

ORIGINAL

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

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE TOWN OF CEDAR LAKE,) CAUSE NO. 45367
 LAKE COUNTY, INDIANA, FOR APPROVAL TO)
 ADJUST ITS RATES AND CHARGES AND ISSUE) APPROVED: JAN 06 2021
 BONDS)

ORDER OF THE COMMISSION

Presiding Officers:

David E. Ziegner, Commissioner

Carol Sparks Drake, Senior Administrative Law Judge

On April 15, 2020, the Town of Cedar Lake, Indiana, (“Cedar Lake” or “Petitioner”) filed a Verified Petition with the Indiana Utility Regulatory Commission (“Commission”) in this Cause seeking authority to adjust its rates and charges and issue long-term indebtedness. That same date, Cedar Lake prefiled the testimony and exhibits of the following witnesses:

- Randell C. Niemeyer, Town Council President and Cedar Lake Utility Service Board Member
- Pamela Sue Sargent Haase, C.P.A., Partner at London Witte Group, LLC (“LWG”)¹
- Neil J. Simstad, P.E., Principal at NIES Engineering, Inc.

On May 27, 2020, the Commission held a prehearing conference and preliminary hearing via WebEx teleconference. A Prehearing Conference Order was approved on June 17, 2020, establishing the procedural schedule and addressing related matters.

On June 1, 2020, Cedar Lake prefiled supplemental testimony and exhibits for Ms. Haase focusing upon additional financing options Cedar Lake is considering.

On July 30, 2020, Cedar Lake filed an agreed motion to modify the procedural schedule, advising that during discovery and informal discussions with the Indiana Office of Utility Consumer Counselor (“OUCC”), certain errors or ambiguities were discovered in Petitioner’s prefiled testimony and exhibits; consequently, Cedar Lake and the OUCC agreed to Cedar Lake pre-filing additional supplemental testimony and to adjust the procedural schedule to afford the OUCC more time to prefile its case-in-chief. Cedar Lake also acknowledged that due to the changes in its case-in-chief, for purposes of Ind. Code § 8-1-2-42.7 and General Administrative Order 2013-5, a final Order should be issued in this Cause by May 26, 2021. A docket entry was issued on August 3, 2020, approving the parties’ amended procedural schedule.

¹ Ms. Haase was a Partner at LWG when her direct and first supplemental testimonies were prefiled. She subsequently became employed by Cedar Lake during the pendency of this matter as a Utility Accounting Specialist.

On July 31, 2020, Cedar Lake prefiled supplemental testimony and exhibits for Mr. Simstad and Ms. Haase's second supplemental testimony and amended exhibit.

On August 25, 2020, the OUCC filed an agreed motion to further modify the procedural schedule, requesting a two-day extension to prefile its case-in-chief. A docket entry was issued that same day granting this motion.

On August 28, 2020, the OUCC prefiled the testimony and exhibits of the following OUCC Water/Wastewater Division employees:

- Thomas W. Malan, Utility Analyst
- Kristen Willoughby, Utility Analyst
- Shawn Dellinger, Utility Analyst II.

On September 14, 2020, Cedar Lake prefiled the rebuttal testimony and exhibits of Ms. Haase and Messrs. Simstad and Niemeyer.

On September 30, 2020, Cedar Lake filed a Submission of Joint Stipulation and Settlement Agreement. On October 5, 2020, Cedar Lake prefiled the settlement testimony of Ms. Haase, along with the Joint Stipulation and Settlement Agreement entered into on September 30, 2020 (the "Settlement"). The OUCC on October 6, 2020, prefiled Mr. Malan's settlement testimony.

The Commission noticed the evidentiary hearing originally scheduled in this matter on September 9, 2020, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Consistent with the parties' agreed motion to modify the procedural schedule, the evidentiary hearing was rescheduled to 9:30 a.m. on October 16, 2020. Due to the ongoing COVID-19 pandemic and with the agreement of the parties, a docket entry was issued on October 9, 2020, providing notice that the public hearing would be conducted via WebEx video and audio and providing related participation information. Cedar Lake and the OUCC participated, by counsel, in the hearing, and their respective testimony and exhibits were admitted without objection.

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

1. Notice and Jurisdiction. Due, legal, and timely notice of the hearing in this Cause was given and published as required by law. Cedar Lake is a municipally owned utility as defined in Ind. Code §§ 8-1-2-1(h) and 8-1.5-1-10. The Commission has authority to approve Cedar Lake's rates and charges for water service under Ind. Code § 8-1.5-3-8(f)(2); therefore, the Commission has jurisdiction over Cedar Lake and the subject matter of this Cause.

2. Cedar Lake's Characteristics. Cedar Lake is a municipality located in Lake County, Indiana. Cedar Lake owns and operates a municipal water utility that furnishes water service to approximately 2,162 residential, commercial, and industrial customers.

3. Existing Rates, Test Year, and Relief Requested. The Commission approved Cedar Lake's current schedule of rates and charges for its westside service area on April 29, 2009,

in Cause No. 43655. The tariff for Petitioner's eastside rates and charges became effective on January 31, 2011. As established in the June 17, 2020 Prehearing Conference Order, the test year used in this Cause to determine Cedar Lake's actual and pro forma operating revenues, expenses, and operating income under its present and proposed rates is the 12-month period ending on December 31, 2019, adjusted for changes that are fixed, known, and measurable for ratemaking purposes that occurred within 12 months following the end of the test year. The Commission finds the test year, as adjusted, is sufficiently representative of Cedar Lake's normal utility operations to provide reliable data for ratemaking purposes.

Cedar Lake requests approval of the rates and charges for water service agreed upon in the Settlement. Specifically, Cedar Lake requests authority to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of \$1,473,075, which is an annual increase of \$192,499, or 15%, over Cedar Lake's current revenues at existing rates. In addition, Cedar Lake requests authority to issue long-term debt in a maximum amount of \$3,915,000 at an interest rate not to exceed five percent.

4. Summary of the Pre-Settlement Evidence. Prior to Cedar Lake and the OUCC agreeing to the Settlement and each filing testimony supporting the Settlement, Cedar Lake prefiled its case-in-chief. This filing was subsequently supplemented on two occasions. In addition, the OUCC prefiled its case-in-chief, and Cedar Lake prefiled rebuttal testimony and exhibits. Our summary and discussion of this evidence focuses upon those portions relevant to ultimately determining the reasonableness of the Settlement.

A. Cedar Lake's Case-In-Chief and First Supplemental Evidence.

(1) Randell Niemeyer. Mr. Niemeyer is the President of Cedar Lake's Town Council and a member of Cedar Lake's Utility Service Board. He testified that approximately 15 years ago, Cedar Lake began exploring the feasibility of consolidating the three service areas of two different private water utilities under municipal ownership. One of the private utilities, Utilities, Inc., provided service on the west side of Cedar Lake. The other utility, Robin's Nest Water Company, Inc., provided service on the east side to two different service areas, Krystal Oaks and Robin's Nest Subdivisions. All three service areas were being served under separate tariffs. After these acquisitions were completed, Cedar Lake petitioned the Commission for approval and agreed to continue the existing tariffs, rates, and charges of each utility. He stated Cedar Lake has not adjusted its monthly user rates for any of these three tariffs since completing the acquisitions.

Mr. Niemeyer testified that Cedar Lake's acquisition of the private water utilities has been very positive for the community and has benefitted Petitioner's customers because of Cedar Lake's ability to coordinate its water service efforts and obtain grants, issue tax-exempt debt, and operate as a nonprofit in nature. He further testified that coordination and utilization of economies of scale in the operation of the utility has reduced ratepayer costs. Mr. Niemeyer stated that in Cause No. 45180, Cedar Lake committed to filing a rate case within three years, including a request to merge its different monthly user rates into a single tariff. In this Cause, Cedar Lake is proposing its customers all pay the same monthly user rate.

Mr. Niemeyer provided a copy of Cedar Lake's proposed Bond Ordinance as Petitioner's Exhibit 3. The Bond Ordinance memorializes Cedar Lake's intent to issue long-term debt in an amount not to exceed \$5,000,000. Mr. Niemeyer also sponsored a copy of Cedar Lake's Rate Ordinance to this testimony as Petitioner's Exhibit 4. The Rate Ordinance was adopted on March 17, 2020. He testified the rates set forth in the Rate Ordinance were based on the recommendations and findings in the Rate and Financing Sufficiency Analysis ("Rate Report") Ms. Haase prepared and provided with her direct testimony as Petitioner's Exhibit 13.

Mr. Niemeyer testified that Cedar Lake is seeking to purchase an existing potable water supply currently used by a local property owner. With certain upgrades and improvements, he stated this water supply should be sufficient to meet the anticipated needs of the customers located on the east side of Cedar Lake's system. Cedar Lake has met with the property owners and is currently discussing mutually agreeable terms for transferring the property to Cedar Lake. Mr. Niemeyer testified Cedar Lake anticipates completing this acquisition within six months. He further testified that Cedar Lake has met with its professional engineering firm, NIES Engineering, which created a list of other necessary capital improvements to be financed with the requested long-term debt. This list of projects is attached as Petitioner's Exhibit 11 to Mr. Simstad's direct testimony. Mr. Niemeyer stated Cedar Lake has also prepared a Capital Improvement Plan ("CIP") identifying the capital improvements Cedar Lake intends to make over the next six years. He testified that since acquiring the system, Cedar Lake has experienced relatively significant growth, and this growth, coupled with an aging system, requires Cedar Lake to make certain system improvements so Petitioner can provide its customers with safe, adequate, potable water and fire protection.

(2) **Pamela Sue Sargent Haase.** Ms. Haase testified on direct that LWG was retained to analyze Cedar Lake's schedule of rates and charges and, to the extent necessary, recommend adjustments necessary to enable Cedar Lake to meet the financial needs of its water utility and continue to adequately provide service and to provide recommendations on Cedar Lake's transition to a single, system-wide rate structure. She stated LWG was also retained to advise Cedar Lake on its options for financing the construction of certain improvements to its system and the corresponding impact of this financing on Cedar Lake's monthly user rates. Ms. Haase testified that she prepared the Rate Report dated April 15, 2020, (Petitioner's Exhibit 13) summarizing the results of her analysis and recommendations.

Ms. Haase testified that in 2009, Cedar Lake acquired Utilities, Inc.'s water system and adopted Utilities Inc.'s existing rates and charges, which included a declining rate structure with seven consumption blocks. In 2010, Cedar Lake acquired Robin's Nest's water systems and adopted Robin's Nest's existing rates and charges. These included two different rate structures, one with a declining rate structure with seven consumption blocks and the other with a single consumption block. Ms. Haase testified that although the Utilities, Inc. and Robin's Nest systems both had a seven block, declining rate structure, the Robin's Nest rates per block are approximately 68.7% lower than the Utilities, Inc. rates for Petitioner's westside district. Ms. Haase stated the Utilities, Inc. rates date back to 2008, and the Robin's Nest rates date back to at least 2006. She noted the Krystal Oaks Subdivision always had a single consumption block rate structure.

Ms. Haase advised that in Cause No. 45180, Cedar Lake's most recent Commission proceeding in which a system development charge ("SDC") was approved, Cedar Lake and the OUCC entered into a settlement agreement which the Commission approved on July 10, 2019. That settlement agreement required Cedar Lake to file a rate case within three years and seek approval to merge its different user rates into a single tariffed rate. Consistent with this requirement, Cedar Lake now seeks to merge its different monthly user rates into a unified schedule of monthly service rates applicable to all its users.

Ms. Haase testified that she received input for her Rate Report from Mr. Simstad regarding Cedar Lake's operations and maintenance ("O&M") expenses and anticipated capital needs. Ms. Haase also met with Cedar Lake representatives to determine appropriate revenues and expenses associated with operating the utility on a day-to-day basis. She described her Rate Report and identified the specific schedules and exhibits included.

Ms. Haase testified the Rate Report provides a financial snap-shot of Cedar Lake's water utility as of the end of the test year, December 31, 2019, with appropriate adjustments for items that are fixed, known, and measurable. In her direct testimony, Ms. Haase testified she made an adjustment to Cedar Lake's revenues of \$49,339 to account for the transition of the eastside district customers to the higher westside district rates. She stated that since Cedar Lake acquired the private utilities, the westside district has experienced significant growth—from 1,207 customers in 2011 to 1,842 customers in 2019, compared to growth from 312 customers in 2011 to 320 customers in 2019 in the eastside district. In other words, the westside district experienced over 79% growth in eight years while the eastside experienced 0.84% growth. Ms. Haase testified that considering the economies of scale created almost exclusively by growth in the westside district, it is reasonable and logical that the eastside district will receive a larger increase than the westside district. With respect to the seven-block, declining rate structure in the westside district, Ms. Haase testified that given the agreement to transition to a single tariff schedule, it is appropriate to apply the declining rate structure system-wide because Cedar Lake's customer mix percentages and individual consumptions have remained substantially constant despite its system growth.

Ms. Haase testified that Cedar Lake proposes to issue long-term debt to finance certain capital improvements to its water system. She stated Cedar Lake considered several options for issuing debt, including through the open market, Indiana State Revolving Loan Fund Program ("SRF"), and the United States Department of Agriculture-Rural Development. At the time of her direct testimony, Cedar Lake had determined the open market provided the most beneficial option. Ms. Haase stated that in the Rate Report she assumed a par amount on the bonds of \$3,900,000 for a term of 20 years at an interest rate of four and one-half percent. She stated Cedar Lake's Town Council approved the issuance of bonds in an amount not to exceed \$5,000,000 at an interest rate not to exceed six percent. Ms. Haase testified the actual terms of the bonds will likely be different than her estimates and proposed Cedar Lake either true-up or true-down its rates based on the actual debt terms and conditions.

In her first supplemental testimony, Ms. Haase testified Cedar Lake's decision to issue bonds on the open market was made in the last half of 2019 before the onset of the COVID-19 pandemic, and since that time, the open market for bonds has deteriorated. Ms. Haase stated there has been an indication from SRF that stimulus or additional loan funds may be available for water

and sewer projects similar to the forgivable loans available under the 2009 American Recovery and Reinvestment Act; consequently, Cedar Lake intends to simultaneously pursue open market and SRF financing because it is possible the market will again change by the time Cedar Lake is ready to issue bonds in 2021. Ms. Haase submitted supplemental accounting schedules with calculations reflecting a possible SRF debt issuance. She testified Cedar Lake is not asking to adjust the amount of, or the terms and conditions of, its borrowing.

Ms. Haase summarized the current debt expenses included in her Rate Report, including Waterworks Refunding Bonds, Series 2009 (SRF); Waterworks Revenue Bonds, Series 2010 (SRF); Waterworks Revenue Bonds, Series 2010 B (Market Issue); and Waterworks Revenue Bonds, Series 2012 (SRF Pooled Issue). She testified the required maximum annual debt service for all currently outstanding bonds is \$325,466. The addition of the bonds proposed in this Cause will raise the maximum annual debt service to \$506,465 and results in an additional debt service reserve of \$180,999 to be funded monthly over five years. She stated this results in an annual debt service reserve revenue requirement of \$36,200. Ms. Haase testified that if Cedar Lake's originally requested 13.81% rate increase is granted and the proposed single rate schedule is implemented, Petitioner's debt service coverage ("DSC") will be 1.38. This exceeds the 1.25 required DSC under the existing bond covenants and the 1.30 DSC the SRF will like to see to approve Cedar Lake issuing additional debt. Ms. Haase testified she used a five-year average debt service revenue requirement rather than the maximum annual debt service. If she had used the maximum annual debt service, this would have added \$55,857 to Cedar Lake's revenue requirement, changing Petitioner's requested rate increase from 13.81% to 17.97%; however, a DSC of 1.49 could result in obtaining a lower interest rate.

