

OFFICIAL
EXHIBITS

PETITIONER'S EXHIBIT 1

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
EASTERN BARTHOLOMEW WATER)
CORPORATION, OF TAYLORSVILLE, INDIANA,)
(1) FOR THE AUTHORITY TO ISSUE LONG TERM)
BONDS, NOTES OR OTHER EVIDENCE OF)
INDEBTEDNESS, (2) FOR AUTHORITY TO)
ENCUMBER ITS FRANCHISE, WORKS AND)
SYSTEM IN CONNECTION WITH SUCH)
BORROWING, (3) FOR A CERTIFICATE OF)
AUTHORITY TO ISSUE LONG TERM DEBT,)
(4) FOR AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE, (5) FOR)
APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES FOR WATER SERVICE)

IURC
PETITIONER'S

EXHIBIT NO.

DATE

REPORTER

CAUSE NO. 44903

VERIFIED DIRECT TESTIMONY OF TED DARNALL

On Behalf of Petitioner
Eastern Bartholomew Water Corporation

1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ted Darnall and my business address is Crowder & Darnall Land Surveyors, 826 3rd Street, Columbus, Indiana 47201.

2. Q. WHAT IS YOUR POSITION WITH EASTERN BARTHOLOMEW WATER CORPORATION ("EASTERN BARTHOLOMEW")?

A. I am the President of the Board of Directors ("Board") for Eastern Bartholomew. I have served in this position since April 2011. Before becoming President, I served as a member of the Board beginning in April 2007.

3. Q. MR. DARNALL, WHAT IS YOUR PRIMARY OCCUPATION?

A. I am the president at Crowder & Darnall, which is a corporation. I am licensed as a land surveyor in Indiana, LS#29600006.

4. Q. MR. DARNALL, DID THE BOARD AUTHORIZE THE FILING OF PETITION INITIATING THIS CAUSE?

A. Yes, the Board passed a Resolution on May 19, 2016, authorizing the filing of the Petition and authorizing me and the Board Secretary, George Dinn, to sign the Petition on behalf of Eastern Bartholomew. A copy of the May 19, 2016, Resolution is attached as Petitioner's Exhibit 1-A.

5. Q. MR. DARNALL, HAVE YOU REVIEWED THE PETITION INITIATING THIS CAUSE?

A. Yes, I have. For the Commission's convenience, I am attaching as Petitioner's Exhibit 1-B a copy of the Petition that was filed in this Cause. I would note that the last page of the Petition was signed by me and the Secretary, George Dinn.

6. Q. CAN YOU BRIEFLY DESCRIBE THE RELIEF SOUGHT BY EASTERN BARTHOLOMEW IN THIS CASE?

A. Yes. Eastern Bartholomew's request for relief is two-fold. First, Eastern Bartholomew seeks authority to incur long-term debt for the purpose of constructing a new water treatment plant and upgrades ("Project"). Second, Eastern Bartholomew requests approval to increase its rates and charges.

7. Q. HAS THE BOARD RETAINED PROFESSIONALS TO ASSIST IN IDENTIFYING THE NEEDED FACILITIES, THE COST OF SUCH FACILITIES, AND THE FINANCIAL ASPECTS ASSOCIATED WITH OWNING AND OPERATING EASTERN BARTHOLOMEW'S SYSTEM?

A. Yes, it has. The Board has retained Mr. Kent Elliot, a professional engineer with Banning Engineers, Inc. ("Banning"), to assist in identifying the capital improvement options available to Eastern Bartholomew, the costs of the various options, and then to assist in obtaining the requisite permits and approvals from the appropriate regulatory agencies. With respect to the financial aspects of borrowing money and the corresponding rates and charges that are necessary to meet Eastern Bartholomew's ongoing expenses, the Board retained Mr. Douglass L. Baldessari, a certified public accountant with HJ Umbaugh and Associates ("Umbaugh"). Finally, the Board has retained Mr. Mark Cooper and Mr. Peter Campbell King of Cline, King & King, P.C. to address any legal issues that may arise in connection with these proceedings and the Project.

II.

Preliminary Engineering

8. Q. HAS BANNING PROVIDED A REPORT TO EASTERN BARTHOLOMEW THAT SUMMARIZES THE IMPROVEMENTS NEEDED AND THEIR ESTIMATED COST?

A. Yes. Banning has provided a Preliminary Engineering Report ("PER") which outlines the recommended improvements (i.e. the Project) and the estimated cost of constructing these improvements. A copy of the PER is being filed simultaneously with my testimony as part of the prefiled testimony and exhibits of Mr. Elliot.

9. Q. **HAS THE BOARD REVIEWED THE PROJECT OUTLINED IN MR. ELLIOTT'S PER?**

A. Yes, it has. The Board has reviewed each of the items in the Project and authorized Mr. Elliott to take the steps necessary to plan, design, and obtain all approvals necessary to construct the desired facilities.

