

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF THE CITY OF EVANSVILLE, )**  
**INDIANA, FOR AUTHORITY TO ISSUE BONDS, )**  
**NOTES, OR OTHER OBLIGATIONS, FOR )**  
**AUTHORITY TO INCREASE ITS RATES AND ) CAUSE NO. 45073**  
**CHARGES FOR WATER SERVICE, AND FOR )**  
**APPROVAL OF NEW SCHEDULES OF WATER )**  
**RATES AND CHARGES )**

**OUCC PREFILED TESTIMONY**

**OF**

**JENNIFER L. SISSON – PUBLIC’S EXHIBIT NO. 1**

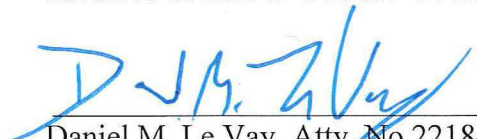
**ON BEHALF OF THE**

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**JULY 20, 2018**

Respectfully Submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



Daniel M. Le Vay, Atty. No. 22184-49  
Deputy Consumer Counselor

## CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Office of Utility Consumer Counselor* *Prefiled Testimony Jennifer L. Sisson* has been served upon the following counsel of record in the captioned proceeding by electronic service on July 20, 2018.

Nicholas K. Kile  
Hillary J. Close  
Lauren M. Box  
**BARNES & THORNBURG LLP**  
11 South Meridian Street  
Indianapolis, Indiana 46204  
E-mail: [nkile@btlaw.com](mailto:nkile@btlaw.com)  
[hclose@btlaw.com](mailto:hclose@btlaw.com)  
[lbox@btlaw.com](mailto:lbox@btlaw.com)



---

Daniel M. Le Vay  
Deputy Consumer Counselor

**INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**  
115 West Washington Street  
Suite 1500 South  
Indianapolis, IN 46204  
[infomgt@oucc.in.gov](mailto:infomgt@oucc.in.gov)  
317/232-2494 – Phone  
317/232-5923 – Facsimile

**TESTIMONY OF OUCC WITNESS JENNIFER L. SISSON**  
**CAUSE NO. 45073**  
**CITY OF EVANSVILLE**

**I. INTRODUCTION**

1   **Q:   Please state your name and business address.**

2   A:   My name is Jennifer L. Sisson, and my business address is 115 West Washington  
3       Street, Suite 1500 South, Indianapolis, Indiana 46204.

4   **Q:   By whom are you employed and in what capacity?**

5   A:   I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as  
6       a Utility Analyst II in the Water/Wastewater Division. My qualifications and  
7       experience are set forth in Appendix A to this testimony.

8   **Q:   What is the purpose of your testimony?**

9   A:   I present the overall results of the OUCC's analysis of the City of Evansville's  
10       (hereinafter referred to as "Evansville" or "Petitioner") proposed rate increase of  
11       48.30% to be implemented over three phases. The OUCC's analysis yields a  
12       proposed overall rate increase of 24.21% to be implemented in three phases. I  
13       explain the cumulative effect of Evansville's rate case impact. Additionally, I  
14       explain the OUCC's proposed adjustments and revenue requirement offsets.

15   **Q:   Please describe the review and analysis you performed.**

16   A:   I reviewed Evansville's petition and the testimonies of Douglas L. Baldessari, CPA,  
17       H.J. Umbaugh & Associates Certified Public Accountants, LLP, and Patrick R.  
18       Keepes, P.E., Water Superintendent. I reviewed the schedules and workpapers  
19       Petitioner filed in this Cause. I reviewed Petitioner's most recent IURC Annual

1 Reports. On May 28-30, 2018, I met with Ms. Jenny Collins, Chief Financial  
2 Officer Evansville Water and Sewer Utility, and Andre Riley of Umbaugh and  
3 Associates and participated in an on-site review of Evansville's accounting records.  
4 I reviewed customer comments about the proposed rate increase. I prepared  
5 discovery questions and reviewed Petitioner's responses.