Ms. Haase testified that she included \$200,000 for rate case expense. She stated this amount is based on her experience and recent cases involving similar utilities. She further stated the amount is consistent with the rate case expense approved in Cause No. 45069 for the City of Boonville, Indiana, which involved a similar sized utility. Ms. Haase opined that \$200,000 is a reasonable estimate for Cedar Lake's anticipated rate case expense.

(3) **Neil Simstad.** Mr. Simstad is a professional engineer and a principal at NIES Engineering, Inc. He has worked with Cedar Lake since 2009 and is familiar with Cedar Lake's system and its operation, maintenance, and capital needs. Mr. Simstad testified that in 2009 and 2010, Cedar Lake purchased two water utilities, Utilities, Inc., which served the western half of Cedar Lake, and Robin's Nest Water Company, Inc., which served the east side. Since acquiring Utilities, Inc., Cedar Lake's customer base in the westside district has more than doubled from 895 customers in 2011 to 1,842 customers at the end of 2019. In the eastside district, Mr. Simstad testified Cedar Lake's customer base has gone from 312 customers in 2011 to 320 customers at the end of 2019. Mr. Simstad stated that when Cedar Lake acquired the Robin's Nest utility system, water service in the eastside district was limited to two subdivisions, Krystal Oaks and Robin's Nest Subdivisions. In the last five years, Cedar Lake has extended the facilities in the Robin's Nest Subdivision to serve approximately 41 homes in a third development, Lakeside Subdivision. Mr. Simstad stated there are additional lots in Lakeside Subdivision requesting service from Cedar Lake, but Petitioner is currently without sufficient water production facilities to meet the entire demand in this area. Mr. Simstad explained that Cedar Lake has refused to approve new subdivisions in the eastside district until Cedar Lake's proposed new capital improvements are

completed. He provided a map of Cedar Lake's current service area as Petitioner's Exhibit 7, noting the area to the east is considered the eastside district while the area west of Cedar Lake is considered the westside district.

Mr. Simstad testified the westside district is served by a 300,000 gallon elevated tank and two well fields with four total wells having a capacity that varies between 350 gallons per minute ("gpm") to 450 gpm and a rated firm capacity of 1,000,000 gallons per day ("gpd"). In terms of treatment, Cedar Lake uses a sodium hypochlorite injection disinfection system with a transmission and distribution system composed of 8", 10", 12", and 16" mains. Mr. Simstad testified the eastside district has its own source of supply consisting of one well site with two wells, one treatment plant, and disinfection and high service pumping facilities. The production system in the eastside district has a rated firm capacity of 280,000 gpd. Mr. Simstad stated certain improvements will need to be made to the westside system, but Cedar Lake's existing water supply in that area is sufficient for the foreseeable future; however, Cedar Lake's eastside system has sufficient capacity to serve a maximum of 34 additional homes and does not have the capacity to provide fire protection service. To meet the demand for potable water and fire protection service, Cedar Lake must improve the facilities in the eastside district.

Mr. Simstad produced a Water Utility Capacity Analysis for Production and Storage and an engineering report analyzing the capacity of Cedar Lake's existing eastside facilities. The engineering report evaluated and modeled potential improvements to increase capacity and meet the anticipated demand for potable water and fire protection services in the area. Mr. Simstad testified the engineering report supports the need for the proposed capital improvements to improve capacity in the eastside district. He stated the current demand in the eastside district averages slightly less than 200 gpd per customer. Cedar Lake anticipates future development in the eastside district could reach 150 new units in the near term and up to an additional 300 units in the next five to seven years. To permit these new connections, Mr. Simstad testified Cedar Lake must be able to supply water at a rate of 0.87 gpm per additional residential user to meet Indiana Department of Environmental Management ("IDEM") standards for peak hour and fire protection capacity. Mr. Simstad stated that with anticipated production of 500 gpm from the proposed additional source of supply and related improvements, Cedar Lake will be able to serve the 450 anticipated connections, with reserve capacity for future development.

Mr. Simstad provided an itemized list of the improvements Cedar Lake must make to serve the growing demand for potable water and fire protection service in the eastside district in Schedule D-6 of Petitioner's Exhibit 13. Based on his knowledge of Petitioner's system and anticipated growth, Mr. Simstad testified these improvements are necessary within the next 18 months to meet the demand for water in the eastside district. The projects include a 250,000-gallon elevated tank. Mr. Simstad stated he has designed, prepared plans and specifications for, and applied for and received an IDEM Permit for Public Water Supply Construction for the tank. He testified that to have sufficient supply to fill the 250,000-gallon tank and meet customer demand, Cedar Lake is proposing to acquire an existing source of supply from Paradise Cove, LLC ("Paradise Cove"). Cedar Lake must also install a new water main, high service pumps, motors, and controls to connect this source of supply and the water tank. Once these improvements are completed, Mr. Simstad stated Cedar Lake will have sufficient supply and pressure to meet peak

and fire flow demand for customers in the eastside district and will also have redundancy for customers in this area.

Mr. Simstad testified the acquisition of the Paradise Cove water supply is the best option for Cedar Lake to increase its water production capacity in the eastside district because the Paradise Cove source has a proven history of producing safe, reliable water, and it is located near the anticipated growth in the eastside district. He stated Cedar Lake also engaged a well driller, Peerless Midwest, to drill test wells in other potential water source locations. Although one of those locations identified a suitable amount of water, the water at that location contained hydrogen sulfide; therefore, utilizing this supply source would require Cedar Lake to install a treatment facility at an estimated cost of \$1,000,000. Mr. Simstad testified that even if Cedar Lake identified a different source of supply with a quantity and quality similar to Paradise Cove, Petitioner could easily spend as much or more to construct the new well and treatment facilities as compared to the cost of acquiring and improving the Paradise Cove water supply. He opined that Paradise Cove is the best option to meet the increasing demand for water in the eastside district.

Mr. Simstad provided the cost estimates included in Schedule D-6 of Petitioner's Exhibit 13 for the capital improvements he concluded Cedar Lake needs to make to ensure safe and adequate service to its current and future customers. He stated that based on his 25 years of professional experience working on similar projects, he believes these cost estimates are a reasonable estimate of what Cedar Lake will incur to construct these improvements.

In addition, Mr. Simstad produced a list of capital projects that should occur over the next six years and will be funded through rates. That list is attached to Ms. Haase's direct testimony as Schedules G-1 and G-2 of Petitioner's Exhibit 13. Petitioner's Exhibit 11 was attached to his direct testimony and lists all of Cedar Lake's existing and anticipated capital assets with their location and the anticipated date of replacement, installation, or maintenance tasks. Mr. Simstad testified that NIES Engineering had a series of meetings with Cedar Lake management and public works staff to identify and generate a complete database of Cedar Lake's municipal water assets and their estimated date of installation. Once the database was completed, a CIP was created that includes a schedule for timely replacement of the listed assets. Mr. Simstad testified the improvements included in the CIP are essential to the operation of Cedar Lake's water system, and the estimated costs for the CIP projects are reasonable and should be consistent with what Cedar Lake experiences when these projects are completed.

With respect to periodic maintenance expenses, Mr. Simstad testified NIES Engineering reviewed Petitioner's periodic maintenance expenses to determine if such amounts accurately reflect what Cedar Lake has experienced or will experience upon completing its proposed capital improvements. NIES Engineering compared the actual expense items with its recent experience with similar projects other clients performed. Mr. Simstad used this information to estimate Cedar Lake's periodic maintenance expenses on a prospective basis. He stated the final version of this study can be found on page 10 of Ms. Haase's Rate Report and testified the items and amounts detailed in the Rate Report accurately reflect the type and amount of expenses Cedar Lake will experience for periodic maintenance.

B. Cedar Lake's Second Supplemental Evidence.

(1) **Pamela Sue Sargent Haase.** In her second supplemental testimony, Ms. Haase addressed four issues: (1) the financial impact of Cedar Lake's proposal to reduce its minimum monthly bill based on 2,000 gallons per month; (2) an adjustment needed to cash on hand as a result of certain stormwater credits; (3) concerns the OUCC raised regarding Cedar Lake's SDC²; and (4) explaining her amended Rate Report.

Ms. Haase testified that for most of Cedar Lake's customer base, the minimum bill is now based on 4,000 gallons per month, and for many years a number of older, fixed income customers with usage regularly less than 4,000 gallons per month have asked Cedar Lake to reduce its minimum bill to 2,000 gallons per month. She stated this reduction will result in reduced annual revenues of \$87,266; however, netting this reduction against the increased rates in the eastside district when Cedar Lake moves to a single tariff rate results in an overall annual revenue increase of \$49,339. Ms. Haase stated that her initial rate calculations did not fully capture these revenue adjustments, with the oversight discovered after informal discussions with, and data requests from, the OUCC.

Ms. Haase testified that in 2017, Cedar Lake approved an increase to its stormwater rates, including an across-the-board commercial customer credit. When the credit was implemented, the billing software did not properly handle the credit. Instead, it applied the credit equally to sewer and water receipts. She stated the result was that Cedar Lake's sewer and water cash balances were understated for 2018 and 2019. Ms. Haase corrected the water cash balance in her Amended Rate Report, and Cedar Lake is correcting the software issue to avoid such problems in the future. Ms. Haase testified the adjustment affects only cash on hand and has no effect on the amount of the proposed rate increase.

Ms. Haase stated she prepared a revised accounting report to illustrate the financial impact of the reduced minimum monthly bill and stormwater credits. This was prefiled with her second supplemental testimony as Petitioner's Exhibit 18. She detailed the specific changes in her second supplemental testimony.

(2) **Neil Simstad.** Supplemental testimony was also prefiled for Mr. Simstad in which he identifies and describes additional capital improvements Cedar Lake will likely make in the next ten years, depending on growth and demand. He stated these projects include a one million-gallon ground storage tank installation with associated booster station, site work and piping, a well field, and interconnection of the eastside and westside systems. Mr. Simstad stated he created a preliminary engineering report for submission to the SRF that included these projects and all the CIP projects to be funded by the debt issuance. Mr. Simstad stated he believes the cost estimates for the improvement projects are reasonable.

C. OUCC's Case-In-Chief Evidence.

(1) **Thomas Malan.** Mr. Malan testified that the OUCC recommends an overall rate increase of 4.2%, to be implemented in two phases, with a 4.4% rate decrease in

² As set forth in the Settlement, issues regarding Cedar Lake's SDCs are to be addressed in a future case.

the first phase and a 9.0% increase in the second phase. He sponsored exhibits detailing the OUCC's proposed adjustments to Cedar Lake's operating expenses, salaries and wages, employee benefits, payroll taxes, system delivery expense, and periodic maintenance. He recommended Cedar Lake be required to establish restricted accounts for its periodic maintenance and its extensions and replacements ("E&R") and that Cedar Lake maintain separate restricted accounts for each of its two authorized SDCs.

Mr. Malan testified that the OUCC is proposing a two-phase rate adjustment because, under Petitioner's updated financing scenarios, there is a significant gap between when an order will be issued in this proceeding and when Cedar Lake will reasonably be able to secure financing. He projected the financing will happen in July 2021 or later based on Cedar Lake's Exhibit 19, Schedules D-5 and D-7. Mr. Malan testified that phasing in rates is a reasonable method to protect Cedar Lake's ratepayers from unnecessarily paying higher rates during the time Cedar Lake will have no additional debt service expense.

Regarding his recommended Phase 1 decrease, Mr. Malan testified that, based on his review, Cedar Lake's pro forma net revenue requirement is \$1,227,537, but pro forma operating revenue is \$1,283,271, yielding a decrease in operating revenues of \$55,733 after applying the gross revenue conversion factor. His Phase 1 revenue requirement recommendation included increased operating expenses, payments in lieu of property taxes ("PILOT"), and E&R but no additional debt service costs. His recommendation also included increased operating revenues to reflect assumptions upon customer growth and additional revenues from moving to single tariff pricing, which will be offset by reducing Petitioner's minimum charge to 2,000 gallons. He noted Phase 1 will bring each customer to the same tariff rate eliminating confusion among Cedar Lake's customers.

Mr. Malan testified that his recommended Phase 2 increase is entirely due to the addition of debt service costs associated with Cedar Lake's proposed debt financing. Mr. Malan stated all Cedar Lake customers will be on the same tariff when proposed Phase 2 is implemented, and the Phase 2 proposed increase will be across-the-board with the same increase applied to all customers.

Mr. Malan provided detailed testimony regarding the adjustments to Cedar Lake's operating revenues and expenses proposed in the OUCC's case-in-chief. He stated the OUCC accepted all of Cedar Lake's operating revenue adjustments, but the OUCC's pro forma operating revenues of \$1,328,290 are based on Cedar Lake's 2019 IURC annual report, which was the basis for its test year income statement and balance sheet. Mr. Malan testified the 2019 IURC annual report reflects test year operating revenues of \$1,328,290, which equals \$11,747 more than the operating revenues reflected in Cedar Lake's income statement in this Cause (Exhibit A of Petitioner's Exhibit 19).

Mr. Malan testified that the OUCC proposes pro forma operating expenses and taxes of \$742,815, representing an increase of \$68,536 over test year operating expenses of \$674,279, as compared to the \$218,547 increase Cedar Lake proposes. He stated the OUCC accepted Cedar Lake's expense adjustments for State Board of Accounts audit costs, non-recurring contractual services, removal of tap costs, and rate case expense amortization. Mr. Malan testified he is proposing additional expense adjustments to remove non-water utility legal costs, engineering

costs that should be considered capital costs, and out-of-period expenses. With respect to salaries and wages expense, Mr. Malan excluded expenses related to several positions that he considered unrelated to providing water utility service, including Cedar Lake's Town Council, Chief Deputy CPS, mechanic, building administrator, building coordinator, on-call building inspector, and PT inspector. Mr. Malan testified those positions did not appear to have a sufficient relationship to providing water utility service to include the associated salary allocations for each. Mr. Malan based his proposal on job descriptions Cedar Lake provided in response to discovery and, in the case of the Town Council and Chief Deputy CPS, because no job description was provided. Mr. Malan also made corresponding adjustments to group insurance benefits, PERF, and payroll taxes.

Mr. Malan testified that he disagrees with Cedar Lake's proposed system delivery expense adjustment because the test-year purchased power expense and additional volumes included in Petitioner's adjustment were overstated. He proposed an adjustment of \$7,763 based on a \$0.50 pro forma cost per thousand gallons and additional consumption of 15,525,405 gallons. Mr. Malan proposed a reduction to Petitioner's legal expense of \$2,478 to remove legal expenses allocated to the water utility by Cedar Lake because the expenses related to general town matters and not utility matters. He testified the water utility was directly billed for utility related legal expenses. Mr. Malan also proposed a \$10,325 reduction to the test-year professional services expense to remove engineering costs related to various capital projects. He asserted these should be capitalized as part of the cost of those projects. Mr. Malan identified four invoices totaling \$7,757 that occurred outside of the test year and recommended removing that amount from test-year operating expenses.

With respect to periodic maintenance, Mr. Malan proposed a \$71,046 increase to test year operating expense of \$31,679 to yield a pro forma periodic maintenance expense of \$102,725. He recommended Cedar Lake be required to deposit all periodic maintenance funds in a restricted account for that purpose to ensure the funds are available when needed for maintenance work and that Cedar Lake be required to report on this fund as part of its IURC annual report filing.

Mr. Malan recommended an annual pro forma E&R revenue requirement of \$170,389. Similar to his proposal regarding periodic maintenance funds, Mr. Malan recommended these funds also be deposited into a restricted account to be used only for that purpose and that Cedar Lake be required to report on this fund as part of its IURC annual report filing.

Mr. Malan recommended phasing in Cedar Lake's PILOT expense for projects that will be funded with Phase 2 debt. He stated this removes utility plant in service that has not been constructed or funded from Phase 1. He proposed a Phase 1 PILOT amount of \$2,970 and a Phase 2 amount of \$4,607.

