, the OUCC, and SBWC were admitted into the record without objection.

Based upon the applicable law and the evidence presented, the Commission now finds:

1. <u>Notice and Jurisdiction</u>. Due, legal, and timely notice of the hearing conducted in this Cause was given as required by law. Petitioner is a municipally owned utility as defined by Ind. Code § 8-1-2-1(h). Under Ind. Code § 8-1.5-3-8(f)(2), the Commission has authority to approve Petitioner's water utility rates and charges, and under Ind. Code § 8-1.5-2-19, the Commission has authority to approve Petitioner's issuance of bonds, notes, or other obligations that are payable more than 12 months after execution. Therefore, the Commission has jurisdiction over Columbus and the subject matter of this proceeding.

2. <u>Petitioner's Characteristics</u>. Petitioner is a municipality that owns and operates a municipal water works and related facilities providing water sales and service to customers in and near the city of Columbus, Indiana. Petitioner, by its Utility Service Board, operates, manages, and controls plant, property, pipelines, and equipment that are used and useful in the production, treatment, distribution, and sale of water service to residential, commercial, industrial, and other consumers in and around Bartholomew County, Indiana. Petitioner's principal office is located at 1111 McClure Road, Columbus, Indiana. Petitioner is subject to the jurisdiction of the Commission to the extent provided by the Public Service Commission Act, as amended, and other laws.

3. <u>Test Year</u>. The test year selected for determining Petitioner's actual and pro forma operating revenues, expenses, and operating income under present and proposed rates was the 12 months ended December 31, 2019. With adjustments for changes that are fixed, known, and measurable, we find that this test period is sufficiently representative of Petitioner's normal operations to provide reliable data for ratemaking purposes.

4. <u>Petitioner's Requested Relief</u>. In its case-in-chief, Petitioner requested authority to issue bonds, notes, or other evidence of indebtedness and to increase its rates and charges by approximately 79.5% overall based on a cost-of-service study. Petitioner proposed the increase be implemented through a three-phase rate increase to take effect upon the issuance of an Order in this Cause ("Phase 1"), with Phase 2 taking effect on January 1, 2023 ("Phase 2"), and Phase 3 taking effect on January 1, 2024 ("Phase 3").

5. **Petitioner's Direct Testimony**.

A. **Scott Dompke.** Mr. Dompke, Executive Director of CCU, described CCU's water utility operations and testified in support of CCU's Petition for authorization to: (1) issue bonds, notes, or other obligations; (2) to increase its rates and charges for water service and issue a new schedule of rates and charges; and (3) to implement system development charges.

Mr. Dompke testified that CCU's existing rates were approved by the Commission's August 12, 1992 Order in Cause No. 39425 and that a new schedule of rates and charges for wholesale customers was subsequently approved in that same Cause by the Commission's March 29, 1994 Order. He stated that CCU's current average residential bill for water service based on 4,000 gallons is $9.82, compared with a statewide average of $28.89. He explained that CCU has gone almost 30 years without a water rate increase, which has prevented it from funding the depreciation of its system. He testified that in 2016, CCU engaged Strand to conduct an evaluation of the long-term capital needs of CCU's water and wastewater utilities over a 20-year planning period. This evaluation included a review of the condition of existing structures, equipment, piping, and the capacity of CCU's existing facilities and infrastructure compared to current needs and projected 20-year needs. From its evaluation, Strand developed a master plan ("Master Plan") for CCU, which recommended 20-year improvements for the water and wastewater utilities on a planning level basis.

Mr. Dompke then summarized the capital improvement projects CCU proposed in this proceeding as follows:

1. Wells and Raw Water / South Wellfield - CCU is proposing to construct four new wells in the South Wellfield. These wells would be constructed on property CCU either already owns or property upon which it has existing wells. CCU has budgeted $3 million for this project.

2. Storage Tanks - Based on GRW Engineers, Inc. ("GRW") Boundary Review study, CCU estimates $5.3 million for storage tank projects. CCU operates two pressure zones, East and West. These proposed projects will adjust the height of four existing 0.5 MG tanks and construct a new 1.25 MG tank in the East Zone. The projects will double CCU's storage in the industrial area near SR 58 and I-65 and increase CCU's storage in the East pressure zone. Adjusting the storage tank heights serving the SR 58/I-65 industrial area transfers the service area into the lower East Zone, served by Water Treatment Plant 1's high service pumps, eliminating the need for the Deaver Road Booster Station.

3. Transmission Mains - Based the GRW Boundary Review study, CCU estimates $1.4 million for a 20-inch transmission main under I-65 on CR 200 South. Subject to other factors, a transmission main may be considered on Regency Drive for $1.2 million.

4. Water Boosters - Based on the GRW Boundary Review study, CCU estimates $1.4 million for a new Carr Hill Road booster station to replace and relocate an existing underground pump station.

5. New Plant Scoping, Pilot Testing, and Design - The Master Plan evaluated several alternatives to provide future treatment capacity and considered combinations of improvements between the two existing Water Treatment plants. Staging improvements resulted in a future treatment capacity of 30 million gallons per day ("MGD") for a system currently averaging 7.5 MGD. Since delivery of the Master Plan, CCU and Strand reconsidered alternatives and concluded that constructing a new pressure filter plant on property CCU owns is the best alternative. The plant scoping, pilot testing, and design project will provide data to base the design of the future treatment plant near the South Wellfield. The cost of this project is $2.65 million.

6. Main Replacements - The GRW Water Main Prioritization report identifies 44 water main projects to be constructed over the next 20 years. The first five-year project list to be funded through this case includes ten projects estimated to cost $8.34 million with $7.465 million to be financed by the bonds. The prioritization process developed for CCU considered numerous factors, including: remaining useful life, main breaks, leaks, large users, transmission or critical mains, fire flows, nearby historic districts needing improved fire protection, city street resurface schedules, lead services, city Redevelopment areas, and other planned utility projects. CCU's goal is to target $11 to $13 million of water main projects every five years through a combination of bonds and rates.

7. Distribution System - Other distribution projects may include small diameter main replacements. The GRW report further identified 9,900 feet of small diameter main, often galvanized pipe that could be replaced for an estimated cost of $2.7 million. A portion of CCU's proposed main replacement annual spending will go towards these projects. These tend to be unanticipated replacements that rise to priority as other activity in the area materializes, whether it be water system maintenance, other utility construction, or private development investment.

8. Meters. CCU has contracted for a meter replacement study through a consultant to consider alternatives for the City's future metering infrastructure. The COVID-19 pandemic delayed the final delivery of this report. Currently, CCU estimates spending up to $500,000 annually on meter replacements and reading technology.

9. Information Systems - Information systems will be funded through rates due to their relatively short life cycle. Anticipated funding will range from $50,000 to $150,000 annually, depending on the systems to be considered in budgeting and operational needs. Based on information from other communities, the replacement cost could be $200,000. The primary information systems include: SCADA for wells, pumping, storage and distribution; Customer Information System; Asset management; Work order management; and GIS.

10. Vehicles - As CCU invests in a more aggressive maintenance program, vehicles will play a crucial role in CCU's ability to operate and maintain the system.

Vehicles will be funded from the depreciation account based on replacement needs. CCU proposes to use lease-purchase agreements for high-cost vehicles such as excavation equipment and dump trucks. CCU's anticipated funding levels for vehicles will be from $150,000 to $300,000.