6 **Q: What schedules are submitted with your testimony?**

7 A: The following schedules reflect the OUCC's recommendations and proposed rates:

8 Schedule 1 – Overall Revenue Requirement (page 1)  
9 Comparative Phased-In Revenue Requirements (page 2)  
10 Gross Revenue Conversion Factor (page 3)  
11 Reconciliation of Net Operating Revenue Adjustments (page 4)  
12 Schedule 2 – Comparative Balance Sheet as of September 30, 2017 and December  
13 31, 2017, 2016 and 2015  
14 Schedule 3 – Comparative Income Statement for the Twelve Months Ended  
15 September 30, 2017 and December 31, 2017, 2016 and 2015  
16 Schedule 3A – Operating and Maintenance Expenses  
17 Schedule 4 – *Pro Forma* Net Operating Income Statement for Phase I (page 1)  
18 *Pro Forma* Net Operating Income Statement for Phase II (page 2)  
19 *Pro Forma* Net Operating Income Statement for Phase III (page3)  
20 Schedule 5 – Revenue Adjustments (pages 1-3)  
21 Schedule 6 – Expense Adjustments (pages 1-2)  
22 Schedule 7 – Extensions and Replacements  
23 Schedule 8 – Debt Service  
24 Schedule 9 – Revenue Requirement Offsets  
25 Schedule 10 – Proposed Tariff

## **II. REVENUE REQUIREMENTS**

### **A. Overview of Evansville's Proposal**

1   **Q:    Please describe Evansville's rate request.**

2    A:    Evansville requests approval of an overall across-the-board rate increase of 48.30%  
3       to produce an increase in water revenues of \$16,183,493 per year for a *pro forma*  
4       net revenue requirement of \$49,454,200. This rate increase would be implemented  
5       in three phases. Evansville proposes to eliminate the outside City surcharge for its  
6       public fire protection charges as agreed to in prior rate cases. Evansville also  
7       requests authority to issue new waterworks revenue bonds not to exceed \$147.355  
8       million. Evansville based its request on a test year ending September 30, 2017  
9       adjusted for changes that are fixed, known, and measureable and occurring within  
10      twelve months of the end of the test year. (Baldesarri, Petitioner Exhibit 1, page 4,  
11      line 19 to page 5, line 2.)

12   **Q:    How does Evansville propose to implement its increase?**

13    A:    Evansville proposes to implement its increase in three phases. For Phase I,  
14       Evansville proposes an across-the-board 18.90% increase for a \$6,331,039  
15       increase in operating revenues. For Phase II, Evansville proposes an additional  
16       15.50% increase to provide \$6,173,766 of additional operating revenues. Finally,  
17       for Phase III, Evansville proposes an additional 8.00% increase to provide  
18       \$3,678,688 of additional operating revenues. (See Attachment DLB-1, Accounts'  
19       Report, p. 26.)

**B. Cumulative impact of rate increases**

1 **Q: What is the cumulative effect of Evansville's most recent rate requests?**

2 A: Prior to an order in Evansville's last rate case, Cause No. 44760, Evansville's rates  
3 for 5,000 gallons was \$19.58. If Evansville is granted its proposed rate increase in  
4 this Cause, Evansville's rates for 5,000 gallons will be \$42.84. This represents a  
5 total increase of \$23.26 or 118.8% (or an average increase of 21.16% per year).  
6 According to Evansville's witnesses in this Cause, Evansville's ratepayers can  
7 expect additional rate increases.

**Table 1: Cumulative Impact of Rate Increase**

Cause No.	Date	Monthly Rate	Increase	Cumulative Increase
Pre 44760	October 1, 2016	\$ 19.58		
44760 Phase II	October 5, 2016	25.33	29.40%	
44760 Phase II	January 1, 2018	28.87	14.00%	47.40%
45073 Phase I	January 1, 2019	34.34	18.90%	75.40%
45073 Phase II	January 1, 2020	39.68	15.60%	102.70%
45073 Phase III	January 1, 2021	42.84	8.00%	118.80%

**C. Overview of OUCC Proposal**

8 **Q: What rate increase does the OUCC recommend?**

9 A: The OUCC recommends an overall across-the-board rate increase of 24.21% to  
10 produce an increase in water revenues of \$8,182,223 based on a *pro forma* net  
11 revenue requirement of \$41,839,420.