10. Q. **HAS THE BOARD REVIEWED THE ESTIMATED COST OF THE PROJECT AS SET FORTH IN THE PER?**

A. Yes. The Board has reviewed and approved the cost of the Project, including all soft costs.

11. Q. **WHAT FINANCING IS THE BOARD SEEKING FOR THE PROJECT?**

A. The Board has authorized the filing of an application with the Indiana State Revolving Loan Fund Program ("SRF Program"). It is my understanding that the SRF Program has a priority ranking for each of the projects seeking funding and has tentatively agreed to fund the project.

12. Q. **DO YOU AND THE BOARD BELIEVE THE PROJECT IS REASONABLE AND NECESSARY?**

- A. Absolutely. As described by Mr. Elliott, Eastern Bartholomew's existing facilities are in desperate need of replacement and upgrade. The existing two water treatment plants and related facilities have served our customers for many, many years, but Water Treatment Plant 1 failed entirely in February, 2016, and Water Treatment Plant 2 is at the end of its useful life. In January, 2017, Eastern Bartholomew's maintenance staff was able to complete temporary repairs to Water Treatment Plant 1 and, for now, it is operating at about half capacity. Water Treatment Plant 1 could fail, again, at any time.

The Board has also been advised that we have maximized the amount of water to be purchased from the City of Columbus. This purchase process is not only expensive for the ratepayers, but will not offer adequate supply for the needs of the water company. It is imperative that a new water treatment plant facility is constructed.

It is absolutely necessary that Eastern Bartholomew move forward with this Project. For this reason, the Board has approved the Project and authorized its professionals to move as quickly as possible.

III.

Accounting Report

13. Q. HAS THE BOARD INVESTIGATED THE FINANCIAL IMPLICATIONS OF THE PROJECT AND EASTERN BARTHOLOMEW'S ONGOING FINANCIAL NEEDS?
- A. Yes, it has. The Board retained Umbaugh to analyze, advise, and then make recommendations to the Board on these matters.
14. Q. HAS UмбаUGH PRESENTED THE RESULTS OF ITS ANALYSIS TO THE BOARD?

A. Yes, it has. In fact, Umbaugh prepared an accounting report ("Accounting Report") that summarized the results of its analysis and the made a recommendation on an adjustment to Eastern Bartholomew's current rates and charges. A copy of the Accounting Report that was reviewed by the Board is attached to the prefiled testimony of Mr. Baldessari in this case.

15. Q. **DID THE BOARD APPROVE THE AMOUNT OF LONG-TERM DEBT AND THE PROPOSED ADJUSTMENT TO EASTERN BARTHOLOMEW'S RATES AND CHARGES AS PRESENTED IN THE ACCOUNTING REPORT?**

A. Yes. The Board approved the amount long-term debt and the proposed adjustment to the rates and charges as set forth in the Accounting Report.

16. Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes, it does.

VERIFICATION

I affirm under the penalties of perjury that the foregoing testimony is true to the best of my knowledge, information, and belief as of the date here filed.



Ted Darnall, President
Board of Directors
Eastern Bartholomew Water Corporation

**RESOLUTION AUTHORIZING PRESIDENT AND SECRETARY
TO SIGN ANY AND ALL NECESSARY DOCUMENTS
FOR INFRASTRUCTURE IMPROVEMENT PROJECT**

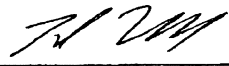
Whereas, the Eastern Bartholomew Water Corporation ("EBWC") of Taylorsville, Indiana, has plans for a drinking water infrastructure improvement project to meet State and Federal regulations such as the Safe Drinking Water Act (the "Project"), and EBWC intends to proceed with the construction of such Project:

Now, therefore, be it resolved by the Board of Directors ("Board"), the governing body of EBWC:

1. That the Board President, Ted Darnall, and the Board Secretary, George Dinn, be authorized to execute any and all documents related to the Project, and financing therefor, including, but not limited to, the May 18, 2016, Preliminary Engineering Report (PER), prepared by Banning Engineering, PC, and subsequent amendments thereto; and,
2. Approves the filing of a Petition with the Indiana Utility Regulatory Commission ("IURC") seeking authority for EBWC to: increase its rates and charges for water service; undertake and engage in longterm borrowing; encumber its utility assets in connection with such borrowing; increase certain of its non-recurring charges; modify its tariff; and, seek other related approvals and, further, authorizes the Board President, Ted Darnall, and the Board Secretary, George Dinn, to execute such Petition and any and all other necessary papers in furtherance of, or in connection with, such filing before the IURC.

Adopted and Passed by the Board of Directors of Eastern Bartholomew Water Corporation of Taylorsville, Indiana, this 19th day of May, 2016.