11. Quality Control - The Quality Control lab shares the McClure Road site with the Utility Service Center. The capital needs of this lab vary from year to year based on needs for HVAC, roofing, laboratory equipment, space needs, and security. The range of annual capital expenditures for the lab are estimated to be between $5,000 and $50,000.

12. Utility Service Center - The Utility Service Center, constructed in 1987, requires renovations that will be paid through both the water and wastewater utility. An architectural assessment is needed to evaluate the space and security needs of the building and grounds. A security and space needs assessment will be conducted in the next year. The range of annual capital expenditures for the Service Center are estimated to be between $50,000 and $100,000.

Mr. Dompke stated that CCU is seeking authority to issue long-term debt in an amount not to exceed $24.42 million to fund projects (1) through (5) and that CCU anticipates funding Project (6) through a combination of debt and rates. He explained that CCU anticipates funding Projects (7) through (12), approximately $4.3 million in capital projects, through the depreciation expense recovered through rates to be approved in this Cause.

Mr. Dompke also provided background information regarding the need for additional capacity in the South Well Field that will be replaced with funds from the proposed bond issuance. He stated that the South Well Field contains numerous wells of various age and capacity over a broad geographic area. He testified that some older wells have diminished capacity and others have been taken out of service. He also explained that out of an abundance of caution, CCU temporarily took Wells 14 and 15 out of service following a study by CCU that indicated a contamination of 1,4 dioxane, an unregulated contaminant. The results were reported to the EPA and shared in the National Contaminant Occurrence Database. He testified that in order to assure customers that CCU is providing safe and reliable drinking water, these two wells would only be used under extreme demands, and only in combination with several other wells. This information, along with the deteriorating capacity of other wells and projected future demands, led to the Strand recommendation to consider additional sources of supply.

Finally, Mr. Dompke explained the changes that are causing increased costs associated with periodic maintenance items and how the intervals and costs for these items were derived as follows:

1. Valves, and hydrants - CCU is implementing a new valve and hydrant maintenance program. The estimated periodic maintenance annual cost for this item is $32,375, shown on page 19 of the rate study. This amount was derived from contracted services.

2. High service pumps and drives - The estimated periodic maintenance cost for this item is $6,000, shown on page 19 of the rate study. These assets are inspected daily, and the oil is changed annually. Approximately $5,000 was spent last year re-building the valve actuators, with roughly $7,000 pending on controls. CCU's water plant superintendent estimates $5,000 to $7,500 annually for high service pumps and drives.

3. Plant equipment - The estimated periodic maintenance cost for this item is $21,511, summed from several items shown on page 19 of the rate study. This equipment is reviewed annually with the budget. Water plant crews recently pulled a booster station motor and impeller under manufacturer's guidelines. The cost for a single pump was $900, multiplied by 6 booster pumps projects to a $5,000 annual cost.

4. Storage tanks - The estimated periodic maintenance cost for this item is $210,000, summed from several items shown on page 19 of the rate study. Three of CCU's five storage tanks are under contract maintenance. CCU projected an increase to cover all five existing tanks from that contract in consultation with the vendor.

5. Well cleaning - The estimated periodic maintenance cost for this item is $125,000, shown on page 19 of the rate study. Well cleaning is performed through contract services for $8,500 per well, which was used to project annual well maintenance costs.

B. James E. McNulty. Mr. McNulty, Senior Project Manager with Strand, testified that Strand was retained by CCU to evaluate its existing water utility facilities and infrastructure and to identify its potential capital improvement needs over a 20-year planning period. He stated that Strand prepared the Master Plan for CCU in July 2018, which was partially amended in July 2020. He testified that Strand also conducted engineering studies to evaluate and support the specific projects CCU is proposing in this Cause to improve its water system.

Mr. McNulty discussed the engineering studies and described the proposed addition of four new groundwater well projects that CCU intends to finance with the bonds to be issued in this Cause. He also discussed the new plant scoping and design project as well as the pilot testing project that CCU is proposing in this Cause in connection with the construction of a new water treatment plant in the future. He described CCU's four proposed groundwater well projects, which would replace lost capacity from taking Wells 3A, 4, 14, and 15 out of service and would cost approximately $3 million. He stated that the addition of the four new groundwater wells would increase CCU's firm well capacity by approximately 4.6 MGD for Water Treatment Plant ("WTP") #2.

Mr. McNulty explained why CCU is considering building a new water treatment plant. He first stated that CCU is only seeking recovery in this Cause to evaluate the project further and will decide to build a new water treatment plant at a future date. He testified that WTP #1 was last updated in 1976 and WTP #2 was expanded in 1992 to increase capacity to 20 MGD. He stated that both water treatment plants were evaluated in the Master Plan, which presented two options for rehabilitation. Option 1 suggested a minimal rehabilitation of WTP #1 to extend its useful life, followed by rehabilitation of WTP #2 and construction of a new 12 MGD water treatment plant to replace WTP #1. He testified that the opinion of probable cost of this option was approximately $70.593 million in 2017. Option 2 presented a full rehabilitation of WTP #1 followed by rehabilitation of WTP #2. He testified that the opinion of probable cost for Option 2 was approximately $37.878 million in 2017. The rehabilitation to WTP #1 was anticipated to be accomplished by 2024 to provide sufficient treatment capacity for when the capacity at WTP #2 was planned to be reduced during the rehabilitation.

Mr. McNulty explained that CCU is not moving forward with Option 1 or Option 2 because the Master Plan amendment presents a third option, which includes constructing a new water treatment plant (WTP #3). He stated that it was determined that Options 1 and 2 are no longer feasible because CCU needs more capacity than what WTP #1 (rated at 8 MGD) can provide in order to supply the system demand during the rehabilitation of WTP #2. He stated that under Option 3, both WTP #1 and WTP #2 would continue to operate while WTP #3 is constructed. Once WTP #3 is operational, WTP #1 and #2 would be removed from service. He testified that WTP #3 would have a maximum day capacity of 25 MGD, which is sufficient capacity to supply the system demand presented in the Master Plan currently being served by WTP #1 and #2.

Finally, Mr. McNulty stated that Option 3 proposed a pressure filter iron removal plant that would normally operate at less than 15 MGD but would be capable of producing up to 25 MGD for extreme peak days. He explained that operating the filter in this fashion will require a pilot study of the filter flow rate for the Indiana Department of Environment Management. He added that CCU is planning to scope out and design the WTP #3 project and will use this evaluation as the basis of design for WTP #3 at a future date. He stated that the proposed project for WTP #3 includes the water plant, clear well storage, raw water main, finished water main, and improvements to the existing groundwater wells. As identified in the Master Plan amendment, the total cost of the scoping/design and pilot testing is anticipated to be $2.65 million and the opinion of probable cost for Option 3 is approximately $50.6 million. He concluded that each of these projects are reasonably necessary for the provision of reasonable and adequate service.

C. Douglas L. Baldessari. Mr. Baldessari, CPA and Partner for BTMA, testified that BTMA was retained by CCU to complete a financial study to determine the cost-of-service rates and charges necessary to support the pro forma revenue requirements and to make recommendations regarding changes in Petitioner's present schedule of rates and charges for service for the water utility. Mr. Baldessari added that BTMA was also hired to assist with the structuring of the long-term revenue bonds to be used to fund the proposed improvement project.