**Table 2: Comparison of Overall Revenue Requirement**

	<b>Per</b>	<b>Per</b>	<b>Sch</b>	<b>OUCC</b>
	<b>Petitioner</b>	<b>OUCC</b>	<b>Ref</b>	<b>More (Less)</b>
Operating Expenses	\$24,779,946	\$23,415,103	4	\$ (1,364,843)
Extensions and Replacements	9,544,100	6,154,201	7	(3,389,899)
Payment in Lieu of Taxes	3112900	3,112,900	PET	-
Debt Service				
Existing Debt	10134195	10,134,195	8	-
New Debt	10551613	7,691,575	8	(2,860,038)
Total Revenue Requirements	58,122,754	50,507,974		(7,614,780)
Less Revenue Requirement Offsets:				
Interest Income	(203,420)	(203,420)	PET	-
Other Operating Income	(524,476)	(524,476)	PET	-
Other Non-Operating Income	(377,928)	(377,928)	PET	-
Sewer Portion of General Expenses	(7,371,586)	(7,371,586)	PET	
Fixed Capacity Payments from Wholesaler	(191,144)	(191,144)	PET	-
Net Revenue Requirements	49,454,200	41,839,420		(7,614,780)
Less Rev at Current Rates Subj to Increase	(33,505,765)	(33,792,210)	4	(286,445)
Net Revenue Increase Required	15,948,435	8,047,210		(7,901,225)
Gross Revenue Conversion Factor	101.473862%	101.677762%	1	0.203900%
Recommended Revenue Increase	\$16,183,493	\$ 8,182,223		\$ (8,001,270)

1 **Q: How does the OUCC propose to phase in its recommended increase?**

2 A: The OUCC also proposes a three-phase increase. For Phase I, the OUCC proposes  
3 an across the board 2.70% increase for a \$913,245 increase in operating revenues.  
4 For Phase II, the OUCC proposes an additional 12.08% increase to provide  
5 \$4,191,142 of additional operating revenues. Finally for Phase III, the OUCC  
6 proposes an additional 7.91% increase to provide \$3,077,836 of additional  
7 operating revenues. (See OUCC Schedule 1, p. 2 or 4.)

#### **D. Gross Revenue Conversion Factor**

8 **Q: Please explain the purpose of a gross revenue conversion factor.**

9 A: A gross revenue conversion factor calculates the amount of certain operating  
10 expenses and taxes associated with a proposed revenue increase. These operating

1 expenses and taxes typically include bad debt expense, the IURC fee, utility  
2 receipts taxes, and state and federal income taxes. The proposed revenue increase  
3 must be “grossed up” to include these additional taxes and operating expenses that  
4 will be incurred due to the increase in operating revenues.

5 **Q: What additional taxes and operating expenses will Evansville incur due to its**  
6 **proposed revenue increase?**

7 A: Because Evansville is a municipal utility, it will incur additional bad debt expense  
8 and utility receipts tax expense. Municipal utilities do not pay the IURC fee or  
9 income taxes.

10 **Q: What gross revenue conversion factor did Evansville propose?**

11 A: Evansville did not calculate a gross revenue conversion factor. It did calculate the  
12 additional bad debt expense and utility receipts tax expense that would be incurred  
13 as a result of its proposed revenue increases but did not reduce this to a specific  
14 gross revenue conversion factor. To present Evansville's revenue requirement  
15 calculation in the format used by the OUCC, I determined what the gross revenue  
16 conversion factors would have been if Evansville had used them. Based on  
17 Evansville's numbers I determined a gross revenue factor of 101.280306%,  
18 101.617799%, and 101.566476% in Phases I, II, and III respectively. This  
19 calculation is simply the quotient of the recommended increase divided by the net  
20 revenue increase required.

21 **Q: What additional expenses did Evansville calculate?**

22 A: Evansville calculated additional bad debt expense of \$7,763, \$29,240, and \$17,423  
23 in Phases I, II, and III respectively (Attachment DLB-1, Accountants' Report, pages



1 26-27, Adjustment No. 3). Evansville also calculated additional utility receipts tax  
2 expense of \$72,269, \$69,049, and \$39,314 in Phases I, II, and III respectively.  
3 (Attachment DLB-1, Accountants' Report, pages 26-27, Adjustment No. 2.) Total  
4 additional taxes and expenses proposed by Evansville are \$80,032, \$98,289, and  
5 \$56,737 in Phases I, II, and III respectively.

6 **Q: Do you accept Evansville's proposed additional taxes and expenses?**

7 A: No. Because the OUCC's proposed revenue requirement differs from Evansville's,  
8 the additional taxes and expenses proposed by the OUCC are also different.

9 **Q: How did the OUCC calculate the additional taxes and expenses that result**  
10 **from its proposed revenue increase?**

11 A: The OUCC used a gross revenue conversion factor to calculate the additional taxes  
12 and expenses that would result from the OUCC's proposed revenue increase.

13 **Q: What gross revenue conversion factor did you calculate?**

14 A: I calculated a gross revenue factor conversion factor of 101.677762%, which  
15 provides for additional bad debt expense and utility receipts tax expense. This  
16 revenue conversion factor is used in all three phases.