BOARD OF DIRECTORS

By: 
Ted Darnall, President

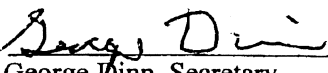
Attest: 
George Dinn, Secretary

Exhibit 1-A

FILED

FEB 03 2017

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

INDIANA UTILITY
REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
EASTERN BARTHOLOMEW WATER)
CORPORATION, OF TAYLORSVILLE, INDIANA,)
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APPROVAL OF A NEW SCHEDULE OF RATES)
AND CHARGES FOR WATER SERVICE)

CAUSE NO. 44903

VERIFIED PETITION OF
EASTERN BARTHOLOMEW WATER CORPORATION,
TAYLORSVILLE, INDIANA

Comes now Eastern Bartholomew Water Corporation (hereinafter designated as "Eastern Bartholomew" or "Petitioner"), by its Board President, Ted Darnall, its Board Secretary, George Dinn, and by counsel, and for its Verified Petition states the following:

I. GENERAL INFORMATION

1.1. **Petitioner's Characteristics.** Petitioner is a not-for-profit public utility corporation incorporated in the State of Indiana. Its principal place of business is located at 2413 W 700 N, Taylorsville, Indiana 47280. Petitioner is owned by its members who are also its customers. Petitioner provides water utility service to approximately 5,022 residential, 131 commercial, 22 public authorities, 27 multiple family dwellings, and 1 sale for resale customers located in Bartholomew County, Jennings County and Decatur County, Indiana. Petitioner produces and treats about 90% of its water and purchases the balance from the City of Columbus, Indiana.

1.2. Petitioner's Utility Status. Petitioner is a "public utility" as defined by I.C. 8-1-2-1(a)(2) and a "not-for-profit utility" as defined by I.C. 8-1-2-125(a), and is subject to Commission jurisdiction in the manner and to the extent provided by law. Petitioner's current rates were approved by the Commission's September 24, 2008, Order in Cause No. 43392.

II. Financing Request

2.1. Use for Borrowed Funds. Petitioner proposes to undertake a capital improvement project which will, among other things, include the replacement of its current water treatment plant. This capital improvement project is necessary for Petitioner to continue to provide reasonably adequate service. Petitioner does not have the funds on hand to accomplish the capital improvement project and must borrow the money.

2.2. Proposed Lender. Petitioner has discussed its proposed capital project with the State Revolving Fund ("SRF"). Based on those discussions, Petitioner believes it will be eligible for SRF financing. Petitioner believes a SRF loan will be the least costly financing alternative available to petitioner.

2.3. Proposed loan. If Petitioner's borrowing request is approved by the Commission, Petitioner plans to borrow \$7,685,000 from the SRF at an annual interest rate not to exceed 3.00% to be repaid over twenty (20) years.

2.4. Compliance with I.C. 8-1-2-79. Petitioner plans to submit evidence at hearing to satisfy the requirements of I.C. 8-1-2-79(1)-(6).

2.5. Applicable Statutes. Petitioner believes that I.C. 8-1-2-78, -79, -80, -83, 8-1-4-1 and other related statutes are applicable to Petitioner's request for financing authority.

2.6. **Resolution.** Petitioner's President and Secretary, respectively, have been authorized by the Petitioner to execute any and all necessary documents to commence this rate proceeding. A copy of said corporate resolution is attached hereto and made a part hereof as Exhibit A.

III. Rate Increase Request

3.1. **Existing Rates and Charges.** The revenue now generated by Petitioner's current rates and charges for water utility service, is insufficient to enable it to pay its reasonable and necessary expenses of operation, its proposed debt service and other expenses required to be covered by I.C. 8-1-2-125. Accordingly, Petitioner's current rates and charges for water utility service are, therefore, insufficient, unjust, unreasonable and unlawful, and must be increased to satisfy the revenue requirements of I.C. 8-1-2-125.

3.2. **Test Year.** Petitioner plans to propose a test year ending July 31, 2016, which, when adjusted for changes that are fixed, known and measurable, and occurring within twelve (12) months of the end of the test year, will be representative of Petitioner's operations for ratemaking purposes.

3.3. **Proposed Rate Increases.** Petitioner proposes to increase its rates for water service by approximately 48.69% across-the-board. Petitioner plans to submit evidence at hearing to explain and justify its proposed rate increase.

3.4. **Applicable Statutes.** Petitioner believes that I.C. 8-1-2-4, -38, -42, -61, -68, -125 and related statutes to be applicable to Petitioner's request for approval of a new schedule of rates and charges for water utility service.