Mr. Baldessari sponsored Attachment DLB-1 to his direct testimony, which consisted of an Accounting Report on the Proposed Improvement Project Financing and Cost of Service Rate Study ("Accounting Report"). He stated that the Accounting Report summarized the study results and accounting services performed by BTMA. He testified that the test period for preparation of the Accounting Report consists of the 12 months ended December 31, 2019, which avoids use of any part of 2020 as a test year. He noted that when the results of this test period are combined with appropriate pro forma adjustments, revenues and expenses fairly represent the current and future operations of the water system. Based on BTMA's analysis, Mr. Baldessari recommended an overall increase of approximately 79.5% and the use of a system development charge.

Mr. Baldessari testified that the primary drivers for the rate adjustments are: (1) the need for the $222 million aggregate par amount of long-term debt issuance for various capital projects; and (2) the need to provide for the pro forma operation and maintenance requirements. He added that the rates and charges for CCU's customers were last adjusted in 1992, except for the wholesale customers, which were last adjusted in 1994. He also described the time-sensitive nature of projects within the bond issuance, including two new wells in the south wellfield and the Jackson-8th Gladstone project.

Mr. Baldessari testified that the Water Utility loaned the Wastewater Utility $1.715 million to pay for required wastewater projects. He explained that the Wastewater Utility did not have enough available cash to move forward with the construction of certain necessary improvements. He stated that the Wastewater Utility will reimburse the Water Utility the $1.715 million when the Wastewater Utility issues its long-term bond issues in the spring of 2021. He added that the Wastewater Utility has been analyzing its finances and working through rates and charges, which were originally anticipated to be implemented in the summer of 2020, but with the financial concerns related to the COVID-19 pandemic, including skyrocketing unemployment, the City did not believe it was prudent to move forward with the wastewater rate adjustments at that time.

Mr. Baldessari stated that estimated project costs are based on engineering and management estimates at the time the cost-of-service rate and financing report was finalized on July 13, 2020. He explained that the projects include various project development costs, new wells, water main replacements and improvements, booster/valve stations improvements, a new water storage tank, improvements to other existing water towers, and project design, scoping and piloting for a future new water treatment plant. These projects, including all financing and other soft costs, are estimated to cost approximately $25.68 million. He stated that at present, the proposed projects are intended to be funded from a combination of $3.48 million of available cash on hand (including the repayment from the Sewer Utility) and the balance of $22.2 million with a bond issue through the Indiana Drinking Water State Revolving Fund Program ("SRF").

Mr. Baldessari also explained the following: (1) how the amount of cash on hand available to pay for a portion of the proposed project costs was determined; (2) how the $100,000 estimate for cash reduction due to the revenue losses stemming from the COVID-19 pandemic was determined; (3) the bond amortization schedules in the Accounting Report; (4) how the estimated interest rate shown in the proposed amortization schedules was determined; (5) Petitioner's intention to conduct a true-up calculation of the proposed rates and charges once engineering studies are completed and construction bids are received; (6) the calculation of Petitioner's pro forma annual cash operating expenses disbursements; (7) adjustments to Petitioner's payroll expenses, employee benefits, liability insurance, utility receipts tax, purchased power, and periodic maintenance disbursements; (8) the normalized annual operating receipts calculations; (9) the Schedule of Additions to Utility Plant and Annual Depreciation Expense; and (10) the total revenue requirements that Petitioner must recover on an annual basis to operate its water system.

Mr. Baldessari also described the purpose of cost of service studies generally and the specific details of the cost of service and rate design calculations performed by BTMA. He then explained the calculation of the public fire protection charges and his calculations of the proposed system development charge. To conclude, Mr. Baldessari stated that Petitioner cannot obtain the funding needed to complete the capital improvements discussed by Mr. Dompke and Mr. McNulty under current rates and charges and that SRF provides a reasonable and cost-effective source of funds to construct the capital improvements.

6. **<u>The OUCC's Case-in-Chief</u>.** Mr. Thomas W. Malan, Utility Analyst with the OUCC's Water/Wastewater Division, testified regarding Petitioner's proposed rate increase. Mr. Malan testified he accepted each of Petitioner's test year operating revenue adjustments. He testified he accepted each of Petitioner's operating expense adjustments, apart from Petitioner's purchase power adjustment, and he recommended an additional operating expense adjustment to remove non-water utility costs and temporary labor costs recorded during the test year. He also recommended a higher revenue requirement offset than what Petitioner proposed. He further testified the OUCC accepted Petitioner's proposed system development charge of $990, but noted the 12" meter charge was incorrectly calculated due to an input error. Mr. Malan ultimately recommended the Commission approve an overall rate increase of 74.02% producing additional revenue of $3,291,402. He further recommended this increase be implemented in three phases with a Phase 1 increase of 43.66% implemented on August 1, 2021, a Phase 2 increase of 12.99% implemented on January 1, 2023, and a Phase 3 increase of 7.21% implemented on January 1, 2024. He recommended the Commission approve Petitioner's requested system development charge, with the correction proposed by OUCC witness Mr. Mierzwa.

Ms. Kristen Willoughby, Utility Analyst with the OUCC's Water/Wastewater Division, testified regarding Petitioner's proposed capital projects. Ms. Willoughby testified Petitioner's proposed capital projects are reasonable, and recommended the Commission find Petitioner's planned capital improvements projects justify its requested level of borrowing. She further recommended the Commission approve $399,656 per year in Periodic Maintenance expense. Ms. Willoughby additionally testified Columbus has taken the appropriate steps to address water loss. She recommended Columbus continue to conduct leak surveys, meter testing, plant meter calibration and revenue meter replacement to reduce its water loss.

Mr. Shawn Dellinger, Utility Analyst with the OUCC's Water/Wastewater Division, testified regarding Petitioner's proposed debt financing. Mr. Dellinger recommended the Commission grant Petitioner authority to borrow up to $22.2 million. He further recommended the Commission approve a Debt Service Annual Revenue Requirements of $577,425 for Phase 1, $1,276,511 for Phase 2, and a Debt Service Reserve Revenue Requirement of $255,302 for Phase 1 and 2. He also recommended the Commission require Petitioner to reduce rates once the Debt Service Reserve has been fully funded to reflect the elimination of the Debt Service Reserve Revenue Requirement. Finally, he recommended the Commission require Petitioner to follow the true-up procedures concurrent with all Phases as discussed in his testimony.

Mr. Jerome D. Mierzwa, principal and Vice President of Exeter Associates, Inc., testified regarding Petitioner's class cost of service study ("CCOSS"). Although Mr. Mierzwa generally found the Petitioner's CCOSS to be consistent with the base-extra capacity method described in the American Water Works Association's Principles of Water Rates Fees and Charges ("AWWA M1 Manual"), he noted several concerns with the CCOSS and recommended several modifications. Mr. Mierzwa found that the Petitioner had misclassified investment and costs into the four primary functional cost categories based on non-coincident customer class peak demands rather than system coincident peak demands as specified in the AWWA M1 Manual. He further testified that Petitioner did not appropriately account for non-revenue water and it improperly assigned a portion of purchase power costs to maximum day extra-capacity demands. He also found that the City's CCOSS failed to assign any base function category costs to Fire Protection service, the meter investment reflected in the CCOSS should be assigned 50 percent to the City's wastewater operations, the CCOSS failed to properly recognize the service requirements of Eastern Bartholomew Water Corporation ("EBWC"), and the City should consider establishing a separate rate schedule for irrigation customers. With respect to the distribution of the revenue increase authorized by the Commission in this proceeding, Mr. Mierzwa recommended the distribution be guided by the CCOSS presented by the OUCC. Finally, with respect to the system development charges proposed by the City, Mr. Mierzwa testified the proposed charge for 12-inch meters should be corrected to reflect a 265 equivalency factor, which is the appropriate meter equivalency factor as set forth in the AWWA M1 Manual.