Mr. Malan noted Cedar Lake's proposed debt issuance will be used to fund the same capital projects used to support the eastside SDC approved in Cause No. 45180. He testified this proposal recovers the cost of the projects twice—once through the eastside SDC and again through the debt service revenue requirement included in customer rates. Mr. Malan recommended Cedar Lake be required to file a docketed case with the Commission within six months after an order is approved in this Cause to justify continuing the eastside SDC. Mr. Malan also recommended all eastside SDCs collected prior to Petitioner closing on the debt be used to fund the debt service reserve required for the proposed debt issuance.

Mr. Malan explained that Cedar Lake has been approved to collect two separate and distinct SDCs. The two charges are for two different systems with different customer growth needs. Mr. Malan recommended Cedar Lake be required to deposit all SDC funds Petitioner has collected into separate restricted accounts. He also recommended Cedar Lake provide a report on these funds as part of its IURC annual report filing.

(2) **Kristen Willoughby**. Ms. Willoughby testified regarding Cedar Lake's proposed capital improvement projects, proposed E&R revenue requirement, and periodic maintenance expenses.

Ms. Willoughby testified that Cedar Lake currently has a total storage capacity, including its clear well, of 381,800 gallons. Without the clear well, she stated Cedar Lake has a storage capacity of 321,800 gallons. Ms. Willoughby stated that with total average sales in 2019 of 386,162 gpd, Cedar Lake does not meet the Ten States Standards recommendation that total water storage meet average daily demands. Once Cedar Lake installs its proposed 250,000-gallon Krystal Oaks tank, she testified Petitioner will have the recommended storage capacity. Ms. Willoughby also testified that in the last five years, Cedar Lake's water loss values have decreased from 20.4% to 10.4% of water produced.

Ms. Willoughby testified Cedar Lake has developed a 20-year Capital Asset Management Plan that Petitioner seeks to fund by borrowing funds and through rates in its proposed E&R revenue requirement. Ms. Willoughby stated the projects proposed through 2025 appear to be reasonable and should enhance Cedar Lake's ability to efficiently serve its customers. She indicated the OUCC did not evaluate projects occurring after 2025 since Petitioner indicates the life of the rates requested is through 2025, and minimal information was provided about the assets Petitioner plans to construct after 2025.

Ms. Willoughby testified it is inappropriate to use funds from the eastside district SDC to pay for growth related projects in the westside district because the two sides are not interconnected, and the westside district has its own SDC. Ms. Willoughby also testified it is inappropriate to use the funds to pay to interconnect the eastern and western district systems because Petitioner presented no evidence showing interconnection of the eastside and westside will be a growth-related project or why new eastside district customers should pay a greater portion of the interconnection cost than new westside district customers. This, combined with her concerns about double funding proposed projects through SDCs and borrowing, prompted Ms. Willoughby to recommend Cedar Lake be required to file a case to justify and amend its eastside SDC. She testified that if Cedar Lake has not done so before closing on the loan, the eastside SDC should terminate.

Ms. Willoughby proposed adjustments to Cedar Lake's proposed E&R expense to remove projects for which Cedar Lake provided insufficient support. She stated these included replacing piping under concrete at the Parrish pumping station and a portion of the costs associated with the replacement of water meters. Her adjustments resulted in a \$40,182 decrease to Cedar Lake's proposed E&R revenue requirement.

With respect to periodic maintenance, Ms. Willoughby testified that Cedar Lake requested a pro forma annual revenue requirement of \$6,402 for cleaning and inspection of wells based on a fifteen-year cycle for each well. She cited multiple sources which recommend annual or biannual evaluations of wells and pumps. Ms. Willoughby testified that Cedar Lake proposes to execute a Tank Asset Management Program with Suez to implement a comprehensive management program for the Parrish elevated tank and the proposed Krystal Oaks elevated tank. She stated this agreement will provide for annual inspection and service; washout, touch-up, and inspection every three years; engineering, inspection, and repair services as needed; exterior coating every 11 to 13 years; and interior cleaning and repainting every 14 to 16 years. Ms. Willoughby testified she adjusted Cedar Lake's proposed expense for the tank management program to account for the Krystal Oaks elevated tank not being completed until 2023 and to match the actual amount of the proposed program costs Suez submitted. Ms. Willoughby also recommended the Commission require Cedar Lake to file its completed contract with Suez with the OUCC and the Commission, and she recommended excluding \$18,000 in engineering and contingencies for painting the Parrish tank and the Meadow Lark Lane tank. In addition, Mr. Willoughby recommended the new metal roofs on the Parrish pump building and the Havenwood water pumping station be amortized over 40 years instead of 20 years because metal has a life expectancy of 40-70 years.

Finally, Ms. Willoughby recommended several resources to Cedar Lake for good management and operation guidance for water utilities.

(3) **Shawn Dellinger.** Mr. Dellinger recommended Cedar Lake be authorized to borrow \$3,915,000 from the SRF at an estimated interest rate of 2.25%. Mr. Dellinger testified that Petitioner's overall cost of debt will be significantly lower with the SRF funding than borrowing on the open market because SRF interest rates are estimated to be 2.25% while open market interest rates are estimated to be 4.5%. Mr. Dellinger stated that if Cedar Lake does not qualify for "standard" SRF loans, SRF offers pooled financing that allows borrowers to take advantage of a pass-through AAA interest rate from an Indiana Financing Authority Bond offering. He testified this will result in a higher interest rate than a standard SRF loan but will still be significantly lower than anticipated open market rates. Based on a five-year average, Mr. Dellinger calculated revenue requirements of \$324,642 for Cedar Lake's current debt and \$92,536 for proposed SRF debt for a total of \$417,148. He recommended Petitioner's Phase 2 rates reflect the increased debt service and that debt service reserve funding not be implemented until Cedar Lake makes a filing certifying its 2021 SRF bond issuance will take place within 45 days.

With respect to debt service reserve, Mr. Dellinger disagreed with Cedar Lake's calculation of additional debt service reserve required because Cedar Lake is requesting financing for projects in the eastside district for which it has been and will be collecting SDCs. He stated Cedar Lake currently imposes a SDC of \$2,556 on new eastside customers, and as of July 30, 2020, Cedar Lake had collected a total of \$25,560 in SDCs from eastside district customers. Mr. Dellinger recommended the proceeds from the eastside district SDCs be used to fund Petitioner's debt service reserve, reducing the amount included in Cedar Lake's pro forma revenue requirement from \$19,753 to \$14,641. He also recommended Cedar Lake be required to place debt service reserve funds in a restricted account and to notify the Commission and the OUCC if Petitioner uses any of those funds for a reason other than making the last payment on its current or proposed

debt issuances. Mr. Dellinger stated this notification should be provided within five business days of any such transaction.

Mr. Dellinger testified a debt service coverage ratio is a measurement of a utility's available cash flow to pay its debt obligations and is calculated by dividing the borrower's net operating income ("NOI") by the annual bond payment (principal and interest). He noted financing may not be available to a borrower if the debt service coverage ratio is not robust. Mr. Dellinger testified the SRF requires a debt service coverage ratio of 1.25 but prefers the initial debt service coverage ratio be at least 1.30. Mr. Dellinger calculated a debt service coverage ratio for Cedar Lake of 1.53 in Phase 1 and 1.43 in Phase 2.

Mr. Dellinger also testified the Commission should require Cedar Lake to true-up its proposed annual debt service once the interest rates on its proposed debt are known. He recommended Cedar Lake file a report within 30 days after closing its long-term debt providing the terms of the new loan, the amount, if any, of debt service reserve, and an itemized account of all issuance costs. He stated the report should also include a revised tariff, amortization schedule, and calculate the rate impact in a manner similar to the OUCC's schedules. Mr. Dellinger further recommended the OUCC have 14 days after service of this true-up report to challenge the proposed true-up or Cedar Lake's calculations.

D. Cedar Lake's Rebuttal Evidence.

(1) **Randell Niemeyer**, Mr. Niemeyer's rebuttal testimony responds to the OUCC's proposed two-phase rate increase, discusses the Town Council's role in overseeing the operation and maintenance of the water utility, and addresses the need for and anticipated financing of future projects. He testified Cedar Lake intends to move forward with its proposed projects immediately after receiving the Commission's order in this matter. Mr. Niemeyer stated that due to the anticipated timing for issuance of that order and for the closing on the proposed bonds, a phase-in of monthly user rates is not appropriate and would likely confuse Petitioner's customers who could receive three different bills in a three month timespan.

With respect to the allocation of Town Council wage and salary expenses, Mr. Niemeyer testified the Town Council acts as the legislative and fiscal body for Cedar Lake and is responsible for the overall management and direction of its water utility. Specifically, the Town Council reviews all contracts; approves all rates; meets with engineers, accountants, and lawyers; adopts ordinances and resolutions; oversees or actively participates in negotiating the acquisition of land, land rights, and facilities for the water utility; and ensures the utility takes the steps necessary to meet the service demands of its customers. He estimated the Town Council spends at least 25% of its time on water utility matters.

Mr. Niemeyer testified that at the beginning of this case, Cedar Lake planned to issue bonds on the open market, but due to the potential availability of grants and low-interest loans, Cedar Lake has expanded its financing options to include the SRF. He stated Cedar Lake became concerned the open market will not be an option due to economic circumstances arising out of the COVID-19 pandemic, but he stated the market has changed such that the open market may be a less expensive option than the SRF. Mr. Niemeyer testified the Town Council will monitor the

financing market between now and next July or August when Cedar Lake anticipates issuing bonds to determine the lowest cost alternative for customers.

(2) **Pamela Sue Sargent Haase**. In her rebuttal testimony, Ms. Haase responded to the OUCC's adjustments, many of which were ultimately addressed in the Settlement. Ms. Haase agreed with the OUCC's proposed recalculation of additional consumption due to customer growth and the removal of an out-of-period purchased power invoice.

Ms. Haase disagreed with the OUCC's proposed two-phase rate increase. She testified Cedar Lake considered a similar process but concluded it did not make sense to incur the cost and potential confusion of phasing in any rate adjustment. She presented a possible timeline where Cedar Lake's existing rates are in effect in June 2021, the Phase 1 rates become effective in July 2021, and the final rates become effective in August 2021. Ms. Haase concluded this is unnecessary, unduly burdensome, and likely to confuse Cedar Lake's ratepayers. She did, however, agree with the OUCC's recommendation that Cedar Lake's final rates be implemented within 45 days before closing on its financing.

Ms. Haase testified the water sales listed in Cedar Lake's 2019 annual report and Petitioner's Exhibit 13 are not materially different. She explained the annual report uses accrual basis accounting while her accounting report in this Cause substantially uses cash basis accounting. Ms. Haase stated that in preparing its schedules, the OUCC relied on the revenue information contained in Petitioner's 2019 annual report but used the consumption data from the Accounting Report (Petitioner's Exhibit 13). She testified that if the OUCC had also used the consumption data from the annual report, the OUCC's calculation of delivery expense would have increased and resulted in higher rates. Ms. Haase testified that petitioning utilities do not typically rely exclusively upon the revenues and expenses shown in the annual report when supporting a rate increase.

In her rebuttal, Ms. Haase took issue with the OUCC's adjustments to salaries, payroll taxes, insurance benefits, and PERF. She testified the Chief Deputy Clerk-Treasurer is responsible for payroll for the water utility, health benefits for the utility, timely payments of sales tax and utilities receipts tax, monitoring billing receipts, assisting with materials and supplies inventory, assisting with fixed asset reporting, preparing operating budgets, management control over expenditures, and other utility-related duties. She opined that allocating 18% of the Chief Deputy's time to the water utility is a fair and reasonable estimate of the time spent on utility-related matters. Ms. Haase provided similar support for other Cedar Lake employees whose allocation to the utility was excluded by the OUCC.

Ms. Haase testified that the OUCC assumed the engineering expenses pertaining to services rendered for proposed subdivision or development plans were capital in nature. She stated such expenses cannot be eliminated absent a determination upon what caused the costs to be incurred, and if the result of such a determination is that the expenses were part of a larger capital project funded through water revenues, the engineering review performed should be capitalized, but she testified that was not the case with the disputed expenses. Rather, Cedar Lake incurred these costs to be certain the proper state and local codes, ordinances, and other project requirements were

incorporated into plans prior to construction. Ms. Haase testified that Cedar Lake anticipates incurring similar costs on an annual basis.

With respect to the segregation of funds in restricted accounts, Ms. Haase testified there is no evidence Cedar Lake is not maintaining its system, making requisite improvements, or somehow providing less than adequate service. Further, she stated improvements and repairs cannot always be planned, and Cedar Lake needs flexibility to use its funds to maintain its system. She concluded the OUCC's proposal is unnecessary, burdensome, and will increase the expense of operating the utility.

Ms. Haase also testified regarding her review of the OUCC's proposal to reduce depreciation expense, recommending an average amount of \$220,887 per year, and reduce PILOT, recommending \$46,030 per year. She agreed with the OUCC's proposed average annual debt service requirement. Consistent with her testimony, Ms. Haase amended her accounting report with the amended report attached to her rebuttal testimony as Petitioner's Exhibit 29.

(3) **Neil Simstad.** On rebuttal, Mr. Simstad addressed engineering-related issues the OUCC raised, specifically, the elimination of certain expenses associated with Cedar Lake's CIP, a reduction to periodic maintenance, Cedar Lake's SDC, and management issues.

Mr. Simstad testified that Cedar Lake proposes to fund its CIP through depreciation rather than E&R, and it is inappropriate to reduce depreciation through the elimination of expenses associated with anticipated capital improvements. With respect to meter replacements, Mr. Simstad testified Cedar Lake's staff is currently responsible for operating the system on a daily basis; inspecting, reviewing, and connecting approximately 200 new services each year; overseeing and/or performing inspections, maintenance, and repairs to Petitioner's system; and overseeing a major system expansion. In light of this workload, Cedar Lake is concerned whether its staff is also able to perform the meter replacement program in a timely manner; therefore, Mr. Simstad assumed Cedar Lake will hire a private contractor to perform these replacements. Mr. Simstad also provided additional details about the concrete piping replacement project, which he stated demonstrate the reasonableness of the estimated cost.

Mr. Simstad generally agreed with the OUCC's periodic maintenance and tank maintenance recommendations with the exception of eliminating the engineering and contingency costs. He testified these costs will be included in any estimate from a tank costing specialist who prepares the inspection report, plans, specifications, and bidding documents for a water utility. Mr. Simstad stated if these funds were eliminated, Cedar Lake will have insufficient funds to complete its periodic maintenance. Finally, Mr. Simstad stated he does not object to reviewing and discussing the operating support manuals Ms. Willoughby recommended.

5. **Settlement and Supporting Evidence.**

A. **Summary of the Settlement.**

(1) **Revenue Requirement, Rates, and Charges.** In the Settlement, Cedar Lake and the OUCC (collectively, the “Settling Parties”) agree that, subject to the other terms of the Settlement, Cedar Lake should be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of \$1,473,075, yielding an annual increase of \$192,499 or 15% over Cedar Lake’s current revenues at existing rates. The Settling Parties further agree the rate increase will be implemented in one phase that becomes effective no sooner than 60 days in advance of the anticipated date for closing on Cedar Lake’s long-term debt, subject to true-up following the closing; therefore, Cedar Lake may file a tariff reflecting the new approved rates and charges within 60 days of the anticipated date for closing. Exhibit A to the Settlement includes the accounting schedules reflecting the agreed upon revenue requirement, the proposed rates and charges, and an estimated amortization schedule for Cedar Lake’s outstanding and proposed indebtedness.