**Table 3: OUCC Gross Revenue Conversion Factor**

	(A)	(B)		
	Rate	Percentage of Revenues		
Gross Revenue Change			100.000000%	
Less: Bad Debt Expense	0.686%	70.09311%	0.480839%	(A) x (B)
Sub-total			99.519161%	(C)
Less: Utility Receipts Tax	1.40%	83.92056%	1.169239%	(A) x (B) x (C)
Change in Operating Income			98.349922%	
Gross Revenue Conversion Factor			101.677762%	

1   **Q:    Please explain column B “Percentage of Revenues.”**

2   A:    A gross revenue conversion factor is applied to the entire revenue increase.  
3        However, because of a statutory exemption, bad debt expense does not apply to all  
4        of Evansville's revenue increase. Likewise, utility receipt tax does not apply to all  
5        of Evansville's revenue increase. Therefore, it is necessary to adjust or modify the  
6        bad debt expense rate and the utility receipts tax rate used in the calculation of the  
7        gross revenue conversion factor.

8   **Q:    Please explain the modification necessary to calculate the rate for bad debt**  
9        **expense.**

10   A:   Because only the residential and commercial revenues will generate bad debt  
11        expense, a modification to the bad debt expense rate used in the gross revenue  
12        conversion factor is necessary. The bad debt expense rate determined by Evansville  
13        was based only on residential and commercial water revenues, which represent  
14        approximately 70% of total *pro forma* present rate operating revenues subject to  
15        increase. I applied the percentage of revenues subject to the bad debt expense rate  
16        times Evansville's proposed 0.686% bad debt expense rate to determine the  
17        effective bad debt expense rate of 0.480839% ( $0.686\% \times 70.093113\%$ ) included in  
18        my gross revenue conversion factor. (See OUCC Schedule 1, page 3 of 4.)  
19        Evansville's calculation on bad debt expense is similar to the OUCC's calculation  
20        but it is applied to a different revenue increase.

**Table 4: Determination of Effective Bad Debt Expense Rate**

<b><u>Calculation of Bad Debt Expense</u></b>		
Test Year Expense Rate		0.686000%
Times: Portion of Revenues Subject to Bad Debt Rate		70.093113%
Effective Bad Debt Expense Rate		0.480839%
Total Revenues Subject to Increase	(A)	33,792,210
<i>Pro forma</i> Residential Revenues		16,321,085
<i>Pro forma</i> Commercial Revenues		7,364,927
	(B)	23,686,012
Percent Related to Bad Debt Rate	(B) / (A)	0.70093113

**Q: Please explain the modification necessary for utility receipts tax expense?**

A: Certain revenues are exempt from utility receipts tax expense, including wholesale revenues and certain public authority revenues. However, even though these revenues are not subject to the utility receipts tax, they are subject to increase. Therefore, it is necessary to reflect this exemption in the determination of the gross revenue conversion factor. The revenues exempt from utility receipts tax expense represent approximately 16% of total *pro forma* present rate operating revenues subject to increase. This means that approximately 84% of *pro forma* present rate operating revenues subject to increase are subject to the utility receipts tax expense. I applied the percentage of revenues subject to the utility receipts tax expense rate times the statutory utility receipts tax rate of 1.4% to determine a utility receipts tax rate of 1.174888% (1.4% x 83.92056%).

Because bad debt expense is an allowed deduction for utility receipts tax purposes, I multiplied the adjusted utility receipts tax rate (1.174888%) times 99.519161%, the net revenue percentage after deducting bad debt expense (100% - .480839%). This yielded an effective utility receipts tax rate of 1.169239%

1 (1.174888% x 99.519161%) to be included in my gross revenue conversion factor.

2 (See OUCC Schedule 1, page 3 of 4.)

**Table 5: Determination of Effective Utility Receipts Tax Rate**

<b><u>Calculation of Utility Receipts Tax Rate:</u></b>			
Statutory Rate			1.400000%
Times: Portion of Revenues Subject to URT			83.920560%
Subtotal			1.174888%
Times: Line 3			99.519161%
Effective Utility Receipts Tax Rate			1.169239%
Total Revenues Subject to Increase	(A)		33,792,210
<i>Pro forma</i> Sales for Resale			1,235,161
<i>Pro Forma</i> Other Exempt Revenues			4,198,437
Total Exempt Revenues	(B)		5,433,598
Percent Related to Sales for Resale	(B) / (A)		16.079440%
Total Revenues			100.000000%
Less: Revenues Exempt from URT			-16.079440%
Portion of Revenues Subject to URT			83.920560%

3 Table 6 presents a comparison of the additional expenses calculated by Evansville  
 4 to those calculated by the OUCC's gross revenue conversion factor.