7. <u>SBWC's Case-in-Chief</u>. Mr. Chris Ekrut, Chief Financial Officer of NewGen Strategies and Solutions, LLC, and a Director in the firm's Environmental Practice, testified regarding Petitioner's CCOSS. Mr. Ekrut testified some of the methodologies and assumptions utilized in completing the CCOSS do not result in a reasonable allocation of costs to SBWC, particularly in light of SBWC's unique service demands. He further testified, specifically, the CCOSS does not recognize the unique service demands of SBWC and inappropriately allocates costs to the wholesale class that are not incurred in the provision of service to these customers. He testified there are also a number of errors that have been made in the calculation of the CCOSS, which should be corrected. Mr. Ekrut presented an amended CCOSS. Based on his amended results, Mr. Ekrut recommended a cost-of-service value of $432,218, which represents an approximate 146% increase in annual revenue that is needed from SBWC. Given this substantial increase, Mr. Ekrut recommended the Commission employ methods to more gradually implement the CCOSS results. Mr. Ekrut described the methods he would recommend the Commission employ and testified the result would ensure that no class receives more than a 100% increase.

8. <u>Settlement Agreement</u>. The Settlement Agreement filed with the Commission on January 13, 2021, presents the parties' resolution of all issues in this Cause. The Settlement is attached to this Order and incorporated by reference. The witnesses offering settlement testimony discussed the Settlement as a fair, just, and reasonable resolution of the issues in this Cause. Mr. Baldessari testified the Settlement represents the result of arm's-length negotiations by a diverse group of stakeholders with differing views on the issues raised in this proceeding. He further testified the Settlement presents a fair and reasonable resolution of all issues in this proceeding and approval of the Settlement is in the public interest. Mr. Malan also testified the Settlement is a reasonable compromise between the positions of the Settling Parties and should be approved. He testified the ratepayers will receive the benefit of lower than requested rates, and Columbus will have the ability to raise sufficient revenue to pay all lawful expenses incident to the operation of the utility. He further testified he considered the terms of the Settlement to be in the public interest, and recommended the Commission approve and implement the Settlement. The Settlement and supporting evidence is outlined below.

A. <u>Revenue Requirement</u>. Mr. Baldessari testified regarding the Settling Parties' compromise with respect to the revenue requirement issues. He testified for purposes of settlement, Petitioner agreed to accept the OUCC's position regarding the proposed adjustments for purchased power expense and to remove non-water utility and temporary labor expenses recorded during the test year along with the OUCC's proposed adjustment to revenue requirement offsets and the normalization of the EBWC test year revenues. Mr. Malan testified the Settling Parties therefore reached agreement on all revenue requirements for Columbus, which agreement is reflected in the settlement schedules attached as Attachment DLB-1S to the Settlement Testimony of Mr. Baldessari. The Settling Parties agreed for purposes of settlement that Columbus should be authorized to increase rates and charges for water service to reflect an overall pro forma net revenue requirement of $7,738,434 (Attachment DLB-1S), yielding an overall annual increase of $3,311,396, or 74.80% over Columbus's current revenues at existing rates. See Paragraph 4A of the Settlement Agreement. Mr. Malan explained that the increase will be implemented in three phases.

Mr. Baldessari further testified that for purposes of settlement, SBWC agreed to accept the revenue requirements and revenues as agreed to by Petitioner and the OUCC, and also agreed to withdraw the testimony of SBWC witness Ben Foley. This is reflected in Paragraph 4C of the Settlement.

Settlement Agreement:	Phase I Pro Forma (Upon Order Issuance)	Phase II Pro Forma (1/1/2023)	Phase III Pro Forma (1/1/2024)
Annual Revenue Requirements:			
Operation and Maintenance Expenses	$4,905,722	$4,905,722	$4,905,722
Additional Utility Receipts Tax (1.4%)	24,394	34,717	41,210
Total Operating Expenses	4,930,116	4,940,439	4,946,932
Debt Service: Proposed 2021 Bonds	577,425	1,276,511	1,276,511
Debt Service Reserve	255,302	255,302	255,302
Depreciation Expense	1,018,327	1,138,880	1,652,480
Total Annual Revenue Requirements	6,781,170	7,611,132	8,131,225
Less Penalties	(18,783)	(18,783)	(18,783)
Less Reconnect Fees	(61,120)	(61,120)	(61,120)
Less Miscellaneous Revenues	(212,864)	(212,864)	(212,864)
Less Interest Income	(14,824)	(14,824)	(14,824)
Less Rental Income	(85,200)	(85,200)	(85,200)
Less Bank Reconciliation			
Net Annual Revenue Requirements	$6,388,379	$7,218,341	$7,738,434
Annual Revenues:			
Water Sales	$3,672,802	$3,672,802	$3,672,802
Fire Protection	754,236	754,236	754,236
Plus revenues from rate increase	-	1,961,341	2,791,303
Total Annual Operating Revenues	$4,427,038	$6,388,379	$7,218,341
Additional Revenue Required	$1,961,341	$829,962	$520,093
Percentage Increase	44.30%	12.99%	7.21%

B. Financing Matters. With respect to Petitioner's proposed financing, Mr. Baldessari testified the OUCC proposed an adjustment to debt service to reduce the assumed interest rate on the proposed SRF bonds from an assumed 100 basis point allowance over the current SRF interest rates to a 50 basis point allowance. He testified Petitioner calculated a different annual requirement for the debt service and debt service reserve assuming the lower SRF interest rates due to the maximum period allowed by SRF for bonds issued over 35 years. Mr. Baldessari explained these requirements will be trued-up and the difference was not significant so, for purposes of settlement, Petitioner agreed to accept the OUCC's proposed debt service requirements. Further, while the OUCC recommended Petitioner reduce rates once the debt service reserve requirement is fully funded, Mr. Baldessari testified the Settling Parties agreed instead Petitioner will use the amount made available to make additional capital improvements or set the monies aside to offset future borrowing.

Paragraph 4B of the Settlement sets forth the Settling Parties' agreement with respect to Petitioner's proposed financing. Mr. Malan testified the Settling Parties agreed that Columbus should be authorized to issue bonds of up to $22.2 million. He further testified the Settling Parties agreed that $577,425 of annual debt service be included in the revenue requirement for Phase 1 and $1,276,511 be included in the revenue requirement for Phase 2 and subsequent years, subject to true-up. He also testified the Settling Parties agreed that $255,302 of annual debt reserve funds be included in the revenue requirement, also subject to the true-up process. With respect to the debt service reserve revenue requirement, Mr. Malan testified the Settling Parties agreed that once the debt service reserve is fully funded, Columbus shall annually spend the amount of money no longer needed for debt service reserve to augment infrastructure replacement or reserve such funds to offset future borrowing. The Settling Parties also agreed to the true-up process recommended by the OUCC in Mr. Dellinger's testimony.

C. Other Rates and Charges. In its case-in-chief, Petitioner proposed to establish and implement a $990 system development charge per residential customer and Mr. Baldessari presented a calculation for Petitioner's proposed system development charges. OUCC witness Mierzwa identified an error in Petitioner's calculation for a 12-inch meter, which Petitioner subsequently corrected in the Settlement. Paragraph 5A of the Settlement sets forth the Settling Parties' agreement with respect to Petitioner's proposed system development charges. Mr. Malan testified that for purposes of settlement, the Settling Parties agreed to a $990 system development charge per residential customer, which charge is to be applied to new or expanding customers. He further testified the Settlement reflects Columbus's correction of the system development charge for a 12-inch meter.