(2) **Operating and Maintenance Expense Adjustments.** The Settling Parties also agree to the following adjustments to Cedar Lake’s O&M expenses: an allocation of 17.8% of the Town Council’s time, wages, and any payroll taxes; an allocation of 18% of the salaries, benefits, and payroll tax for the Chief Deputy Clerk-Treasurer; a reduction of \$2,478 to legal services; a reduction of \$10,325 to engineering invoices; a reduction of \$7,757 for out-of-period expenses; and an annual amount of \$102,725 for periodic maintenance expense.

(3) **Depreciation Expense.** The Settling Parties agreed upon \$200,629 for depreciation expense based on an average depreciation for Cedar Lake over the next five years, with the agreed depreciation the first year being \$160,860 and \$210,571 each subsequent year based on the assumed completion of certain capital improvements. The Settling Parties also agreed that if Cedar Lake has not completed the capital improvements necessary to justify the agreed upon increase to depreciation expense by December 31, 2022, Cedar Lake shall decrease its rates to reflect a lower depreciation amount based on the capital improvements actually completed.

(4) **Payment in Lieu of Taxation (“PILOT”).** The Settling Parties agreed Petitioner’s revenue requirement should include \$42,756 for PILOT based on an average PILOT calculation for Cedar Lake over the next five years. Similar to the depreciation calculation, the agreed first year is \$29,659, and each subsequent year is \$46,030 based on the assumed completion of the proposed capital improvements. If Cedar Lake has not completed the capital improvements necessary to justify the agreed upon increase in PILOT by December 31, 2022, Cedar Lake agreed to decrease its rates to reflect a lower amount for PILOT based on the cost of the completed capital improvements.

(5) **Tank Painting and Maintenance.** Cedar Lake intends to enter into an agreement with Suez for tank painting and maintenance. Upon entering into this agreement, Cedar Lake agreed to advise the OUCC and provide a copy of the executed agreement. If Cedar Lake fails to enter into the Suez agreement within 60 days of the date of the Order in this Cause or if such agreement terminates, Cedar Lake shall place \$83,455 each year during the life of the rates approved in this matter in a restricted account to be used only for tank painting and maintenance.

(6) **System Development Charges.** The Settling Parties agreed that on or before September 1, 2021, Cedar Lake will file a petition with the Commission requesting approval of a SDC for its eastside territory (“Future SDC Case”). Until the Future SDC Case is filed, Cedar Lake agrees to place any SDCs collected from Petitioner’s eastside into a restricted account to be used only for construction costs on projects for eastside operations, subject to the Commission’s order in the Future SDC case.

(7) **Amount of, and Interest on, Bonds.** The Settling Parties agreed Cedar Lake should be authorized to issue long-term debt (bonds) in the maximum amount of \$3,915,000 at an interest rate not to exceed five percent and that Cedar Lake’s revenue requirement will include \$417,148 for principal and interest payments and \$19,753 to fund debt service reserve. It was also agreed that Cedar Lake will pursue funding through the SRF but may issue bonds on the open market if such borrowing is not more expensive than borrowing through the SRF.

(8) **True-Up.** The Settling Parties agreed that within 30 days after Petitioner’s closing on the debt issuance, Cedar Lake shall file a true-up report in this Cause describing the final terms of the bonds, the amount of debt service reserve, and the amortization schedule for the bonds. They further agreed that the OUCC will have 14 calendar days from the true-up report filing in which to object to the true-up report. If no objection is filed and the actual annual debt service on the bonds differs from the originally estimated amount of \$417,148, the Settlement provides for Cedar Lake to file a revised tariff with the Commission adjusting Petitioner’s rates to include the final amount of annual principal and interest on the bonds. If the actual terms of the financing are such that the annual debt service amount is less than \$417,148, the Settling Parties agreed Cedar Lake need not file a revised tariff if the difference is immaterial. In this event, Cedar Lake will file a notice of such consensus under this Cause in lieu of a revised tariff. Conversely, if the actual terms of the financing are such that the annual debt service amount is more than \$417,148, Cedar Lake may, in its sole discretion, elect not to file a revised tariff.

B. Settlement Testimony.

(1) **Pamela Sue Sargent Haase.** Ms. Haase testified the Settlement resolves all of the pending issues. She stated the Settling Parties agreed Cedar Lake may increase its monthly user rates to provide for a 15% increase over Cedar Lake’s current revenues at existing rates no sooner than 60 days in advance of the anticipated closing date on Cedar Lake’s issuance of long-term debt (bonds). Ms. Haase included the following table in her settlement testimony summarizing the agreed revenue requirement and resulting increase in annual revenues:

Operating Expenses	\$ 757,015
Payment in Lieu of Property Taxes	42,756
Taxes Other Than Income	45,994
Depreciation Expense	200,629
Debt Service – Current Debt	324,612
Debt Service – Proposed Debt	92,536
Debt Service Reserve	<u>19,753</u>
 Total Revenue Requirements	 1,483,295

Less: Revenue Requirement Offsets	
Other Income	<u>(10,220)</u>
Net Revenue Requirements	1,473,075
Less: Revenues at Current Rates Subject to Increase	<u>(1,283,271)</u>
Net Revenue Increase Required	<u>\$ 189,804</u>
Divide by Revenue Conversion Factor (100%-1.4%)	0.986
Recommended Increase	\$ 192,499
Calculated Percentage Increase	<u>15.00%</u>

Ms. Haase testified regarding specific adjustments the Settling Parties agreed upon. She noted Cedar Lake accepted the OUCC's proposed pro forma test year operating receipts of \$1,293,491, comprising pro forma water sales receipts of \$1,277,566, plus test-year penalty receipts of \$5,705, and test-year miscellaneous operating receipts of \$10,220. Ms. Haase stated the Settling Parties disagreed about how much Town employee time and expense should be allocated to the water utility. Ultimately, the OUCC agreed 18% of the wages, insurance, PERF, and payroll taxes associated with the Chief Deputy Clerk-Treasurer should be assigned to the water utility. For members of the Town Council, the Settling Parties agreed to an allocation of 17.8%, and they also agreed no fleet mechanic, building administrator, building coordinator, and on-call inspectors' expenses will be allocated to the water utility at this time.

With respect to legal expenses, Ms. Haase testified Cedar Lake accepted the OUCC's \$2,478 reduction to test-year legal expenses. Cedar Lake also accepted the OUCC's \$10,325 reduction for engineering expenses the OUCC believes are capital in nature. Ms. Haase testified that although she does not agree with the OUCC's position, Cedar Lake accepted this adjustment for purposes of settlement. Cedar Lake also accepted the OUCC's \$7,757 reduction for out-of-period expenses and its \$1,732 reduction to periodic maintenance expense.

Ms. Haase testified that in its case-in-chief, the OUCC proposed reducing Cedar Lake's annual depreciation expense from \$210,571 to \$170,389. After much discussion and negotiation, she stated the Settling Parties agreed to an annual depreciation expense of \$200,629. She explained they reached this amount by noting the amount of depreciation in the first year that rates are in effect—prior to completion of the projects proposed to be financed in this Cause—will be \$160,860. In years two through five, after the projects are completed, the annual depreciation will be \$210,571. Ms. Haase testified the Settling Parties used the average of one year at \$160,860 and four years at \$210,571 to reach the agreed annual depreciation of \$200,629. She testified the Settling Parties chose to average depreciation over five years because they generally agree the rates established in this Cause will be in effect for at least five years. Ms. Haase further testified that if Cedar Lake does not complete the projects proposed to be financed in this Cause by December 31, 2022, Cedar Lake agreed to reduce its rates to reflect a lower amount of depreciation based on the capital improvements Petitioner has actually completed.

Ms. Haase testified the Settling Parties agreed to \$42,756 for PILOT using a similar process to that used for depreciation. Specifically, the Settling Parties agreed to an annual PILOT expense

of \$42,756 by taking the average of one year, prior to completion of the projects, at \$29,659 and years two through five, after the projects are completed, at \$46,030. Also, if Cedar Lake does not complete the projects by December 31, 2022, Petitioner agreed to reduce its PILOT amount to reflect only the completed capital improvements.

With respect to Cedar Lake's eastside district SDC, Ms. Haase testified the Settling Parties were unable to reach agreement; however, they agreed Cedar Lake will file a new case seeking approval of a new SDC for its eastside district on or before September 1, 2021. Cedar Lake anticipates requesting a single SDC for its eastside and westside service areas. Ms. Haase testified the Settling Parties also agreed to a debt service reserve amount of \$19,753, consistent with her rebuttal testimony.

Ms. Haase testified the Settlement is in the public interest and will benefit Cedar Lake and its customers. She stated the Settlement allows the Settling Parties to save time and expense in responding to further discovery, preparing for a hearing, conducting witness preparation, attending the hearing, and filing proposed orders and responsive briefs. Ms. Haase testified that from Cedar Lake's perspective, avoiding these expenses will be beneficial to Cedar Lake's ratepayers because Petitioner can use those saved funds for capital projects benefitting current and future customers.

Ms. Haase testified that entering into the Settlement is also anticipated to shorten the time for this case to be completed and issuance of an order, which should enable Cedar Lake to more expeditiously move forward with issuing the bonds and completing its capital projects. She stated this is important because Cedar Lake currently has little water production capacity for its eastside territory with multiple developers and property owners having requested service from Cedar Lake in this particular area. She stated Cedar Lake has had insufficient capacity to allow a significant number of new connections. By timely issuing the bonds and proceeding with completing the related projects, Ms. Haase stated Cedar Lake will be able to meet the demand from current and future customers in the eastside area.

Ms. Haase testified that obtaining an order earlier will also allow Cedar Lake to potentially access the SRF's pooling program, which could occur as early as March 2021. In addition, the Settlement provides Cedar Lake flexibility to issue debt through SRF or on the open market, depending on the alternative offering the lowest interest rate. Ms. Haase testified the Settlement allows Cedar Lake to issue debt in an amount not to exceed \$3,915,000 as Petitioner originally requested, at an interest rate not to exceed five percent. The rates agreed to in the Settlement result in debt service coverage of 1.61, which meets the minimum threshold for SRF funding and allows Cedar Lake, if necessary, to issue bonds on the open market at the lowest possible rate. She testified the flexibility Cedar Lake has under the Settlement in issuing bonds will allow Cedar Lake to achieve the lowest possible interest rate.

With respect to tank painting and maintenance, Ms. Haase testified the Settlement allows Cedar Lake to enter into a tank painting and maintenance agreement with Suez. If Cedar Lake does so, she stated Petitioner will file a copy of this agreement with the Commission.³ If Cedar Lake

³ It is noted there appears to be a discrepancy between Ms. Haase's settlement testimony at page 12 and the Settlement which provides, "Upon entering into the Suez agreement, Cedar Lake shall advise the OUCC and provide a copy of the executed agreement." Settlement, ¶ 7 at pp. 3-4. The Settlement does not expressly state this executed agreement

does not enter into the agreement with Suez, Ms. Haase testified the Settlement requires Cedar Lake to place \$83,455 annually into a restricted account to be used only for tank painting or tank maintenance expenses. In either case, she stated the Settlement ensures funds are available for tank painting and maintenance expenses.

Ms. Haase requested the Commission approve the Settlement in its entirety.

2. **Thomas Malan.** OUCC witness Malan testified in support of the Settlement and stated the public interest will be served if the Commission approves the Settlement. Much of Mr. Malan's testimony, as discussed below, confirms specific details of the Settlement to which Ms. Haase also testified.

In his settlement testimony, Mr. Malan includes the Table below comparing the Settlement revenue requirement to those the OUCC proposed in its case-in-chief and Cedar Lake proposed on rebuttal.

Table 1: Revenue Requirement Comparison

	PET			Settlement More (Less)	
	OUCC	Rebuttal	Settlement	OUCC	PET
Operating Expenses	\$ 698,574	\$ 833,401	\$ 757,015	\$ 58,441	\$ (76,386)
Taxes other than Income	44,241	49,379	45,994	1,753	(3,385)
Depreciation Expense	170,389	210,571	200,629	30,240	(9,942)
Payment in Lieu of Taxes	4,607	46,030	42,756	38,149	(3,274)
Debt Service					
Current Debt	324,612	324,612	324,612	-	-
Proposed Debt	92,536	92,536	92,536	-	-
Debt Service Reserve	14,641	19,753	19,753	5,112	-
Total Revenue Requirements	1,349,600	1,576,282	1,483,295	133,695	(92,987)
Revenue Requirement Offsets:					
Interest Income	(3,029)	-	-	3,029	-
Other Income	(10,220)	(9,982)	(10,220)	-	(238)
<i>Pro forma</i> Net Revenue Requirements	1,336,351	1,566,300	1,473,075	136,724	(93,225)
Less: Revenues at current rates subject to increase	(1,283,271)	(1,271,762)	(1,283,271)	-	(11,509)
Revenues Not Subject to Increase	-	-	-	-	-
Net Revenue Increase Required	53,080	294,538	189,804	136,724	(104,734)
Divide by Revenue Conversion Factor (100% - 1.4%)	0.986	0.986	0.986	0.986	0.986
Recommended Increase	\$ 53,834	\$ 298,720	\$ 192,499	\$ 138,665	\$ (106,221)
Recommended Percentage Increase	4.20%	23.49%	15.00%	10.80%	-8.49%

Mr. Malan testified that the Settling Parties agreed to a pro forma O&M expense of \$757,015 and pro forma taxes other than income of \$45,994. With respect to Petitioner's salary and wage expense, Mr. Malan testified Cedar Lake agreed to the OUCC's exclusion of allocated

will be filed with the Commission, as Ms. Haase testified, but the Commission concurs with the propriety of doing so under this Cause Number.

salary and wage expenses except for 17.8% of Town Council salaries and associated payroll tax expense and 18% of the Chief Deputy Clerk-Treasurer's salary and associated employee benefits, pension expense, and payroll tax expense. With respect to periodic maintenance expense, he stated the Settling Parties agreed test-year periodic maintenance costs had not already been included in Cedar Lake's test-year operating expenses; therefore, the Settling Parties agreed to a pro forma periodic maintenance expense of \$102,725, including \$83,455 for tank painting and maintenance.

Mr. Malan testified that for purposes of the Settlement, the Settling Parties agreed to include \$200,629 of annual depreciation expense in Petitioner's revenue requirement based on the average depreciation expense for the five-year life of the rates. Mr. Malan noted Cedar Lake originally proposed an E&R revenue requirement of approximately \$210,000 but revised its request to seek depreciation expense rather than E&R in its second supplemental filing. Mr. Malan explained that while E&R is usually based on a five-year average of anticipated expenditures, depreciation expense is typically based on the total construction cost of utility plant in service at the end of the test year. He testified that normally, if the Commission increases rates to reflect new plant built and placed in service after rates are in place, this will be implemented through a second phase, but Cedar Lake preferred a single-phase increase to eliminate the costs and other potential consequences of a second phase. Mr. Malan testified that for purposes of settlement and based on the facts in this case, averaging depreciation expense to include the anticipated depreciation over five years is an acceptable method of achieving Cedar Lake's goal of recovering depreciation expense with only one increase.

Mr. Malan further testified that one of the necessary factors to make this depreciation expense reasonable is Cedar Lake's commitment to decrease its rates if Petitioner falls short of its projected capital costs. He stated Cedar Lake agreed to decrease its rates to reflect the actual costs of its capital improvements as of December 31, 2022, if Petitioner has not spent the amount the Settling Parties used to calculate the average. He stated this ensures Cedar Lake customers pay rates based on depreciation expense for projects completed and that depreciation for uncompleted projects is not included. Mr. Malan testified the similar treatment agreed upon for PILOT also ensures customers are not paying expenses for capital improvements that have not been completed.