IV. Petitioner's Counsel

Petitioner's Counsel who are authorized to receive all pleadings, papers and notices on behalf of Petitioner in this Cause, and are:

Mark W. Cooper
Attorney at Law, No. 4139-49
1449 North College Ave.
Indianapolis, IN 46202
Phone: (317) 635-8312
Fax: (317) 685-2666
Email: attymcooper@indy.rr.com

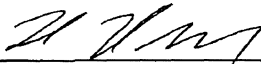
Peter Campbell King
Attorney at Law, No 5349-03
Cline, King & King, P.C.
675 Reeves Way, Suite B
P.O. Box 250
Columbus, IN 47205-0250
Phone: (812) 372-8461
Fax: (812) 372-2544
Email: pck@lawdogs.org

V. Procedural Schedule, Test Year and Cut-Off Date

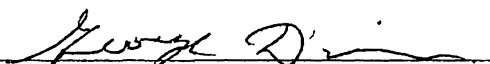
5.1 Agreed Procedural Motion. Petitioner has entered into an Agreed Motion for the Establishment of Procedural Schedule, Test Year and Cut-Off Date in Lieu of Prehearing Conference ("Procedural Motion") with the Indiana Office of the Utility Consumer Counselor. If the Commission does not grant the Procedural Motion, Petitioner requests the prompt setting of a Prehearing Conference in this Cause.

VERIFICATION

We hereby swear or affirm under the penalties for perjury that the foregoing factual statements are true and correct to the best of our knowledge and belief.



Ted Darnall, President
Petitioner's Board of Directors



George Dinn, Secretary
Petitioner's Board of Directors

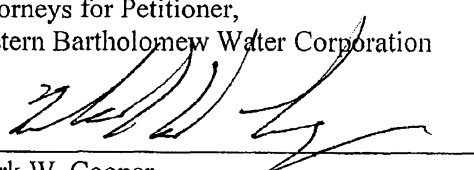
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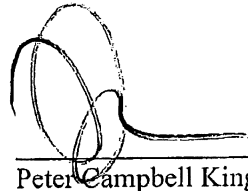
Date: 1-31-17

WHEREFORE, Petitioner respectfully requests this Commission to approve the Agreed Motion for Establishment of Procedural Schedule, Test Year and Cut-Off Date in Lieu of Prehearing Conference, which will be filed, and make such investigation and hold such hearings as necessary or advisable in this Cause, and thereafter make and enter an Order in this Cause:

1. Regarding Petitioner's Financing Request which:
 - a. Approves the issuance of Long Term Bonds, Notes or Other Evidence of Long Term Debt in connection with the Proposed Debt;
 - b. Authorizes Petitioner to Encumber its Franchise, Works and System in connection with the Proposed Debt;
 - c. Grants petitioner a Certificate of Authority to Issue the Proposed Debt; and
2. Regarding the Petitioner's Rate Increase Request which:
 - a. Finds that Petitioner's existing rates for water service are unjust, unreasonable and insufficient;
 - b. Determines and by Order fixes the increased water rates and charges to be imposed, observed and followed in the future by Petitioner in lieu of those so found to be unjust, unreasonable, and insufficient;
 - c. Authorizes and approves the filing by Petitioner of a new schedule of increased rates and charges applicable to the water utility service rendered by the Petitioner so as to provide just, reasonable, sufficient and nondiscriminatory rates; and
3. Provides for all other proper relief.

Respectfully Submitted,
Cline, King & King, P.C.
Attorneys for Petitioner,
Eastern Bartholomew Water Corporation


Mark W. Cooper



Peter Campbell King

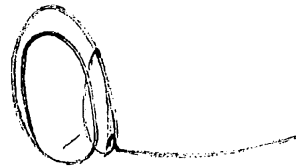
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Fax: (812) 372-2544
Email: pck@lawdogs.org

Certificate of Service

I hereby certify that a copy of the foregoing Verified Petition has been served upon the following, by hand-delivery, this 3rd day of Feb, 2017.

Indiana Office of Utility Consumer Counselor
PNC Center
115 West Washington Street
Suite 1500 South
Indianapolis, IN 46204
infomgt@oucc.in.gov



Peter Campbell King, Attorney at Law

**RESOLUTION AUTHORIZING PRESIDENT AND SECRETARY
TO SIGN ANY AND ALL NECESSARY DOCUMENTS
FOR INFRASTRUCTURE IMPROVEMENT PROJECT**

Whereas, the Eastern Bartholomew Water Corporation ("EBWC") of Taylorsville, Indiana, has plans for a drinking water infrastructure improvement project to meet State and Federal regulations such as the Safe Drinking Water Act (the "Project"), and EBWC intends to proceed with the construction of such Project:

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Adopted and Passed by the Board of Directors of Eastern Bartholomew Water Corporation of Taylorsville, Indiana, this 19th day of May, 2016.

BOARD OF DIRECTORS

By: 
Ted Darnall, President

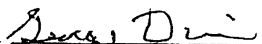
Attest: 
George Dinn, Secretary

EXHIBIT A