OUCC witness Mierzwa also recommended that Columbus consider establishing a separate rate schedule for irrigation customers. As set forth in Paragraph 5B of the Settlement, the Settling Parties agreed Columbus should consider establishing a separate rate schedule for irrigation customers and, if Columbus determines it is appropriate to establish a separate rate schedule for irrigation customers, Columbus shall request approval from the Commission to do so in its next rate case.

D. <u>Cost of Service Study and Rate Design</u>. Mr. Baldessari testified that both the OUCC and SBWC proposed adjustments to Petitioner's cost of service allocations. He testified that for purposes of settlement, Petitioner has agreed to accept the OUCC's proposed cost of service which includes adjustments to the capacity factors and the cost allocations. More specifically, the OUCC recommended modifications to the maximum day excess capacity and maximum hour excess capacity factors and further recommended allocation of 100% of purchase power expense to base. Mr. Baldessari testified these modifications were the main drivers of the cost shifts away from the residential customer class to the large commercial, industrial and wholesale customers. He further testified accepting the OUCC's recommended modifications for purposes of settlement avoided the need for Columbus to file rebuttal testimony and the need for the Commission to determine as to whether those modifications should be employed.

Mr. Baldessari further testified both the OUCC and SBWC proposed gradualism related to the proposed revenue increases for customer classes which would have seen significant increases resulting from the cost-of-service study. Mr. Baldessari acknowledged that the concept of gradualism is well known and understood, and testified Petitioner agrees gradualism is appropriate in this case. Therefore, for purposes of settlement, the Settling Parties agreed to cap the revenue increase on all customer classes equal to 150% of the system average revenue increase or approximately 113%.

As set forth in Paragraph 6 of the Settlement, for purposes of settlement, the Settling Parties accepted the cost-of-service study performed by OUCC witness Mierzwa; however, the Settling Parties agreed that all customer classes shall be capped at an approximate 113% revenue increase (with no customer receiving a more than 112.9% increase) for each customer class. The Settling Parties further agreed that the revenue offset for the large commercial and industrial customers and EBWC should be allocated to the residential class. The resulting rates and charges which the Settling Parties stipulate and agree should be approved by the Commission are set forth in Petitioner's Exhibit No. 4, Attachment DLB-1S.

E. <u>Stipulation Effect, Scope, and Approval</u>. Paragraph 7 of the Settlement addresses the effect and scope of the Settlement, the approval being sought for the Settlement and applicable conditions to the effect of the Settlement. Paragraph 7 of the Settlement specifically makes clear that the Settlement is the result of compromise in the settlement process, and that neither the making of the Settlement nor any of its provisions shall constitute an admission or waiver by any Settling Party in any proceeding, now or in the future, nor shall it be cited as precedent. Paragraph 7 also states that the Settlement is a compromise and will be null and void unless approved in its entirety without modification or further condition that is unacceptable to any Settling Party. The Settlement also includes provisions concerning the substantial evidence in the record supporting the approval of the Settlement, recognizes the confidentiality of the settlement communications and reflects other terms typically found in settlement agreements before this Commission.

9. 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.

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

The Commission has before it substantial evidence from which to determine the reasonableness of the terms of the Settlement. Our review of the reasonableness of the Settlement is aided by the parties' supporting settlement testimony. The Settling Parties' supporting testimony provides an explanation of the components underlying the increase in base rates and charges provided for in the Settlement, and therefore we find the rates and charges are reasonable for purposes of settlement and supported by the evidence of record.

Approval of the Settlement eliminates the risks, uncertainty, and consumption of time and resources that would otherwise be required for the Commission to issue its final order in this proceeding. The Settlement resolves all issues in this Cause, including the parties' disagreement on cost of service and rate design issues, and reaches a reasonable compromise on these issues incorporated into this order below. Ultimately, the Settlement provides for a reasonable increase, resolves the parties' dispute with respect to all issues, and allows for Columbus to make much needed capital improvements to its system.

10. Conclusion. The testimony supporting the Settlement addresses why the Settlement is reasonable and in the public interest. Based upon our review of the record, particularly the Settlement terms and supporting testimony, the Commission finds the Settlement is within the range of potential outcomes and represents a just and reasonable resolution of the issues.

Based on the Settlement and the supporting evidence presented in these proceedings, we find that Petitioner should be authorized to increase its rates and charges to produce additional revenue of $3,311,396, or an overall increase of 74.80%. Pursuant to Ind. Code § 8-1.5-2-19(b), when a municipality, such as Columbus, issues debt, it must show that the rates and charges "will provide sufficient funds for the operation, maintenance, and depreciation of the utility, and to pay the principal and interest of the proposed bond issue, together with a surplus or margin of at least ten percent (10%) in excess." Based on Attachment DLB-1S, the Commission finds Columbus has met the standard under Ind. Code § 8-1.5-2-19(b) and, therefore, certifies that Petitioner's authorized rates and charges provide sufficient funds for O&M and depreciation and to pay the principal and interest of the proposed bond issue, together with a surplus or margin of at least ten percent in excess. The Commission further finds and concludes that the Settlement is reasonable, supported by substantial evidence, and in the public interest. Accordingly, the Settlement is approved.

11. <u>Effect of the Settlement Agreement</u>. Consistent with the terms of the Settlement, the Settlement is not to 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 or of this Order, we find our approval herein should be treated in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434 (IURC 3/19/1997).

12. <u>Confidential Information</u>. On August 28, 2020, and September 16, 2020, Petitioner filed motions seeking determinations that designated confidential information involved in this proceeding be exempt from public disclosure under Ind. Code § 8-1-2-29 and Ind. Code ch. 5-14-3. The August 28, 2020 request was supported by the affidavit of Scott Dompke, and the September 16, 2020 request was supported by the affidavit of Douglas L. Baldessari. Both affidavits attested that documents to be offered into evidence at the evidentiary hearing were trade secret information within the scope of Ind. Code § 5-14-3-4(a)(4) and Ind. Code § 24-2-3-2. On September 15, 2020, and October 27, 2020, the Presiding Officers issued docket entries finding such information confidential on a preliminary basis.

After reviewing the designated confidential information, we find all such information qualifies as confidential trade secret information pursuant to Ind. Code § 5-14-3-4 and Ind. Code § 24-2-3-2. This information has independent economic value from not being generally known or readily ascertainable by proper means. Petitioner has taken reasonable steps to maintain the secrecy of the information and disclosure of such information would cause harm to Petitioner. Therefore, we affirm the preliminary ruling and find this information should be exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29, and held confidential and protected from public disclosure by this Commission.

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

1. The January 13, 2021 Stipulation and Settlement Agreement, a copy of which is attached to this Order, is approved in its entirety.

2. Petitioner is authorized to increase its rates and charges for water service in three Phases with the increase for Phase 1 constituting a 44.30% increase, for Phase 2 constituting a further 12.99% increase, and for Phase 3 constituting a 7.21% increase.

3. Petitioner is granted a Certificate of Authority to issue additional long-term debt in one or more issues to the SRF or pursuant to competitive sale or private placement at or below competitive market rates and in principal amount not to exceed $22,200,000 as approved in this Order.