With respect to debt service and debt service reserve, Mr. Malan testified the Settling Parties agreed Cedar Lake should be authorized to issue bonds up to \$3,915,000 at an interest rate not to exceed five percent. He stated they further agreed the annual debt service requirement should be \$417,148, consisting of \$324,612 of current debt service and \$92,536 of debt service on the new debt issuance. Mr. Malan testified the Settling Parties also agreed to a debt service reserve of \$19,753, with none of the debt service reserve account to be prefunded from eastside territory SDC funds as the OUCC proposed. Rather, those funds are to remain available for appropriate eastside SDC costs.

In his testimony, Mr. Malan confirmed Ms. Haase's description of the Settling Parties' agreement regarding tank painting and maintenance except he stated upon entering into the Suez agreement, Cedar Lake is to advise the OUCC and provide a copy of the executed agreement. He stated the agreed provisions protect the public interest by ensuring Cedar Lake's assets are maintained and funds are available to complete needed tank maintenance.

Mr. Malan testified that under the Settlement, Cedar Lake will file an SDC case with the Commission on or before September 1, 2021, seeking approval for an eastside territory SDC. Until the Future SDC Case is filed, Cedar Lake will deposit all SDCs collected from its eastside territory into a restricted account that may only be used for construction costs on utility projects for eastside operations, subject to the Commission's order in the Future SDC case. Mr. Malan stated this provision protects the new and existing customers in Cedar Lake's eastside district from being overcharged for water services, and the Future SDC Case will ensure Cedar Lake's eastside district customers pay a fair and just amount to connect to the system.

Mr. Malan testified the Settling Parties agreed that within 30 days of Petitioner closing on the debt issuance, Cedar Lake will file a true-up report under this Cause to reflect the actual cost of the debt. He stated the Settling Parties agreed to single-tariff pricing for all customers with respect to metered water rates and minimum charges, producing an overall 15% increase in operating revenues. Cedar Lake's current charges for three separate areas will be eliminated, thereby also eliminating customer confusion from different rates being charged to customers of the same utility. He testified the new single-tariff pricing for metered water rates and minimum charges will ensure each customer pays a fair and equitable portion of Cedar Lake's expenses.

Finally, Mr. Malan testified the Settlement is in the public interest because it is a reasonable compromise between the OUCC and Cedar Lake's positions. He stated the Settlement addresses the issues of rate design, debt issuance, and SDCs without litigation, reducing Cedar Lake's costs. Mr. Malan testified the Settlement also provides certainty for Cedar Lake's ability to raise sufficient revenue to pay all lawful expenses incident to the operation of the utility, and ratepayers will receive the benefit of lower rates than initially requested. OUCC witness Malan testified the Settlement is a reasonable compromise, and the Settlement and its approval are in the public interest. He noted, however, that the Settlement was reached with the understanding and specific provision that it is not intended to create precedent.

6. Commission Discussion and Findings. As the Commission has previously discussed, settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Co.* 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coal. of Ind., Inc. v. PSI Energy, Inc.*, 664 N.E.2d 401, 406 (Ind. Ct. App. 1996)). Thus, the Commission "may not accept a settlement merely because the private parties are satisfied; rather [the Commission] must consider whether the public interest will be served by accepting the settlement." *Citizens Action Coal.*, 664 N.E.2d at 406.

Further, any Commission decision, ruling, or order, including the approval of a settlement, must be supported by specific findings of fact and sufficient evidence. *U.S. Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coal. v. Public Serv. Co.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Before the Commission can approve the Settlement in this Cause, the Commission must determine whether the evidence in this Cause sufficiently supports the conclusion 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. When making this determination, the

Commission strives to advance the public interest by ensuring reliable service at reasonable rates. It is imperative the Commission be provided with substantive evidentiary support for settlements.

In this proceeding, as discussed above and below, the Settling Parties presented substantial evidence supporting the reasonableness of the Settlement's terms, including the agreement on Cedar Lake's revenue requirement, rates and charges, O&M expense adjustments, depreciation expense, PILOT, and financing. The agreed pro forma adjustments and revenue requirement are also supported by the schedules and appendices attached to the Settling Parties' testimony. Specifically, testimony was provided explaining the progression of the discussions between Cedar Lake and the OUCC upon many of the issues, including the proper accounting treatment. The Commission finds substantive information was provided from which to discern the basis for the components of the agreed increase in Cedar Lake's base rates and charges and that the evidence supports their reasonableness. Substantive testimony was also provided from which to discern the reasonableness of Cedar Lake's request to issue long-term debt and the agreed options for and limitations on such debt.

A. **O&M Expense Adjustments.** The Settling Parties originally disagreed upon the propriety of allocating wages and salary expenses for certain Town employees and the Town Council to Cedar Lake. In the Settlement, the Settling Parties agreed to allocate 17.8% of the Town Council's time and 18% of the Chief Deputy Clerk-Treasurer's time to the water utility. In his rebuttal testimony, Mr. Niemeyer provided a detailed list of the duties the Town Council undertakes as part of its oversight and management of the water utility, and Ms. Haase provided a similar list for the Chief Deputy Clerk-Treasurer. The Commission finds this evidence supports the agreed allocations in the Settlement.

In its direct testimony, the OUCC made certain adjustments for legal services and engineering services as well as removing out-of-period expenses and adjusting periodic maintenance expense. Mr. Malan testified regarding the reasons for these adjustments. Ms. Haase testified that although Cedar Lake does not agree with the OUCC's adjustments, the Settling Parties agreed to include the adjustments in the Settlement as a compromise. The Commission finds the evidence supports the OUCC's adjustments and their inclusion in the Settlement.

B. **Depreciation Expense and PILOT.** The Settling Parties agreed upon a depreciation expense of \$200,629 and a PILOT expense of \$42,756. Ms. Haase and Mr. Malan explained the process for arriving at these amounts by averaging one year of depreciation/PILOT prior to completion of the capital projects to be funded by the bonds and four years of depreciation/PILOT after the projects are completed. As Mr. Malan testified, normally the Commission accounts for future construction projects with a multi-phase rate increase; however, Ms. Haase testified that due to the close timing of the Commission's Order in this matter, Cedar Lake's debt issuance, and construction of the projects, Cedar Lake's customers could experience three different bills in three consecutive months if a phased rate increase is implemented. In addition, it is noted these increases will be different for eastside and westside customers in order for Cedar Lake to achieve single tariff rates. Given this scenario, Ms. Haase and Mr. Malan testified the Settlement includes a provision to reduce Cedar Lake's depreciation expense and PILOT expense if the proposed capital projects are not completed by December 31, 2022. More specifically, if Cedar Lake has not completed the capital improvements necessary to justify the

agreed upon increase to depreciation expense by that date, Cedar Lake must decrease its rates to reflect a lower amount for depreciation based on the cost of the capital improvements actually completed before December 31, 2022.

Based on this process and the Settling Parties' supportive testimony, the Commission finds the treatment of depreciation and PILOT expenses set forth in the Settlement is reasonable, and the certification proposal included in the Settlement should be approved. Accordingly, within 30 days after December 31, 2022, Cedar Lake is directed to file a report in this Cause that (1) certifies Petitioner's completion of all the proposed capital projects and that the agreed-upon depreciation and PILOT expenses are accurate or (2) sets forth an itemized list of the capital projects actually completed as of December 31, 2022, with accompanying schedules detailing the associated adjustments to depreciation and PILOT expenses and an amended tariff, including rates based on the reduced depreciation and PILOT expenses.

C. Tank Painting and Maintenance. The evidence shows Cedar Lake intends to enter into an agreement for tank painting and maintenance with Suez. Under the Settlement, when Cedar Lake enters into this agreement, a copy will be provided to the OUCC. The Commission finds a copy of Cedar Lake's service agreement with Suez should also be filed under this Cause, consistent with Ms. Haase's testimony, within 30 days of its execution. If Cedar Lake does not enter into this service agreement within 60 days after the date of this Order, the Settling Parties agreed Cedar Lake will place \$83,455 each year during the life of the rates approved in this Order into a restricted account to be used only for tank painting or tank maintenance expense. The Commission finds these Settlement terms ensure the funds allocated in Cedar Lake's revenue requirement for tank painting and maintenance are used for that purpose, either because Cedar Lake contracts for these tank services to be provided or because Cedar Lake will have the funds necessary to complete the tank maintenance in a restricted account. Based on the foregoing, the Commission finds the Settlement terms related to tank painting and maintenance are reasonable and should be approved, provided the tank service agreement is also filed with the Commission under this Cause consistent with the foregoing discussion.

D. Revenue Requirement, Rates, and Charges. The Settling Parties agree Cedar Lake should be authorized to increase its rates and charges for water service to reflect an overall pro forma net revenue requirement of \$1,473,075, which is an annual increase of \$192,499, or 15%, over Cedar Lake's current revenues at existing rates. As shown by the testimony discussed above, the Settling Parties engaged in extensive discussion and exchanges of information to determine an appropriate revenue requirement. In addition, the Settling Parties agreed to a single-phase rate increase that the testimony shows should minimize rate confusion among Cedar Lake's customers. As a compromise between Cedar Lake's requested immediate single-phase increase and the OUCC's proposed two-phase increase, the Settling Parties agreed Cedar Lake will implement its rate increase no sooner than 60 days prior to the anticipated date for closing on the bonds, and the new rates will be subject to true-up following the closing to reflect the actual terms and conditions of the bonds. The Settlement is designed to provide Cedar Lake with sufficient revenues to operate the utility and qualify for favorable interest rates while protecting its ratepayers from paying for debt service on bonds before their issuance. The Commission finds this approach is reasonable, and the revenue requirements and rates set forth in the Settlement and summarized in the table below are approved.

Operating Expenses	\$ 757,015
Payment in Lieu of Property Taxes	42,756
Taxes Other Than Income	45,994
Depreciation Expense	200,629
Debt Service – Current Debt	324,612
Debt Service – Proposed Debt	92,536
Debt Service Reserve	<u>19,753</u>
Total Revenue Requirements	1,483,295
Less: Revenue Requirement Offsets	
Other Income	<u>(10,220)</u>
Net Revenue Requirements	1,473,075
Less: Revenues at Current Rates Subject to Increase	<u>(1,283,271)</u>
Net Revenue Increase Required	189,804
Divide by Revenue Conversion Factor (100%-1.4%)	<u>0.986</u>
Recommended Increase	<u>\$ 192,499</u>
Calculated Percentage Increase	<u>15.00%</u>

E. Long-Term Debt Authority. The Settling Parties agreed Cedar Lake should be authorized to issue long-term debt (*i.e.* bonds) in a maximum amount of \$3,915,000 at an interest rate not to exceed five percent. Ms. Haase and Mr. Niemeyer testified that due to the COVID-19 pandemic the bond market has changed substantially during this case, and at various times better terms were available in the open market or from the SRF. Mr. Niemeyer testified Cedar Lake has watched, and will continue to watch, the bond market to ensure the bond issuance is at the best possible terms and the least cost to the utility’s customers. Ms. Haase testified the Settlement provides Cedar Lake with flexibility to issue debt through SRF or on the open market, depending on which avenue offers the lowest cost for customers. She stated the Settlement terms result in a debt service coverage of 1.61, which meets the minimum threshold for SRF funding. The Commission finds the terms of the Settlement are designed to allow Cedar Lake to obtain the necessary funds to complete its proposed capital projects at the best possible terms, whether through the SRF or on the open market. Combined with the true-up and reporting requirements discussed below, the Commission finds the Settlement terms are reasonable, and Cedar Lake is, therefore, authorized to issue long-term debt (*i.e.* bonds) in a maximum amount of \$3,915,000 at an interest rate not to exceed five percent consistent with the Settlement.

Under Ind. Code § 8-1.5-2-19(b), when a municipality such as Cedar Lake issues debt, it must show 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.” Ind. Code § 8-1.5-2-19(b). This can be translated into a debt service coverage of at least 1.10. Based on the Settlement which

reflects a debt service coverage of 1.61, the Commission finds Cedar Lake 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.

F. Long-Term Debt True-Up Report. The Settling Parties agreed that within 30 days after Cedar Lake closes on the debt issuance, Cedar Lake shall file a true-up report in this Cause describing the final terms of the bonds, the amount of debt service reserve, and the amortization schedule for the bonds. Under the Settlement, the OUCC will have 14 calendar days from the filing of Cedar Lake's true-up report to object to the report. If there is no objection but the annual debt service differs from the \$417,148 amount included in rates, the Settling Parties agree Cedar Lake shall file a revised tariff adjusting its rates to include the actual annual principal and interest due on the bonds, subject to certain provisions. If the actual terms of the financing are such that the debt service is less than \$417,148 per year, Cedar Lake need not file a revised tariff if Cedar Lake and the OUCC agree the difference is immaterial for purposes of determining whether Cedar Lake's rates should be revised. In that case, the Settling Parties will file a notice of consensus in this Cause, including a written statement from the OUCC confirming this position. On the other hand, if the debt service is more than \$417,148 per year, Cedar Lake may, in its sole discretion, elect to not file a revised tariff with higher rates.

Because Cedar Lake's rate increase, including the estimated debt service reserve, will be implemented no more than 60 days prior to its closing on the debt issuance, the true-up process contained in the Settlement is crucial to ensuring Cedar Lake's customers do not overpay for debt service in the event Cedar Lake's actual debt service is lower than estimated. The Commission finds the true-up process, as described in the Settlement, is reasonable and should be approved. Cedar Lake is authorized to implement the approved rate increase no earlier than 60 days prior to its anticipated bond closing and directed to file a true-up report as set forth above within 30 days of closing on its long-term debt.

G. System Development Charges. Cedar Lake's eastside and westside districts are not currently interconnected and have different SDCs. Cedar Lake's eastside district SDC was approved in Cause No. 45180. In its case-in-chief, the OUCC disagreed with Cedar Lake's proposal to use funds from the eastside district to pay for growth related projects in the westside district. Based on this and the OUCC's concerns about double funding proposed projects via the SDCs and Cedar Lake's proposed borrowing, the OUCC recommended Cedar Lake be required to file a new case to justify and amend its eastside SDC.

In the Settlement, the Settling Parties agree Cedar Lake will file a new case on or before September 1, 2021, for approval of the SDC for the eastside district. Until this SDC case is filed, Cedar Lake agreed to place any SDCs collected from the eastside district into a restricted account to be used only for construction costs on utility projects for eastside district operations, subject to the Commission's order in the Future SDC Case. In testimony supporting the Settlement, Ms. Haase testified Cedar Lake intends to propose a single SDC for both districts in the Future SDC Case, and Mr. Simstad testified that within the next 10 years, Cedar Lake plans to interconnect the two systems.

Based on the facts and the testimony, the Commission finds the issues related to Cedar Lake's SDC should be addressed in a new case where the parties can present detailed testimony and proposals for a new eastside district SDC or a unified SDC for Cedar Lake's entire system. The Commission further finds the Settlement's treatment of the SDC to be reasonable and directs Cedar Lake to file a new case for approval of an SDC for the eastside district, or a unified SDC, on or before September 1, 2021. In the interim, SDCs collected from the eastside district should be placed in a restricted account and only used in a manner consistent with the Settlement.

7. **Conclusion.** The testimony in this case provides substantive support demonstrating the Settlement Agreement is reasonable and in the public interest. Based on our review of the testimony and exhibits, including the Settlement, the Commission finds the Settlement is within the range of outcomes presented, represents a reasonable resolution of the issues, and should be approved.

8. **Effect of the Settlement.** 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, the Commission finds our approval herein should be construed in a manner consistent with our finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849 at 7-8 (IURC March 19, 1997).

9. **Alternative Regulatory Program ("ARP").** If Cedar Lake elects to participate in the Small Utility ARP in accordance with the procedures approved in Cause No. 44203, the eligible operating expenses to which the Annual Cost Index will be applied are \$757,015. Taxes Other Than Income of \$48,689 and PILOT of \$42,756 are also eligible expenses, to which the Annual Cost Index will be applied. Also, in year five, debt service related to 2010 B Series will be excluded to reflect full payment of that debt. All other components of Petitioner's revenue requirement will remain unchanged.

