

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION)	
OF LAFAYETTE, INDIANA, FOR)	
AUTHORITY TO ISSUE BONDS, NOTES,)	
OR OTHER OBLIGATIONS, FOR)	
AUTHORITY TO INCREASE ITS RATES)	CAUSE NO. 45006
AND CHARGES FOR WATER SERVICE,)	
AND FOR APPROVAL OF A NEW)	
SCHEDULE OF WATER RATES AND)	
CHARGES APPLICABLE THERETO)	

JOINT STIPULATION AND SETTLEMENT AGREEMENT

On November 8, 2017, the City of Lafayette, Indiana (“Petitioner” or “Lafayette”) filed with the Commission its Petition initiating this Cause and its case-in-chief. The Indiana Office of the Utility Consumer Counselor (the “OUCC”) and Petitioner, being all of the parties to this cause (Lafayette and the OUCC, collectively, the “Parties”, and individually, a “Party”), have after arms-length settlement negotiations reached an agreement with respect to all of the issues before the Indiana Utility Regulatory Commission (the “Commission”) in this Cause. The Parties therefore stipulate and agree for purposes of resolving all of the issues in this Cause, to the terms and conditions set forth in this Joint Stipulation and Settlement Agreement (this “Settlement”).

1. Borrowing Authority.

- A. Approval of Debt; Authorization to Issue Bonds. The Parties stipulate and agree that the water utility revenue bonds (the “Bonds”) in a principal amount not to exceed \$19.8 million at interest rates not to exceed seven percent (7%) per annum should be approved and that Lafayette shall be authorized to issue the Bonds.
- B. Delayed Issuance of Bonds. If Lafayette does not issue the Bonds within four (4) months after it has filed a revised tariff with the Commission, it should temporarily reserve the funds collected in rates for its 2018 debt and use those funds to offset the amount it borrows.

- C. True-Up. Within thirty (30) days of closing on the Bonds, Lafayette shall file a report with the Commission and serve a copy on the OUCC, explaining the terms of the new loan, including an amortization schedule, the amount of debt service reserve and all issuance costs. The report should include a revised tariff and also calculate the rate impact in a manner similar to the OUCC's schedules. Unless the OUCC and Lafayette both declare in a writing filed with the Commission that such rate impact is immaterial, Lafayette's rates should be adjusted to match its actual cost of debt service, whether lower or higher up to an interest rate of seven percent (7%) per annum.
- D. Debt Service Reserve. If Petitioner spends any of the funds from its debt service reserve for the Bonds for any reason other than to make the last payment on the Bonds, Lafayette shall provide a report to the Commission and the OUCC within five (5) business days describing the reasons for such expenditure.
- E. System Integrity Adjustment Period. If Petitioner files a System Integrity Adjustment case, it agrees the 12 month period authorized for recovery through basic rates and charges will not begin prior to the implementation of the trued-up tariff, if any, so that the revenues used to calculate a system integrity adjustment shall more accurately reflect Petitioner's actual debt service costs.

2. Stipulated Rates and Revenues.

- A. Test Year Operating Revenues. The Parties stipulate and agree that Lafayette's adjusted test year operating revenue at present rates is \$7,368,777, as depicted on Schedule 4-S to Public's Exhibit No. 1-S.
- B. Revenue Requirement. The Parties stipulate and agree that Lafayette's current rates and charges are inadequate and that Lafayette's rates and charges should be increased as follows:
 - i. Phase I: Lafayette's rates should be immediately upon the issuance of a Commission Order on an across-the-board basis by 32.76% so as to produce \$2,336,965 in additional annual operating revenue.
 - ii. Phase II: Effective as of January 1, 2019, Lafayette's rates should be increased on an across-the-board basis by 11.95% so as to produce \$1,131,751 in additional annual operating revenue.

- C. Pro Forma Authorized Rates. After adjustments (including the issuance of the Bonds), the Parties stipulate and agree that Lafayette's pro forma test year operating revenues will be \$9,705,741, in Phase I and \$10,837,490, in Phase II, as reflected in Schedule 4-S to Public's Exhibit No. 1-S. The Parties further stipulate and agree that Lafayette's revenue requirements for the rate increase is depicted on Schedule 1-S to Public's Exhibit No. 1-S. The Parties stipulate and agree that the rate increases provided herein are just and reasonable and should be approved.
- D. Adjustments. The parties agree and stipulate to the following adjustments reflected in the foregoing figures:
- i. O&M Expense. The well cleaning and reservoir cleaning expenses shall be recovered as annual O&M expenses rather than amortized over 3 years.
 - ii. Increased E&R Budget. Lafayette's extensions and replacements budget should be increased by \$244,834 and such increased amount should be placed in a dedicated account used only for main replacement projects.
 - iii. Debt Service Expense. The interest rate spread over current interest rates to estimate the interest rate on the Bonds is 50 basis points. The regulatory counsel fees should be increased by \$30,000.

These changes are set forth on the financial schedules attached to Public's Exhibit No. 1-S.

- E. Financial Schedules. The Parties stipulate for settlement purposes to the financial schedules included with Public's Exhibit No. 1-S.

3. Submission of Evidence. The Parties stipulate to the admission into evidence in this Cause of the testimony previously filed (Lafayette's Case-in-Chief and the OUCC's Case-in-Chief), and any testimony in support of this Settlement of the OUCC and on behalf of Lafayette. Further, each Party waives cross-examination of the other's witnesses with respect to such testimony. The Parties shall not offer any further testimony or evidence in this proceeding, other than this Settlement and the above-identified testimony and exhibits. If the Commission should request additional evidence to support the Settlement, the Parties shall cooperate to provide such requested additional evidence.

4. **Proposed Final Order.** The Parties agree to cooperate on the preparation and submission to the Commission of a proposed order that reflects the terms of this Settlement and the settlement testimony submitted pursuant to Section 3 hereof.
5. **Sufficiency of Evidence.** The Parties stipulate and agree that the evidentiary material identified immediately above constitutes a sufficient evidentiary basis for the issuance of a final order by the Commission adopting the terms of this Settlement, and granting the relief as requested herein by Lafayette and agreed to by the OUCC.
6. **Commission Alteration of Agreement.** The concurrence of the Parties with the terms of this Settlement is expressly predicated upon the Commission's approval of this Settlement. If the Commission alters this Settlement in any material way, unless that alteration is unanimously and explicitly consented to by the Parties, this Settlement shall be deemed withdrawn.
7. **Authorization.** The undersigned represent that they are fully authorized to execute this Settlement on behalf of their respective clients or parties, who will be bound thereby.
8. **Non-Precedential Nature of Settlement.** The Parties stipulate and agree that this Settlement shall not be cited as precedent against the OUCC or Lafayette in any subsequent proceeding or deemed an admission by any party in any other proceeding, except as necessary to enforce the terms of this Settlement or the final order to be issued in this Cause before the Commission or any court of competent jurisdiction on these particular issues and in this particular matter. This Settlement is solely the result of compromise in the settlement process and, as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the items resolved herein in any future regulatory or other proceeding, and, failing approval by the Commission, shall not be admissible in any subsequent proceeding.
9. **Counterparts.** This Settlement may be executed in one or more counterparts (or upon separate signature pages bound together into one or more counterparts), all of which taken together shall constitute one agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Settlement on the dates set forth below.

City of Lafayette, Indiana

By: Tony Roswarski
Tony Roswarski
Mayor

Dated: 2-22-18

Indiana Office of the Utility Consumer Counselor

By: Seth LeVay
Daniel M. Le Vay
Deputy Consumer Counselor

Dated: 2/22/18