4. Petitioner is authorized to establish and implement system development charges as set forth in Paragraph 5A of the Settlement.

5. Prior to implementing the approved rates, Petitioner shall file the tariff and applicable rate schedules under this Cause for approval by the Commission's Water/Wastewater Division. For Phase 1, such rates and charges shall be effective when an Order is issued in this Cause. The Phase 2 and Phase 3 schedules shall be effective on January 1, 2023, and January 1, 2024, respectively, subject to approval by the Water/Wastewater Division.

6. Petitioner shall file a true-up report as provided in Paragraph 4B of the Settlement.

7. In accordance with Ind. Code § 8-1-2-70, Petitioner shall pay the following itemized charges within 20 days from the date of the Order, into the Treasury of the State of Indiana, through the Secretary of the Commission:

Commission Charges:	$ 3,926.15
OUCC Charges:	$ 14,612.96
Legal Advertising Charges:	$ 202.68
Total:	$18,741.79

8. In accordance with Ind. Code § 8-1-2-85, Petitioner shall pay a fee equal to $0.25 for each $100 of water utility revenue bonds issued, to the Secretary of the Commission, within 30 days of the receipt of the financing proceeds authorized herein.

9. The material submitted to the Commission under seal is declared to contain trade secret information as defined in Ind. Code § 24-2-3-2 and therefore, is exempted from the public access requirements contained in Ind. Code ch. 5-14-3 and Ind. Code § 8-1-2-29.

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

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

APPROVED: MAR 29 2021

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

Dana Kosco Digitally signed by Dana Kosco Date: 2021.03.29 14:15:04 -04'00'

Dana Kosco
Secretary of the Commission

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF COLUMBUS, INDIANA, FOR (1) AUTHORITY TO ISSUE BONDS, NOTES, OR OTHER OBLIGATIONS, (2) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR WATER SERVICE, (3) APPROVAL OF NEW SCHEDULES OF WATER RATES AND CHARGES, AND (4) AUTHORITY TO ESTABLISH AND IMPLEMENT SYSTEM DEVELOPMENT CHARGES.	))))))))))	**CAUSE NO. 45427**

FILED
January 13, 2021
INDIANA UTILITY
REGULATORY COMMISSION

STIPULATION AND SETTLEMENT AGREEMENT

1. The City of Columbus, Indiana ("Petitioner" or "Columbus"), the Indiana Office of Utility Consumer Counselor ("OUCC") and Southwestern Bartholomew Water Corporation ("SBWC") (collectively, the "Settling Parties"), by their respective counsel, respectfully request the Indiana Utility Regulatory Commission ("Commission") to approve this Stipulation and Settlement Agreement ("Stipulation"). The Settling Parties agree that the terms and conditions set forth below represent a fair and reasonable resolution of the issues described herein, subject to incorporation into a final order of the Commission, which approves this Stipulation without any modification or condition that is not acceptable to the Settling Parties.

2. In this proceeding, this Stipulation follows the Settling Parties' prefiled testimony and attachments and coincides with the Settling Parties' filing of supplemental testimony in support of this Stipulation. Since the time of Petitioner's filing of its case-in-chief in this Cause, the OUCC and SBWC have conducted discovery and filed their respective cases, and the parties have engaged in discussions to address items the OUCC and SBWC identified as their primary issues in this Cause. Those interactions have framed the discussions among the Settling Parties, and formed the basis for the Settling Parties to reach agreement on the terms reflected in this Stipulation. A basic component of

each party's willingness to enter this agreement is the overall result that is achieved hereby. The Settling Parties have agreed to concessions on individual issues to which the Settling Parties would not be willing to agree but for the overall result produced by this Stipulation and Settlement Agreement. In other words, each party is agreeing to forego or compromise on positions on individual issues in exchange for the overall result produced collectively by all of the concessions. As set forth below and in Attachment DLB-1S, the parties have negotiated terms that resolve all issues in this proceeding. In all cases, the agreed upon terms are founded upon documented positions filed in this proceeding, including what is included in Settlement Testimony, that the Settling Parties have agreed each of them will file in support of this Stipulation.

3. The impact on Columbus's revenue requirement and the relief requested in this case is reflected more fully in Attachment DLB-1S included with Mr. Douglas L. Baldessari's Settlement Testimony and attached hereto. All issues not specifically addressed in the enumerated paragraphs below are as reflected in Attachment DLB-1S and incorporated herein by reference.

4. For purposes of settlement, the Settling Parties stipulate and agree as follows:

A. **Revenue Requirement**. For purposes of settlement, the Settling Parties agree that Columbus's overall pro forma revenue increase shall be $3,311,396, which represents an overall rate increase of 74.80%. The Settling Parties further agree such increase should be implemented in the following three phases: (1) a 44.30% Phase 1 increase to become effective when an order is issued in this Cause; (2) a 12.99% Phase 2 increase to be implemented on January 1, 2023; and (3) a 7.21% Phase 3 increase to be implemented on January 1, 2024.

B. **Financing Matters**. For purposes of settlement, the Settling Parties agree:

i. **Debt Issuance**. Columbus should be authorized to issue $22,200,000 of long-term debt in two tranches at interest rates of 2.5% and 2.8%, subject to true-up.

ii. **True-Up Report and Process**. Petitioner shall file a report within thirty (30) days of closing on each of its long term debt issuances explaining the terms of the new loan, the amount of debt service reserve and an itemized account of all issuance costs. The report should include a revised tariff, amortization schedule and indicate the effect on rates. Within fourteen (14) calendar days of service of the true-up report, the OUCC shall state whether it objects or disagrees with the true-up report. Petitioner similarly has fourteen (14) days to file a response to the OUCC. If the Settling Parties state in writing that the increase or decrease indicated by the true-up report need not occur because the increase or decrease would be immaterial, the true-up need not be implemented.

iii. **Debt Service Annual Revenue Requirement**. For purposes of calculating the revenue requirement, Columbus's debt service annual revenue requirement shall be $577,425 for Phase 1 and $1,276,511 beginning with Phase 2, which amounts shall be subject to the true-up.

iv. **Debt Service Reserve Requirement**. The Commission should approve a Debt Service Reserve Revenue Requirement of $255,302 for each Phase, subject to true-up. For purposes of settlement, the Settling Parties agree that once the Debt Service Reserve Requirement has been fully funded, Petitioner shall annually spend the amount of money no longer needed for debt service reserve to augment infrastructure replacement or reserve such funds to offset future borrowing.

C. **Depreciation Issues**. For purposes of settlement, the Settling Parties agree that Intervenor SBWC shall withdraw the testimony of SBWC witness Ben Foley.

5. **Other Rates and Charges**.

A. **System Development Charges.** The Settling Parties stipulate that Columbus should be authorized to implement a system development charge ("SDC") to be applied to new or expanding customers of Columbus's water utility operations in the amount of $990 per residential customer. For all other meters, the charges shall be as follows:

Meter Size	System Development Charge
1 inch	$2,475
1 1/2 inch	$4,950
2 inch	$7,920
3 inch	$15,840
4 inch	$24,750
6 inch	$49,500
8 inch	$79,200
10 inch	$207,900
12 inch	$262,350*

*reflects corrected charge as identified in OUCC witness Mierzwa's testimony.

B. **Irrigation Rate**. OUCC witness Jerome D. Mierzwa recommended that Columbus consider establishing a separate rate schedule for irrigation customers. The Settling Parties agree Columbus should consider establishing a separate rate schedule for irrigation customers and, if Columbus determines it is appropriate to establish a separate rate schedule for irrigation customers, Columbus shall request approval from the Commission to do so in its next rate case.