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

1. The Joint Stipulation and Settlement Agreement, a copy of which is attached to this Order, is approved in its entirety consistent with Finding Nos. 5 and 6 above.
2. Subject to the true-up and reporting processes set forth in the Settlement, Cedar Lake is authorized to adjust and increase its base rates and charges for water utility service to produce an increase in total operating revenues of \$192,499, or 15%, in accordance with the findings above, which rates and charges shall be designed to produce total annual operating revenues of up to \$1,473,075; provided, said increase shall not be implemented more than 60 days before Cedar Lake anticipates closing on the long-term debt authorized below.
3. Prior to implementing the authorized rates, Cedar Lake shall file new schedules of rates and charges for approval by the Water/Wastewater Division of the Commission. As set forth in Paragraph 3 of the Settlement, Cedar Lake shall not implement the authorized rates earlier than

60 days before the anticipated date for closing on its authorized long-term debt, subject to true-up following the actual closing as provided in the Settlement.

4. Subject to the true-up and reporting processes set forth in the Settlement, Cedar Lake is granted a Certificate of Authority to issue long-term debt on the open market or through the SRF in an amount not to exceed \$3,915,000 at an interest rate not to exceed five percent.

5. As set forth in Paragraph 10 of the Settlement and pursuant to the Commission's findings in Paragraph 5.F. above, within 30 days after closing on the issuance of debt, Cedar Lake shall file in this Cause a true-up report describing the final terms of the bonds, the amount of debt service, and the amortization schedule for the bonds.

6. As set forth in Paragraphs 5 and 6 of the Settlement and pursuant to the Commission's findings in Finding No. 5.B. above, no later than 30 days after December 31, 2022, Cedar Lake shall file a report in this Cause certifying the completion of all proposed capital projects. If Cedar Lake has not completed the capital projects by December 31, 2022, that justify the agreed-upon increase to depreciation and PILOT expenses, Cedar Lake shall promptly decrease its rates to reflect a lower amount of depreciation and PILOT expenses based on the cost of the capital projects actually completed by December 31, 2022. In such case, Cedar Lake shall submit a list of the capital projects actually completed as of December 31, 2022, with accompanying schedules detailing the associated adjustments to depreciation and PILOT expenses in this Cause and file an amended tariff with the Water/Wastewater Division reflecting rates based on the reduced depreciation and PILOT expenses.

7. As set forth in Paragraph 7 of the Settlement and pursuant to Finding No. 5.C. above, Cedar Lake shall file an executed copy of its tank painting and maintenance agreement with Suez in this Cause promptly upon entering into such agreement with a copy served upon the OUCC or, if Petitioner does not enter into said agreement within 60 days of the date of this Order, Cedar Lake shall begin placing \$83,455 per year into a restricted account to be used only for tank painting and tank maintenance expenses.

8. As set forth in Paragraph 8 of the Settlement and pursuant to Finding No. 5.G. above, on or before September 1, 2021, Cedar Lake shall file a new case with the Commission requesting approval of a SDC for its eastside district or approval of a single SDC for its entire service area. Until the new SDC case is filed and an Order is approved therein, Cedar Lake shall place any SDCs collected from its eastside district into a restricted account to be used only for utility projects for eastside district operations.

9. In accordance with Ind. Code § 8-1-2-70, Cedar Lake shall pay within 20 days from the date of this Order, and prior to placing into effect the rates approved herein, the following itemized charges, as well as any additional charges which were or may be incurred in connection with this Cause:

IURC Charges:	\$ 6,607.20
OUCC Charges:	\$ 14,848.12
Legal Advertising Charges	\$ <u>168.32</u>

Total: \$ 21,623.64

Petitioner shall pay all charges into the Commission public utility fund account described in Ind. Code § 8-1-6-2 through the Secretary of the Commission.

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

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

APPROVED: JAN 06 2021

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

Mary M.
Schneider

Digitally signed by Mary M.
Schneider
Date: 2021.01.06 10:12:24
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**Mary M. Schneider
Secretary of the Commission**

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE TOWN OF CEDAR LAKE,)
LAKE COUNTY, INDIANA, FOR APPROVAL TO)
ADJUST ITS RATES AND CHARGES AND ISSUE) CAUSE NO. 45367
BONDS)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 30th day of September, 2020, by and between the Town of Cedar Lake, Indiana (“Cedar Lake”), and the Indiana Office of Utility Consumer Counselor (“OUCC”), who stipulate and agree for purposes of settling all matters in this Cause that the terms and conditions set forth below represent a fair and reasonable resolution of all issues in this Cause, subject to their incorporation in a final Indiana Utility Regulatory Commission (“Commission”) Order without modification or the addition of further conditions that may be unacceptable to either party. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its final Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by Cedar Lake and the OUCC (“Settling Parties”).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On April 15, 2020, Cedar Lake initiated this Cause by filing its Petition requesting authority to adjust its rates and charges and issue long-term debt or bonds (“Bonds”).

2. **Prefiled Evidence of Parties.** In support of its Petition, Cedar Lake simultaneously filed the Prefiled Testimony and Exhibits of Randell C. Niemeyer, Neil J Simstad, and Pamela Sue Sargent Haase. On June 1, 2020, Cedar Lake filed the supplemental Testimony and Exhibits of Ms. Haase, and filed additional Supplemental Testimony of Ms. Haase and Mr. Simstad on July

31, 2020. On August 28, 2020, the OUCC prefiled the testimony and exhibits of Thomas W. Malan, Kristen Willoughby, and Shawn Dellinger. On September 14, 2020, Cedar Lake prefiled the rebuttal testimonies and exhibits of Ms. Haase, Mr. Simstad, and Mr. Niemeier. Attached to the Settlement Agreement as Exhibit A are accounting schedules (“Schedules”) that reflect the agreed upon revenue requirement, the proposed rates and charges, and an estimated amortization schedule for Cedar Lake’s outstanding and proposed indebtedness.

3. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree that Cedar Lake should, subject to the terms and conditions set forth herein, be authorized to increase its rates and charges for water service to reflect an overall *pro forma* net revenue requirement of \$1,473,075 yielding an annual increase of \$192,499, or 15% over Cedar Lake’s current revenues at existing rates. The Settling Parties agree the rate increase authorized by an order approving this settlement shall be implemented in one phase to be effective no sooner than sixty (60) days in advance of the anticipated date for closing on the Bonds subject to true-up following the actual closing as set forth below. Accordingly, Cedar Lake may file a tariff reflecting the new rates and charges within sixty (60) days of the anticipated date for closing on the Bonds.

4. **Operating and Maintenance Expense Adjustments.** After review and examination of their respective positions, the Settling Parties have agreed for purposes of settlement only to the following compromises of their latest respective positions: (i) an allocation of 17.8% of the Town Council’s time, wages, and any payroll taxes; (ii) an allocation of 18% of the salaries, benefits, and payroll tax for the Chief Deputy Clerk-Treasurer; (iii) a downward adjustment to legal services of \$2,478; (iv) a downward adjustment of \$10,325 for engineering invoices that are capital in nature; (v) a downward adjustment of \$7,757 for out of period expenses; and (vi) an annual amount for periodic maintenance expense of \$102,725.

5. **Depreciation Expense.** The Settling Parties agree that Cedar Lake's revenue requirement shall include an amount for depreciation expense of \$200,629. Such amount is based on an average depreciation for Cedar Lake over the next five (5) years with the first year being at \$160,860 and each subsequent year at \$210,571. This provision in the Settlement Agreement recognizes that the increase in depreciation (from \$160,860 in the first year to \$210,571 in subsequent years) is based on the completion of certain capital improvements, the depreciation for which the parties agree will be \$49,711 per year. If Cedar Lake has not completed the capital improvements necessary to justify the agreed upon increase to depreciation expense by December 31, 2022, Cedar Lake shall decrease its rates to reflect a lower amount for depreciation based on the cost of the capital improvements that were actually completed.

6. **Payment in Lieu of Taxation ("PILOT").** The Settling Parties agree that Cedar Lake's revenue requirement shall also include an amount for PILOT of \$42,756. Such amount is based on the average PILOT calculation for Cedar Lake over the next five (5) years with the first year being \$29,659 and each subsequent year at \$46,030. Similar to depreciation, this provision in the Settlement Agreement recognizes that the increase in depreciation (from \$29,659 in the first year to \$46,030 in subsequent years) is based on the completion of certain capital improvements, which will generate an additional \$16,371 in PILOT each year. If by December 31, 2022 Cedar Lake has not completed the capital improvements that are necessary to justify the agreed upon increase in PILOT, Cedar Lake shall decrease its rates to reflect a lower amount for PILOT based on the cost of the capital improvements that were completed.

7. **Tank Painting and Maintenance Agreement.** Cedar Lake represented that it intends to enter into an agreement with Suez for tank painting and tank maintenance. The Settling Parties agree that Cedar Lake shall have funds sufficient to enter into the tank painting and maintenance agreement with Suez. Upon entering into the Suez agreement, Cedar Lake shall

advise the OUCC and provide a copy of the executed agreement. If Cedar Lake has failed to enter into an agreement within sixty (60) days of issuance of an order approving this settlement, or if such agreement terminates, Cedar Lake shall place \$83,455 each year during the life of the rates in a restricted account and hold such funds in the account until the funds are used for tank painting or tank maintenance expenses.

8. **System Development Charges.** On or before September 1, 2021, Cedar Lake shall file a new case requesting approval of a system development charge (“SDC”) for its eastside territory (“Future SDC Case”). Until the Future SDC Case is filed, Cedar Lake agrees to place any SDCs collected from its eastside territory in a restricted account that may only be used for construction costs on utility projects for eastside operations, subject to Commission order in the Future SDC Case.

9. **Amount of, and Interest on, Bonds.** The Settling Parties agree that Cedar Lake should be authorized to issue long-term debt (i.e. bonds) in a maximum amount of \$3,915,000 at an interest rate not to exceed five percent (5%). The parties further agree that Cedar Lake’s revenue requirement shall include an amount of \$417,148 for principal and interest payments, as well as \$19,753 per year to fund the debt service reserve. The Settling Parties further agree that Cedar Lake shall pursue funding through the Indiana State Revolving Loan Fund Program (“SRF Program”); however, Cedar Lake may issue bonds on the open market if the borrowing is less expensive or no more expensive than a borrowing through the SRF Program.

10. **Filing of True-Up Report and Revision of Tariff.** Within thirty (30) days after closing on the issuance of debt, Cedar Lake shall file in this Cause a true-up report describing the final terms of the bonds, the amount of debt service reserve, and the amortization schedule for the bonds. The true-up report shall note that the OUCC shall have fourteen (14) calendar days from the filing of the true-up report in which to object to the true-up report. If there is no objection to

the true-up report and the annual debt service on the bonds differs from the originally estimated total of \$417,148, Cedar Lake shall file with the Commission a revised tariff adjusting the rates to include the final amount of annual principal and interest on the bonds. However, if the actual terms of the financing are such that the debt payment is less than \$417,148 per annum, Cedar Lake need not file a revised tariff if the Settling Parties agree the difference is immaterial for purposes of determining whether Cedar Lake's rates should be revised. In lieu of a revised tariff, Cedar Lake shall file a notice of that consensus, which will include a written statement by the OUCC to that effect. If the cost of the debt is *more* than \$417,148 per annum, Cedar Lake may, in its sole discretion, elect not to file a revised tariff reflecting as higher principal and interest payment for the bonds.

11. **Settlement.** Through analysis, discussion, and negotiation, as aided by their respective staff and experts, the Settling Parties agreed on the terms and conditions as described herein that resolve all issues between them in this Cause.

12. **Admissibility and Sufficiency of Evidence.** The Settling Parties hereby stipulate that the prefiled testimony and exhibits of Cedar Lake and the OUCC should be admitted into the record without objection or cross examination by either party. The Settling Parties agree that such evidence constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make all findings of fact and conclusions of law necessary for the approval of this Settlement Agreement as filed.

13. **Agreement is Binding on Cedar Lake's Successors and Assigns.** The Settling Parties stipulate and agree that Cedar Lake's rights and obligations under the terms of this Settlement Agreement shall be binding upon its successors, heirs, and assigns unless or until otherwise ordered by the Commission.

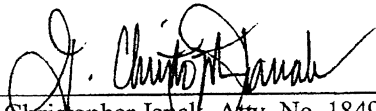
14. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that either party may take with respect to any issue in any future regulatory or other legal proceeding.

15. **Authority to Execute.** The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of the designated parties, who will thereafter be bound thereby.

16. **Approval of Settlement Agreement in its Entirety.** As a condition of this settlement, the Settling Parties specifically agree that if the Commission does not approve this Joint Stipulation and Settlement Agreement in its entirety and incorporate it into the Final Order as provided above, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties. The Settling Parties further agree that if the Commission does not issue a Final Order in the form that reflects the Agreement described herein, the matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed by the Settling Parties in a writing that is filed with the Commission.

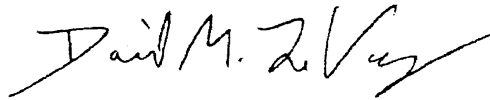
17. **Proposed Order.** The Settling Parties respectfully request that the Commission issue an Order in this Cause consistent with the form and substance of the Settling Parties' agreed Joint Proposed Order, once it has been filed.