6. **Cost of Service Study and Rate Design.** The Settling Parties accept the cost of service study performed by OUCC witness Mierzwa and filed with his direct testimony; however, the Settling Parties agree that all customer classes shall be capped at an approximate 113% revenue increase (with no customer receiving more than a 112.9% increase) for each customer class. The Settling Parties further agree that the revenue offset for the large commercial and industrial customers and Eastern Bartholomew Water Corporation ("EBWC") should be allocated to the residential class. The resulting rates and charges which the Settling Parties stipulate and agree should be approved by the Commission are set forth in Attachment DLB-1S.

7. **Stipulation Effect, Scope and Approval**. The Stipulation is conditioned upon and subject to its acceptance and approval by the Commission in its entirety without any change or condition that is unacceptable to any Settling Party. Each term of the Stipulation is in consideration and support of each and every other term. If the Commission does not approve the Stipulation in its entirety or if the Commission makes modifications that are unacceptable to any Settling Party, the Stipulation shall be null and void and shall be deemed withdrawn upon notice in writing by any party within 10 days after the date of the final order stating that a modification made by the Commission is unacceptable to the Settling Party.

The Stipulation is the result of compromise in the settlement process and neither the making of the Stipulation nor any of its provisions shall constitute an admission or waiver by any Settling Party in any other proceeding, now or in the future. The Stipulation shall not be used as precedent in any other current or future proceeding or for any other purpose except to the extent provided for herein or to the extent necessary to implement or enforce its terms.

The evidence to be submitted in support of the Stipulation, together with evidence already admitted, constitutes substantial evidence sufficient to support the Stipulation and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Stipulation.

The communications and discussions and materials produced and exchanged during the negotiation of the Stipulation relate to offers of settlement and shall be privileged and confidential.

The undersigned represent and agree that they are fully authorized to execute the Stipulation on behalf of the designated party who will be bound thereby.

The Settling Parties will either support or not oppose on rehearing, reconsideration and/or appeal, an IURC Order accepting and approving this Stipulation in accordance with its terms.

ACCEPTED and AGREED this 13th day of January, 2021.

City of Columbus, Indiana

By: ________________________

Nicholas K. Kile
Lauren M. Box
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204

Attorneys for Petitioner, City of Columbus

Indiana Office of Utility Consumer Counselor

By: ______________________________

Daniel M. Le Vay
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

Southwestern Bartholomew Water Corporation

By: __________________________________

J. Christopher Janak
Jeffrey A. Earl
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204

Attorneys for Intervenor, Southwestern Bartholomew Water Corporation

DMS 18829994v1

ACCEPTED and AGREED this ___ day of January, 2021.

City of Columbus, Indiana

By:_____________________________

Nicholas K. Kile
Lauren M. Box
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204

Attorneys for Petitioner, City of Columbus

Indiana Office of Utility Consumer Counselor

By: David M. Le Vay

Daniel M. Le Vay
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

Southwestern Bartholomew Water Corporation

By:_____________________________

J. Christopher Janak
Jeffrey A. Earl
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204

Attorneys for Intervenor, Southwestern Bartholomew Water Corporation

ACCEPTED and AGREED this ___ day of January, 2021.

City of Columbus, Indiana

By:______________________________
Nicholas K. Kile
Lauren M. Box
BARNES & THORNBURG LLP
11 South Meridian Street
Indianapolis, Indiana 46204

Attorneys for Petitioner, City of Columbus

Indiana Office of Utility Consumer Counselor

By:______________________________
Daniel M. Le Vay
Scott Franson
Indiana Office of Utility Consumer Counselor
115 West Washington Street
Suite 1500 South
Indianapolis, Indiana 46204

Southwestern Bartholomew Water Corporation

By: J. Christopher Janak
J. Christopher Janak
Jeffrey A. Earl
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204

Attorneys for Intervenor, Southwestern Bartholomew Water Corporation

DMS 18829994v1

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

PRO FORMA ANNUAL REVENUE REQUIREMENTS AND ANNUAL OPERATING REVENUES

	Phase I Pro Forma 8/1/2021	Phase II Pro Forma 1/1/2023	Phase III Pro Forma 1/1/2024
Annual Revenue Requirements:			
Operation and Maintenance Expenses	$4,905,722	$4,905,722	$4,905,722
Additional Utility Receipts Tax (1.4%)	24,394	34,717	41,210
Total Operating Expenses	4,930,116	4,940,439	4,946,932
Debt Service: Proposed 2021 Bonds	577,425	1,276,511	1,276,511
Debt Service Reserve	255,302	255,302	255,302
Depreciation Expense	1,018,327	1,138,880	1,652,480
Total Annual Revenue Requirements	6,781,170	7,611,132	8,131,225
Less Penalties	(18,783)	(18,783)	(18,783)
Less Reconnect Fees	(61,120)	(61,120)	(61,120)
Less Miscellaneous Revenues	(212,864)	(212,864)	(212,864)
Less Interest Income	(14,824)	(14,824)	(14,824)
Less Rental Income	(85,200)	(85,200)	(85,200)
Net Annual Revenue Requirements	$6,388,379	$7,218,341	$7,738,434
Annual Revenues:			
Water Sales	$3,672,802	$3,672,802	$3,672,802
Fire Protection	754,236	754,236	754,236
Plus revenues from rate increase	-	1,961,341	2,791,303
Total Annaul Operating Revenues	$4,427,038	$6,388,379	$7,218,341
Additional Revenue Required	$1,961,341	$829,962	$520,093
Percentage Increase	44.30%	12.99%	7.21%

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

COMPARISON OF ALLOCATED COST OF SERVICE WITH REVENUE UNDER ADJUSTED RATES

Customer Classification	Cost of Service	Normalized Revenue Under Existing Rates (1)	Revenue Under Adjusted Rates	Adjusted Rates Increase/(Decrease) %	Adjusted Rates Increase/(Decrease) Amount	Variance Between Adjusted Revenues and Cost of Service %	Variance Between Adjusted Revenues and Cost of Service Amount
Residential	$3,320,473	$1,996,499	$3,404,409	70.52%	$1,407,910	2.53%	$83,936
Small Commercial	912,447	460,591	911,470	97.89%	450,879	-0.11%	(977)
Large Commercial	973,935	451,486	961,225	112.90%	509,739	-1.31%	(12,710)
Industrial	1,280,401	576,970	1,222,712	111.92%	645,742	-4.51%	(57,689)
Eastern Bartholomew Water	30,362	11,219	23,823	112.35%	12,604	-21.54%	(6,539)
Southwestern Bartholomew Water	454,814	176,037	372,426	111.56%	196,389	-18.11%	(82,388)
Fire Protection	766,002	754,236	844,407	11.96%	90,171	10.24%	78,405
Totals	$7,738,434	$4,427,038	$7,740,472	74.85%	$3,313,434	0.03%	$2,038

(1) Assumes the calculated test year revenues adjusted for; 1) the normalization adjustments on pages 20 to 27; 2) OUCC's normalization adjustment for Eastern Bartholomew Water Corporation; 3) pro rata allocation of the $41,267 consumer study variance between the residential, small commercial, large commercial and industrial customer classes.