TOWN OF CEDAR LAKE, INDIANA



J. Christopher Janak, Atty. No. 18499-49
BOSE MCKINNEY & EVANS LLP
111 Monument Circle, Suite 2700
Indianapolis, IN 46204
Phone: (317) 684-5000
Fax: (317) 684-5173

**INDIANA OFFICE OF THE UTILITY
CONSUMER COUNSELOR ("OUCC")**



Daniel M. Le Vay, Atty. No. 22184-49
T. Jason Haas, Atty. No. 3493-29
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR
115 West Washington Street, Suite 1500 South
Indianapolis, IN 46204
Phone: (317) 232-2494
Fax: (317) 232-5923

Exhibit A

**Town of Cedar Lake Utilities
CAUSE NUMBER 45367**

**Comparison of Petitioner's and OUCC's
Revenue Requirements**

	Per Petitioner		Per OUCC	Per Rebuttal	Settlement	Sch Ref	Settlement More (Less)	
	Original	Updated (SRF)					OUCC	Rebuttal
Operating Expenses	\$ 935,537	\$ 843,447	\$ 698,574	\$ 833,401	\$ 757,015	4	\$ 58,441	\$ (76,386)
Taxes other than Income	50,600	49,379	44,241	49,379	45,994	4	1,753	(3,385)
Depreciation Expense	210,571	210,571	170,389	210,571	200,629	6	30,240	(9,942)
Payment in Lieu of Taxes	3,340	4,495	4,607	46,030	42,756	7	38,149	(3,274)
Debt Service								
Current Debt	324,612	324,612	324,612	324,612	324,612	PEI	-	-
Proposed Debt	126,176	68,574	92,536	92,536	92,536	PET	-	-
Debt Service Reserve	36,200	19,753	14,641	19,753	19,753	PET	5,112	-
Total Revenue Requirements	1,687,036	1,520,831	1,349,600	1,576,282	1,483,295		133,695	(92,987)
Revenue Requirement Offsets:								
Interest Income	-	-	(3,029)	-	-		3,029	-
Other Income	(142,952)	(9,982)	(10,220)	(9,982)	(10,220)	3	-	(238)
<i>Pro forma</i> Net Revenue Requirements	1,544,084	1,510,849	1,336,351	1,566,300	1,473,075		136,724	(93,225)
Less: Revenues at current rates subject to increase	(1,359,028)	(1,271,762)	(1,283,271)	(1,271,762)	(1,283,271)	4	-	(11,509)
Revenues Not Subject to Increase	-	-	-	-	-		-	-
Net Revenue Increase Required	185,056	239,087	53,080	294,538	189,804		136,724	(104,734)
Divide by Revenue Conversion Factor (100% - 1.4%)	0.986	0.986	0.986	0.986	0.986		0.986	0.986
Recommended Increase	\$ 187,684	\$ 242,481	\$ 53,834	\$ 298,720	\$ 192,499		\$ 138,665	\$ (106,221)
Recommended Percentage Increase	13.81%	19.07%	4.20%	23.49%	15.00%		-8.49%	10.80%

**Town of Cedar Lake Utilities
CAUSE NUMBER 45367**

**Comparison of Petitioner's and OUCC's
Proposed Rates - Phased-in**

	Per Petitioner		Per OUCC	Per Rebuttal	Per Settlement	Settlement More (Less)	
	Original	Updated (SRF)				OUCC	Rebuttal
Current Rate for 5,000 Gallons							
Krystal Oaks	\$ 49.55	\$ 51.86	\$ 45.35	\$ 53.79	\$ 50.08	\$ 4.73	\$ (3.71)
Robins Nest	\$ 49.55	\$ 51.86	\$ 45.35	\$ 53.79	\$ 50.08	\$ 4.73	\$ (3.71)
Westside/Eastside	\$ 49.55	\$ 51.86	\$ 45.35	\$ 53.79	\$ 50.08	\$ 4.73	\$ (3.71)
Percent Increase							
Krystal Oaks	41.57%	48.17%	29.57%	53.69%	43.09%	13.52%	-10.60%
Robins Nest	91.98%	100.93%	75.71%	108.41%	94.03%	18.32%	-14.38%
Westside/Eastside	13.78%	19.08%	4.13%	23.51%	14.99%	10.86%	-8.52%

	Per Petitioner		Per OUCC	Per Rebuttal	Per Settlement	Settlement More (Less)	
	Original	Updated (SRF)				OUCC	Rebuttal
Current Rate for 2,000 Gallons							
Krystal Oaks	\$ 20.31	\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
Robins Nest	\$ 20.31	\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
Westside/Eastside	\$ 20.31	\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
Percent Increase							
Krystal Oaks	-3.29%	2.19%	-10.67%	6.00%	-1.33%	9.34%	-7.33%
Robins Nest	-4.92%	0.47%	-12.17%	4.21%	-3.00%	9.17%	-7.21%
Westside/Eastside	-43.65%	-40.46%	-47.95%	-38.24%	-42.51%	5.44%	-4.27%

(a) Please note the current rates for Krystal Oaks and Robins Nest customers do not include the current monthly fire protection charge of \$0.50. The current fire protection charge is being eliminated and no Cedar Lake customers will be charged a separate fire protection charge once the proposed rates are implemented.

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Per OUCC	Per Rebuttal	Per Settlement	Settlement More (Less) OUCC	Rebuttal
Operating Revenues					
Water Sales					
Test Year Customer Growth	\$ 45,265	\$ 45,265	\$ 45,265	\$ -	\$ -
Single Tariff for all customers	49,339	49,339	49,339	-	-
Post Test Year Customer Growth	90,833	90,833	90,833	-	-
Reduction to Westside Minimum Charge	(87,266)	(87,266)	(87,266)	-	-
Fire Protection	-	-	-	-	-
Total Operating Revenues	98,171	98,171	98,171	-	-
O&M Expense					
Salaries and Wages	108,510	175,669	131,432	22,922	(44,237)
Employee Benefits	48,027	58,276	50,980	2,953	(7,296)
PERF	13,742	17,191	14,629	887	(2,562)
System Delivery (Normalization)	7,763	7,763	7,763	-	-
SBOA Audit	1,450	1,450	1,450	-	-
Non-recurring Contract Services	(115,692)	(115,692)	(115,692)	-	-
Costs that are Capital in Nature	(10,325)	-	(10,325)	-	(10,325)
Out of Period Expenses	(7,757)	-	(7,757)	-	(7,757)
Non-Water Utility Legal Costs	(2,478)	-	(2,478)	-	(2,478)
Periodic Maintenance	71,046	104,457	102,725	31,679	(1,732)
Remove Tap-on Costs	(94,890)	(94,890)	(94,890)	-	-
Rate Case Expense Amortization	40,000	40,000	40,000	-	-
Taxes Other than Income					
Payroll Taxes	8,970	14,108	10,723	1,753	(3,385)
Utilities Receipt Tax	170	170	170	-	-
Total Operating Expenses	68,536	208,502	128,730	60,194	(79,772)
Net Operating Income	\$ 29,635	\$ (110,331)	\$ (30,559)	\$ (60,194)	\$ 79,772

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

COMPARATIVE BALANCE SHEET ^(A)
As of December 31,

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Utility Plant:			
Utility Plant in Service	\$ 5,197,951	\$ 5,006,748	\$ 4,856,357
Less: Accumulated Depreciation	(1,215,283)	(1,114,158)	(1,016,334)
Less: Utility Plant Acquisition Adjustment	(265,648)	(272,043)	(278,438)
Net Utility Plant in Service	<u>3,717,020</u>	<u>3,620,547</u>	<u>3,561,585</u>
Restricted Accounts:			
Debt Service Reserve	315,819	340,323	329,230
Debt Service	199,634	206,477	180,349
Debt Service - 2010B	79,734	76,075	75,338
Depreciation Fund	2	2	2
Water Development Fund	84,346	67,600	55,737
Water Development Fund - Restricted	161,155	131,689	112,933
Total Other Property & Investments	<u>840,690</u>	<u>822,166</u>	<u>753,589</u>
Current Assets:			
Cash and Cash Equivalents	643,057	520,395	345,402
Customer Deposits	23,540	16,844	12,236
Accounts Receivable	2,545	9,274	16
Materials and Supplies	47,586	47,586	47,586
Total Current Assets	<u>716,728</u>	<u>594,099</u>	<u>405,240</u>
Deferred Debits			
Unamortized Debt Discount and Expense	404,298	440,778	477,258
Organization Cost for Utilities, Inc. Acquisition	393,188	393,188	393,188
Organization Cost for Robins Nest Acquisition	254,411	254,411	254,411
Total Deferred Debits	<u>1,051,897</u>	<u>1,088,377</u>	<u>1,124,857</u>
Total Assets	<u>\$ 6,326,335</u>	<u>\$ 6,125,189</u>	<u>\$ 5,845,271</u>

^(A) Information per Cedar Lake IURC Annual Reports.

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

COMPARATIVE BALANCE SHEET ^(A)
As of December 31,

<u>LIABILITIES</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Equity			
Retained Earnings	\$ 2,471,943	\$ 2,045,426	\$ 1,631,766
Paid in Capital			
Total Equity	<u>2,471,943</u>	<u>2,045,426</u>	<u>1,631,766</u>
Contributions in Aid of Construction	559,978	475,854	397,784
Long-term Debt			
2009 SRF Revenue Bonds (3.15%)	412,000	473,500	533,000
2010 Series A SRF Revenue Bonds (2.92%)	1,010,000	1,095,000	1,180,000
2010 Series B Revenue Bonds (4.98%)	340,000	450,000	505,000
2012 SRF Revenue Bonds (2.69%)	1,207,000	1,225,000	1,242,000
Total Long-term Debt	<u>2,969,000</u>	<u>3,243,500</u>	<u>3,460,000</u>
Current & Accrued Liabilities			
Accounts Payable	328	326	177
Notes Payable to Associated Entities	-	46,000	46,000
Customer Deposits	23,540	16,844	12,236
Accrued Taxes	20,797	19,978	22,201
Accrued Interest	51,454	55,166	58,713
Current Portion of Long-term Debt	224,500	216,500	210,000
Other Current Liabilities	<u>320,619</u>	<u>354,814</u>	<u>349,327</u>
Differed Credits			
Unamortized Premium on Debt	4,795	5,595	6,394
Other Current Liabilities	<u>4,795</u>	<u>5,595</u>	<u>6,394</u>
Total Equity & Liabilities	<u>\$ 6,326,335</u>	<u>\$ 6,125,189</u>	<u>\$ 5,845,271</u>

(A) Information per Cedar Lake IURC Annual Reports.

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

COMPARATIVE INCOME STATEMENT ^(A)
Twelve Months Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenues			
Water Sales	\$ 1,179,395	\$ 1,062,816	\$ 989,813
Penalties	5,705	5,544	4,909
Other Water Revenues			
Tap-on Fees	132,970	140,489	103,935
Reconnect Fees	680	800	360
Misc. Receipts	9,540	6,708	6,721
Total Operating Revenues	<u>1,328,290</u>	<u>1,216,357</u>	<u>1,105,738</u>
Operating Expenses			
Salaries and Wages	237,239	247,281	250,089
Employee Benefits	96,407	86,967	72,045
Purchased Power	63,034	53,741	52,800
Chemicals	14,322	10,565	11,573
Materials and Supplies	25,314	5,438	25,789
Contractual Services			
Engineering	29,013	36,368	8,403
Legal	14,390	21,208	20,453
Other	91,458	12,704	6,549
Transportation Expense	11,687	6,245	6,393
Insurance - General Liability	22,073	15,147	20,791
Bad Debt Expense	-	-	-
Rate Case Expense Amortization	-	-	-
Miscellaneous Expense	34,241	42,451	50,854
Total O&M Expense	<u>639,178</u>	<u>538,115</u>	<u>525,739</u>
Depreciation Expense	101,125	97,824	95,325
Amortization Expense	(6,394)	(6,394)	-
Taxes Other than Income			
Payroll Taxes	17,480	18,103	18,528
Utilities Receipt Tax	17,621	17,083	15,860
Sales Tax	-	(2,223)	12,233
	<u>769,010</u>	<u>662,508</u>	<u>667,685</u>
Net Operating Income	559,280	553,849	438,053
Other Income (Expense)			
Interest Income	3,029	3,029	9,425
Interest Expense	(100,112)	(107,538)	(116,029)
Amortization of Debt Discount	(36,480)	(36,480)	(36,480)
Amortization of Debt Premium	800	800	800
Total Other Income (Expense)	<u>(132,763)</u>	<u>(140,189)</u>	<u>(142,284)</u>
Net Income	<u>\$ 426,517</u>	<u>\$ 413,660</u>	<u>\$ 295,769</u>

^(A) Information per Cedar Lake IURC Annual Reports.

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Pro Forma Net Operating Income Statement

	Year Ended 12/31/2019	Adjustments	Sch Ref	Pro forma Present Rates	Adjustments	Sch Ref	Pro forma Proposed Rates
Operating Revenues	\$ 1,179,395			\$ 1,277,566	\$ 191,643		\$ 1,469,209
Water Sales							
Test Year Customer Growth		45,265	PET				
Single Tariff for all customers (Robins Nest and Krystal Oaks)		49,339	PET				
Post Test Year Customer Growth		90,833	PET				
Reduction to Westside Minimum Charge		(87,266)	PET				
Penalties	5,705			5,705	856		6,561
Tap-on Fees	132,970	(132,970)	PET	-			-
Miscellaneous Revenues	10,220			10,220			10,220
Total Operating Revenues	<u>1,328,290</u>	<u>(34,799)</u>		<u>1,293,491</u>	<u>192,499</u>	1	<u>1,485,990</u>
O&M Expense							
Salaries and Wages	237,239	131,432	5-1	368,671			368,671
Employee Benefits	96,407	50,980	5-2	162,016			162,016
PERF Expense		14,629	5-4				
Purchased Power	63,034	6,220	OUC	64,022			64,022
Out of Period		(5,232)	5-7				
Chemicals	14,322	1,543	OUC	15,865			15,865
Materials and Supplies	25,314			25,314			25,314
Contractual Services	134,861	(115,692)	PET	107,803			107,803
Legal Services		(2,478)	5-5				
Engineering Services		(10,325)	5-6				
Out of Period - Engineering		(1,288)	5-7				
Periodic Maintenance		102,725	5-8				
Travel & Transportation Expense	11,687			11,687			11,687
Insurance	22,073			22,073			22,073
Bad Debt Expense	-			-			-
Rate Case Expense Amortization	-	40,000	PET	40,000			40,000
Miscellaneous Expense	34,241	1,450	PET	34,454			34,454
Out of Period		(1,237)	5-7				
Tap-On Cost		(94,890)	PET	(94,890)			(94,890)
Taxes Other than Income							
Payroll Taxes	17,480	10,723	5-3	28,203			28,203
Utilities Receipt Tax	17,621	170	PET	17,791	2,695	Sch 1	20,486
Total Operating Expenses	<u>674,279</u>	<u>128,730</u>		<u>803,009</u>	<u>2,695</u>		<u>805,704</u>
Net Operating Income	<u>\$ 654,011</u>	<u>\$ (163,529)</u>		<u>\$ 490,482</u>	<u>\$ 189,804</u>		<u>\$ 680,286</u>

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

OUCG Expense Adjustments

(1)

Salaries & Wages

To adjust test year salaries and wages for additional utility employees and allocated city employees.

<u>Title</u>	<u>Salary</u>	<u>Allocation (%)</u>	<u>Allocation (\$)</u>
Water Utility Superintendent	\$ 54,907.01	100.00%	\$ 54,907
Water Utility Operator	40,946.88	100.00%	40,947
Operations Director	69,652.13	25.00%	17,413
Foreman PW	46,378.18	23.00%	10,667
Foreman	46,378.18	50.00%	23,189
Crew Worker	40,946.88	22.00%	9,008
Crew Worker	40,946.88	22.00%	9,008
Crew Worker	40,946.88	22.00%	9,008
Crew Worker	40,946.88	25.00%	10,237
Crew Worker	40,946.88	33.00%	13,512
Crew Worker	40,946.88	33.00%	13,512
Crew Worker	40,946.88	50.00%	20,473
Crew Worker	40,946.88	33.00%	13,512
Crew Worker	40,946.88	22.00%	9,008
Admin Assistant	37,425.02	23.00%	8,608
Town Administrator	69,652.13	17.50%	12,189
Town Council	84,000.00	17.80%	15,005
Administrative Assistance	37,440.00	17.50%	6,552
PT Administrative Assistance	20,618.00	10.00%	2,062
Clerk-Treasurer	50,141.00	18.00%	9,025
Chief Deputy CPS	43,980.77	18.00%	7,917
Utility Deputy Clerk CMC	38,867.71	33.00%	12,826
Payroll/Benefits Clack	37,424.94	20.00%	7,485
AP Clerk	33,309.12	17.50%	5,829
Town/Utility Billing Clerk	33,309.12	32.00%	10,659
Town/Utility Billing Clerk	33,309.12	32.00%	10,659
AP Clerk	16,770.00	18.00%	3,019
Town/Utility Billing Clerk	7,378.80	33.00%	2,435
Pro forma Salaries & Wages			\$ 368,671
Less: Test Year Expense			237,239

Adjustment Increase (Decrease)

\$ 131,432

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

OUCC Expense Adjustments

(2)

Group Insurance Benefits

To adjust test year group insurance expense for additional utility employees and allocated city employees.

<u>Title</u>	<u>Dental / Life / Disability</u>	<u>Health / Vision</u>	<u>Total</u>	<u>Water %</u>	<u>Annual</u>
Water Utility Superintendent	\$ 128.03	\$ 1,727.44	\$ 1,855.47	100.00%	\$ 22,266
Water Utility Operator	97.53	1,726.94	1,824.47	100.00%	21,894
Operations Director	97.69	1,727.10	1,824.79	25.00%	5,474
Foreman PW	97.53	1,726.94	1,824.47	50.00%	10,947
Crew Worker	39.82	602.27	642.09	22.00%	1,695
Crew Worker	96.43	1,104.61	1,201.04	22.00%	3,171
Crew Worker	95.42	1,724.83	1,820.25	22.00%	4,805
Crew Worker	96.56	1,272.26	1,368.82	25.00%	4,106
Crew Worker	96.56	1,272.26	1,368.82	33.00%	5,421
Crew Worker	12.47	-	12.47	33.00%	49
Crew Worker	96.86	1,726.27	1,823.13	50.00%	10,939
Crew Worker	12.47	-	12.47	33.00%	49
Crew Worker	96.56	1,272.26	1,368.82	22.00%	3,614
Admin Assistant	38.43	600.88	639.31	23.00%	1,764
Town Administrator	98.03	-	98.03	17.50%	206
Administrative Assistance	38.21	600.66	638.87	17.50%	1,342
PT Administrative Assistant	-	-	-	10.00%	-
Clerk-Treasurer	98.03	1,106.21	1,204.24	18.00%	2,601
Chief Deputy CPS	95.81	1,271.51	1,367.32	18.00%	2,953
Utility Deputy Clerk CMC	96.13	1,271.83	1,367.96	33.00%	5,417
Payroll/Benefits Clack	-	-	-	20.00%	-
AP Clerk	-	-	-	18.00%	-
Town/Utility Billing Clerk	93.60	1,269.30	1,362.90	32.00%	5,234
Town/Utility Billing Clerk	94.66	1,724.07	1,818.73	32.00%	6,984
AP Clerk	-	-	-	18.00%	-
Town/Utility Billing Clerk	-	-	-	33.00%	-
<i>Pro forma Salaries & Wages</i>					\$ 120,931
Less: Test Year Expense					69,951
Adjustment Increase (Decrease)					\$ 50,980

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

OUCG Expense Adjustments

(3)

Payroll Taxes

To adjust test year payroll tax expense for additional allocated employees additional utility employees and allocated city employees.

<i>Pro forma</i> Salaries & Wages Expense	\$ 368,671
Multiply by 7.65% (FICA & Medicare Rate)	<u>7.65%</u>
<i>Pro forma</i> FICA/Medicare	28,203
Less: Test Year Expense	<u>17,480</u>

Adjustment Increase (Decrease) \$ 10,723

(4)

PERF

To adjust test year PERF expense for additional utility employees and allocated city employees.

<i>Pro forma</i> Salaries & Wages Expense (w/o Council)	\$ 353,666
Cedar Lake PERF Rate (11.2%)	<u>11.20%</u>
<i>Pro forma</i> PERF Expense	39,611
Less: Test Year Expense	<u>24,982</u>

Adjustment Increase (Decrease) \$ 14,629

(5)

Legal Services

Adjustment to remove legal invoices allocated from the Town of Cedar Lake that do not pertain to the water department.

<u>Invoice #</u>	<u>Invoice Date</u>	<u>Vendor</u>	<u>Total Invoice</u>	<u>Water Portion</u>	<u>% Allocated</u>
81293	01.09.19	Austgen Kuiper Jasaitis P.C.	\$ 6,793	\$ 340	5%
81605	02.11.19	Austgen Kuiper Jasaitis P.C.	9,865	493	5%
81904	03.12.19	Austgen Kuiper Jasaitis P.C.	5,711	571	10%
82194	04.11.19	Austgen Kuiper Jasaitis P.C.	4,992	499	10%
82443	05.07.19	Austgen Kuiper Jasaitis P.C.	5,751	<u>575</u>	10%
				\$ 2,478	

Adjustment Increase (Decrease) \$ (2,478)

**Town of Cedar Lake Utilities
 CAUSE NUMBER 45367**

OUCG Expense Adjustments

(6)

Capital Costs

Adjustment to remove Engineering invoices that are capital in nature.

<u>Invoice #</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
19-568-00-2	12/5/2019	Nies Engineering, Inc.	\$ 5,483.22
19-568-00-1	10/31/2019	Nies Engineering, Inc.	1,890.00
50-829-00-136	12/5/2019	Nies Engineering, Inc.	1,087.00
50-829-00-131	6/26/2019	Nies Engineering, Inc.	700.00
50-830-00-71	5/30/2019	Nies Engineering, Inc.	420.00
50-830-00-74	9/11/2019	Nies Engineering, Inc.	325.00
50-829-00-133	9/11/2019	Nies Engineering, Inc.	280.00
50-829-00-134	9/26/2019	Nies Engineering, Inc.	140.00
			<u>\$ 10,325.22</u>

Adjustment Increase (Decrease)

\$ (10,325)

(7)

Out Of Period

Adjustment to remove invoices that were incurred outside of the test year

<u>Invoice #</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>	
50-830-00-66	1/7/2019	Nies Engineering, Inc.	\$ 483.00	Engineering
194-115-006-6	12/26/2018	NIPSCO	5,232.50	Purchased Power
20302	12/21/2018	Zies & Sons Excavating	805.00	Engineering
91677	1/2/2019	Universal Lighting of Am	1,236.82	Miscellaneous Exp
			<u>\$ 7,757.32</u>	

Adjustment Increase (Decrease)

\$ (7,757)

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

OUCC Expense Adjustments

(8)

Periodic Maintenance

To increase test year operating expenses to reflect annual periodic maintenance.

Description	Cost	Amort. Period	Annual Amount	Total Expense - 6 Years
Parrish elevated tank maint contract	\$ 55,637	1	\$ 55,637	\$ 333,822
3,000 gallon tank - blast and epoxy coat internal	18,000	15	1,200	7,200
3,000 gallon tank - external paint	2,000	15	133	798
3,000 gallon tank - inspection	3,000	5	600	3,600
3,000 gallon tank - ports	1,200	20	60	360
Parrish Omnisite alarm fees/maint	756	3	252	1,512
Parrish Omnisite alarm warranty	165	1	165	990
Parrish PS - external paint	2,000	20	100	600
Parrish PS - roof maint	8,000	40	200	1,200
Parrish Well 1 - insp & clean	16,000	15	1,067	6,402
Parrish Well 2 - insp & clean	16,000	15	1,067	6,402
15,000 gallon tank - blast and epoxy coat internal	25,000	15	1,667	10,002
15,000 gallon tank - external paint	2,000	15	133	798
15,000 gallon tank - ports	12,000	20	600	3,600
15,000 gallon tank - inspection	3,000	5	600	3,600
Havenwood PS - roof maint	15,000	40	375	2,250
Havenwood PS - siding	10,000	20	500	3,000
Havenwood Omnisite alarm fees/maint	756	3	252	1,512
Havenwood Omnisite alarm warranty	165	1	165	990
Havenwood Well 1 - insp & clean	16,000	15	1,067	6,402
Havenwood Well 2 - insp & clean	16,000	15	1,067	6,402
RN 60,000 clear well, power wash, drain	7,500	10	750	4,500
Robin Nest Omnisite alarm fees/maint	756	3	252	1,512
Robin Nest Omnisite alarm warranty	165	1	165	990
Robin Nest Well 1 - insp & clean	16,000	15	1,067	6,402
Robin Nest Well 2 - insp & clean	16,000	15	1,067	6,402
GIS mapping - interns	2,500	1	2,500	15,000
GIS mapping - renew software license	1,000	1	1,000	6,000
Maint - 2012 van	600	1	600	3,600
Maint - 2014 van	600	1	600	3,600
New elevated tank maint contract	55,637	1	55,637	166,911
Total Periodic Maintenance Expense for 6 Year Period				\$ 616,359
David by: 6 Years				6
Pro form a Annual Periodic Maintenance Expense				102,725
Less: Test Year Periodic Maintenance				-
Adjustment Increase (Decrease)				\$ 102,725

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Depreciation Expense

	Test Year	Debt Funded UPIS	Phase 2
Franchises	\$ 210	-	\$ 210
Land & Land Rights	34,500	84,150	118,650
All Other Depreciable UPIS	8,008,312	3,830,850	11,839,162
Total Utility Plant In Service	<u>8,043,022</u>	<u>3,915,000</u>	<u>11,958,022</u>
Times: Composite Depreciation Rate	2.00%		2.00%
Calculated Depreciation Expense	<u>\$ 160,860</u>		<u>\$ 239,160</u>

Requested Depreciation Expense

\$ 210,571

Five-year Average:

1st Year	\$ 160,860
2nd Year	210,571
3rd Year	210,571
4th Year	210,571
5th Year	210,571
	<u>1,003,144</u>
Divide by 5 Years	5
Five-year Average PILI	<u>\$ 200,629</u>

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Payment In Lieu of Property Taxes

	Test Year	Additional Depreciation	Debt Funded UPIS	Phase 2
Franchises	\$ 210		\$ -	\$ 210
Land & Land Rights	34,500		84,150	118,650
All Other Depreciable UPIS	8,008,312		3,830,850	11,839,162
Total Utility Plant In Service	8,043,022	-	3,915,000	11,958,022
Less: 2019 Accumulated Depreciation	(1,215,283)			(1,215,283)
Depreciation on Contributed Plant (Per Petitioner)	(25,125)	(160,166)		(25,125)
2020 Depreciation Expense (2% x Depreciable UPIS)	-	(160,166)		(160,166)
Net Utility Plant in Service	6,802,614	(160,166)	3,915,000	10,557,448
Multiple: Town of Cedar Lake Corporate Tax Rate	0.4360%			0.4360%
<i>Pro Forma</i> Payment In Lieu of Property Taxes	<u>\$ 29,659</u>			<u>\$ 46,030</u>

Five-year Average:

1st Year	\$ 29,659
2nd Year	46,030
3rd Year	46,030
4th Year	46,030
5th Year	46,030

Divide by 5 Years

Five-year Average PILT

	213,779
	5
	<u>\$ 42,756</u>

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Proposed (Updated)</u>	<u>OUCC Proposed (Phase 2)</u>	<u>Petitioner Rebuttal</u>	<u>Settlement</u>	<u>Settlement More (Less)</u>	
						<u>OUCC</u>	<u>Rebuttal</u>
Krystal Oaks Rates							
Metered Water Rates per 1,000 Gallons							
All consumption	\$ 7.00						
First 4,000 Gallons		\$ 10.73	\$ 9.38	\$ 11.13	\$ 10.36	\$ 0.98	\$ (0.77)
Next 4,000 Gallons		8.94	7.83	9.27	8.64	0.81	(0.63)
Next 4,000 Gallons		7.33	6.42	7.61	7.08	0.66	(0.53)
Next 4,000 Gallons		6.08	5.33	6.31	5.88	0.55	(0.43)
Next 4,000 Gallons		5.18	4.53	5.37	5.00	0.47	(0.37)
Nest 20,000 Gallons		4.30	3.76	4.46	4.15	0.39	(0.31)
All Consumption Over 40,000 Gallons		1.79	1.56	1.85	1.73	0.17	(0.12)
Minimum Charge							
5/8" Meter (3,000 Gallons)	\$ 21.00						
5/8" Meter (2,000 Gallons)		\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
1" Meter (10,000 Gallons)	70.00	93.35	81.68	96.82	90.16	8.48	(6.66)
1.5" Meter (20,000 Gallons)	140.00	153.08	133.96	158.76	147.84	13.88	(10.92)
2" Meter (32,000 Gallons)	224.00	204.66	179.08	212.25	197.64	18.56	(14.61)
3" Meter (60,000 Gallons)	420.00	274.77	240.36	284.97	265.44	25.08	(19.53)
4" Meter (100,000 Gallons)	700.00	346.21	302.76	359.06	334.64	31.88	(24.42)
6" Meter (200,000 Gallons)	1,400.00	524.81	458.76	544.29	507.64	48.88	(36.65)
Monthly Fire Hydrant Fee	\$ 0.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Current and Proposed Rates and Charges

	Current	Petitioner Proposed (Updated)	OUCC Proposed (Phase 2)	Petitioner Rebuttal	Settlement	Settlement More (Less)	
						OUCC	Rebuttal
Robins Nest							
Metered Water Rates per 1,000 Gallons							
First 4,000 Gallons	5.34	\$ 10.73	\$ 9.38	\$ 11.13	\$ 10.36	\$ 0.98	\$ (0.77)
Next 4,000 Gallons	4.45	8.94	7.83	9.27	8.64	0.81	(0.63)
Next 4,000 Gallons	3.65	7.33	6.42	7.61	7.08	0.66	(0.53)
Next 4,000 Gallons	3.03	6.08	5.33	6.31	5.88	0.55	(0.43)
Next 4,000 Gallons	2.58	5.18	4.53	5.37	5.00	0.47	(0.37)
Nest 20,000 Gallons	2.14	4.30	3.76	4.46	4.15	0.39	(0.31)
All Consumption Over 40,000 Gallon	0.89	1.79	1.56	1.85	1.73	0.17	(0.12)
Minimum Charge							
5/8" Meter (4,000 Gallons)	\$ 21.36						
5/8" Meter (2,000 Gallons)		\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
1" Meter (10,000 Gallons)	46.46	93.35	81.68	96.82	90.16	8.48	(6.66)
1.5" Meter (20,000 Gallons)	76.20	153.08	133.96	158.76	147.84	13.88	(10.92)
2" Meter (32,000 Gallons)	101.88	204.66	179.08	212.25	197.64	18.56	(14.61)
3" Meter (60,000 Gallons)	136.80	274.77	240.36	284.97	265.44	25.08	(19.53)
4" Meter (100,000 Gallons)	172.40	346.21	302.76	359.06	334.64	31.88	(24.42)
6" Meter (200,000 Gallons)	261.40	524.81	458.76	544.29	507.64	48.88	(36.65)
Monthly Fire Hydrant Fee	\$ 0.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Cedar Lake Utilities
CAUSE NUMBER 45367

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Proposed (Updated)</u>	<u>OUCC Proposed (Phase 2)</u>	<u>Petitioner Rebuttal</u>	<u>Settlement</u>	<u>Settlement More (Less)</u>	
						<u>OUCC</u>	<u>Rebuttal</u>
Westside/Eastside							
Metered Water Rates per 1,000 Gallons							
First 4,000 Gallons	\$ 9.01	\$ 10.73	\$ 9.38	\$ 11.13	\$ 10.36	\$ 0.98	\$ (0.77)
Next 4,000 Gallons	7.51	8.94	7.83	9.27	8.64	0.81	(0.63)
Next 4,000 Gallons	6.16	7.33	6.42	7.61	7.08	0.66	(0.53)
Next 4,000 Gallons	5.11	6.08	5.33	6.31	5.88	0.55	(0.43)
Next 4,000 Gallons	4.35	5.18	4.53	5.37	5.00	0.47	(0.37)
Nest 20,000 Gallons	3.61	4.30	3.76	4.46	4.15	0.39	(0.31)
All Consumption Over 40,000 Gallon	1.50	1.79	1.56	1.85	1.73	0.17	(0.12)
Minimum Charge							
5/8" Meter (4,000 Gallons)	\$ 36.04						
5/8" Meter (2,000 Gallons)		\$ 21.46	\$ 18.76	\$ 22.26	\$ 20.72	\$ 1.96	\$ (1.54)
1" Meter (10,000 Gallons)	78.40	93.35	81.68	96.82	90.16	8.48	(6.66)
1.5" Meter (20,000 Gallons)	128.56	153.08	133.96	158.76	147.84	13.88	(10.92)
2" Meter (32,000 Gallons)	171.88	204.66	179.08	212.25	197.64	18.56	(14.61)
3" Meter (60,000 Gallons)	230.76	274.77	240.36	284.97	265.44	25.08	(19.53)
4" Meter (100,000 Gallons)	290.76	346.21	302.76	359.06	334.64	31.88	(24.42)
6" Meter (200,000 Gallons)	440.76	524.81	458.76	544.29	507.64	48.88	(36.65)