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

			Present (1)	Proposed Phase I	Proposed Phase II	Proposed Phase III
Monthly Metered Flow Rate (per 1,000 gallons)						
First	10,000	gallons	$1.61			
Next	40,000	gallons	1.34			
Next	250,000	gallons	1.11			
Next	700,000	gallons	1.03			
Over	1,000,000	gallons	0.88			
First	15,000	gallons		$2.54	$2.87	$3.08
Next	285,000	gallons		2.17	2.45	2.63
Over	300,000	gallons		1.61	1.82	1.95
Monthly Charge (per bill)			$0.74	$0.00	$0.00	$0.00
Meter Charge (per month)						
5/8 - 3/4	inch meter		$2.64	$3.63	$4.10	$4.40
1	inch meter		3.68	7.31	8.26	8.85
1 1/2	inch meter		4.41	13.42	15.16	16.25
2	inch meter		7.35	20.76	23.46	25.15
3	inch meter		29.41	37.90	42.82	45.90
4	inch meter		36.76	62.38	70.48	75.55
6	inch meter		55.87	123.56	139.61	149.65
8	inch meter		77.93	197.00	222.59	238.60
10	inch meter		107.33	282.70	319.42	342.40
12	inch meter		148.76	527.46	595.98	638.85
Private Hydrants (per year)			$289.65	$133.26	$150.57	$161.40

(1) Present rates and charges pursuant to IURC Order in Cause No. 39425 dated August 13, 1992.

(Continued on next page)

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

(Cont'd)

SCHEDULE OF PRESENT AND PROPOSED RATES AND CHARGES

			Proposed		
		Present (1)	Phase I	Phase II	Phase III
Fire Protection Charges (per month)					
5/8 - 3/4	inch meter	$1.65	$2.11	$2.38	$2.55
1	inch meter	4.22	5.27	5.95	6.38
1 1/2	inch meter	9.50	10.53	11.90	12.75
2	inch meter	16.90	16.84	19.03	20.40
3	inch meter	38.02	31.58	35.68	38.25
4	inch meter	67.58	52.63	59.47	63.75
6	inch meter	152.06	105.27	118.94	127.50
8	inch meter	270.34	168.43	190.31	204.00
10	inch meter	422.40	242.12	273.57	293.25
12	inch meter	608.26	452.65	511.45	548.25
Automatic Sprinkler Systems (per year)					
2	inch connection	$29.41	$7.41	$8.37	$8.98
3	inch connection	72.04	21.52	24.32	26.07
4	inch connection	130.86	45.87	51.83	55.56
5	inch connection	199.96	0.00	0.00	0.00
6	inch connection	289.65	133.26	150.57	161.40
8	inch connection	516.08	283.98	320.87	343.95
10	inch connection	802.78	510.69	577.03	618.54
12	inch connection	1,156.00	824.90	932.05	999.11
Wholesale Rates (per 1,000 gallons)					
Eastern Bartholomew Water Corp.		$1.55	$2.30	$2.60	$2.78
Southwestern Bartholomew Water Corp.		0.84	1.47	1.66	1.78
System Development Charges					
5/8 - 3/4	inch meter		$990.00	$990.00	$990.00
1	inch meter		2,475.00	2,475.00	2,475.00
1 1/2	inch meter		4,950.00	4,950.00	4,950.00
2	inch meter		7,920.00	7,920.00	7,920.00
3	inch meter		15,840.00	15,840.00	15,840.00
4	inch meter		24,750.00	24,750.00	24,750.00
6	inch meter		49,500.00	49,500.00	49,500.00
8	inch meter		79,200.00	79,200.00	79,200.00
10	inch meter		207,900.00	207,900.00	207,900.00
12	inch meter		262,350.00	262,350.00	262,350.00

(1) Present rates and charges pursuant to IURC Order in Cause No. 39425 dated August 13, 1992.

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

COMPARISON OF PRESENT AND PROPOSED RATES AND CHARGES

Meter Size	Monthly Usage		Monthly Bill: Current	Monthly Bill: CCU Revised Proposed	Increase/Decrease (Dollars)	Increase/Decrease (%)
Metered Users						
5/8 inch meter	0	gallons	$3.38	$4.40	$1.02	30.2%
	1,000	gallons	4.99	7.48	2.49	49.9%
	2,000	gallons	6.60	10.56	3.96	60.0%
	3,000	gallons	8.21	13.64	5.43	66.1%
	4,000	gallons	9.82	16.72	6.90	70.3%
	5,000	gallons	11.43	19.80	8.37	73.2%
	10,000	gallons	19.48	35.20	15.72	80.7%
1 inch meter	25,000	gallons	40.62	81.35	40.73	100.3%
	50,000	gallons	74.12	147.10	72.98	98.5%
	100,000	gallons	129.62	278.60	148.98	114.9%
6 inch meter	1,000,000	gallons	1,124.81	2,310.40	1,185.59	105.4%
	10,000,000	gallons	9,044.81	19,860.40	10,815.59	119.6%
	20,000,000	gallons	17,844.81	39,360.40	21,515.59	120.6%
	30,000,000	gallons	26,644.81	58,860.40	32,215.59	120.9%
Eastern Bartholomew Water						
4 inch meter	159,000	gallons	245.97	517.57	271.60	110.4%
6 inch meter	300,000	gallons	464.10	983.65	519.55	111.9%
Southwestern Bartholomew Water						
6 inch meter	1,000,000	gallons	899.61	1,929.65	1,030.04	114.5%
	5,000,000	gallons	4,271.61	9,049.65	4,778.04	111.9%
	10,000,000	gallons	8,486.61	17,949.65	9,463.04	111.5%

COLUMBUS (INDIANA) MUNICIPAL WATER UTILITY

Proposed Settlement

COMPARISON OF REVISED CCU PROPOSAL AND OUCC PROPOSED RATES AND CHARGES

Meter Size	Monthly Usage		Monthly Bill OUCC Proposed	CCU Revised Proposed	Increase/Decrease (Dollars)	(%)
Metered Users						
5/8 inch meter	0	gallons	$4.40	$4.40	$0.00	0.0%
	1,000	gallons	7.36	7.48	0.12	1.6%
	2,000	gallons	10.32	10.56	0.24	2.3%
	3,000	gallons	13.28	13.64	0.36	2.7%
	4,000	gallons	16.24	16.72	0.48	3.0%
	5,000	gallons	19.20	19.80	0.60	3.1%
	10,000	gallons	34.00	35.20	1.20	3.5%
1 inch meter	25,000	gallons	80.25	81.35	1.10	1.4%
	50,000	gallons	147.75	147.10	(0.65)	-0.4%
	100,000	gallons	282.75	278.60	(4.15)	-1.5%
6 inch meter	1,000,000	gallons	2,412.55	2,310.40	(102.15)	-4.2%
	10,000,000	gallons	21,042.55	19,860.40	(1,182.15)	-5.6%
	20,000,000	gallons	41,742.55	39,360.40	(2,382.15)	-5.7%
	30,000,000	gallons	62,442.55	58,860.40	(3,582.15)	-5.7%
Eastern Bartholomew Water						
4 inch meter	159,000	gallons	663.85	517.57	(146.28)	-22.0%
6 inch meter	300,000	gallons	1,259.65	983.65	(276.00)	-21.9%
Southwestern Bartholomew Water						
6 inch meter	1,000,000	gallons	1,959.65	1,929.65	(30.00)	-1.5%
	5,000,000	gallons	9,199.65	9,049.65	(150.00)	-1.6%
	10,000,000	gallons	18,249.65	17,949.65	(300.00)	-1.6%