**Table 6: Comparison of Additional Expenses**

	Phase I	Phase II	Phase III
<b>Bad Debt Expense:</b>			
Evansville	\$ 7,763	\$ 29,240	\$ 17,423
OUCC	4,391	20,153	14,799
OUCC More (Less)	(3,372)	(9,087)	(2,624)
<b>Utility Receipts Tax:</b>			
Evansville	72,269	69,049	39,314
OUCC	10,678	49,004	35,987
OUCC More (Less)	(61,591)	(20,045)	(3,327)
<b>Utility Receipts Tax:</b>			
Evansville	80,032	98,289	56,737
OUCC	15,069	69,157	50,786
OUCC More (Less)	\$ (64,963)	\$ (29,132)	\$ (5,951)

### **III. OPERATING EXPENSE**

1   **Q:   What level of *pro forma* operating expenses does Evansville propose?**

2   A:   Evansville proposed a \$4,638,551 increase to \$20,141,395 test year operating  
3       expenses, yielding *pro forma* operating expenses of \$24,779,946. Evansville  
4       proposed fifteen (15) adjustments to various operating expenses, including, among  
5       other things, salaries and wages, PERF, periodic maintenance, and contractual  
6       services.

7   **Q:   Does the OUCC accept any of Evansville's proposed operating expense**  
8       **adjustments?**

9   A:   Yes. While the OUCC does not agree with all of Evansville's proposed operating  
10       expense adjustments, it accepts all of Evansville's proposed operating expense  
11       adjustments except for (1) PERF, (2) periodic maintenance, (3) bad debt expense,  
12       and (4) utility receipt tax expense. OUCC witness Margaret Stull discusses these  
13       operating expense adjustments. Table 7 presents a comparison of the operating  
14       expense adjustments proposed by Evansville compared to those proposed by the  
15       OUCC.

**Table7: Comparison of Operating Expense Adjustments**

	<b>Per Petitioner</b>	<b>Per OUCC</b>	<b>OUCC More (Less)</b>
O&M Expense			
Salaries and Wages	1,027,839	1,027,839	-
Employee Benefits			
FICA	89,092	89,092	-
PERF	201,371	(200,111)	(401,482)
Health and Life Insurance	1,008,258	1,008,258	-
Workman's Compensation	(5,584)	(5,584)	-
Teamster's Scholarship Fund	55	55	-
Materials and Supplies	23,438	23,438	-
Repairs and Maintenance	1,972,788	999,227	(973,561)
Contractual Services	155,203	155,203	-
Rents	131,852	131,852	-
Bad Debt Expense	22,222	26,008	3,786
Non-Recurring Expenses	(203,567)	(203,567)	-
Reclassification of YE Adjustment	(450,858)	(450,858)	-
Additional Sewer O&M Expenses	625,579	625,579	-
Utility Receipts Tax	40,863	47,277	6,414
	<b>\$ 4,638,551</b>	<b>\$ 3,273,708</b>	<b>\$ (1,364,843)</b>

**IV. DEBT SERVICE**

1 **Q: What debt service revenue requirement did Evansville propose?**

2 A: Evansville proposed debt service of \$4,355,836 (Phase I), \$8,543,712 (Phase II),  
3 and \$10,551,613 (Phase III) through issuance of proposed bonds on the open  
4 market.<sup>1</sup> Evansville's debt service requirement consists of existing debt service as  
5 well as debt service for its proposed new debt issuance.

---

<sup>1</sup> While Petitioner states it may issue a portion of the debt through the Indiana Finance Authority's ("IFA") Drinking Water State Revolving Fund ("SRF"), its proposed debt issuance and subsequent revenue requirement is based on a single open market debt issuance.

1 **Q: Does the OUCC accept Evansville's proposed debt service revenue**  
2 **requirement?**

3 A: No. As discussed by OUCC witness Edward Kaufman, the OUCC proposes a debt  
4 service revenue requirement of \$1,667,736 (Phase I), \$5,403,575 (Phase II), and  
5 \$7,691,575 (Phase III through issuance of proposed bonds on the open market or  
6 through the SRF). Table 8 presents a comparison of the overall debt service revenue  
7 requirement proposed by Evansville compared to the OUCC.

**Table 8: Comparison of Overall Debt Service Revenue Requirement**

Debt Service	Phase III Overall		
	Per Petitioner	Per OUCC	OUCC More (Less)
Existing Debt	\$ 10,134,195	\$ 10,134,195	\$ -
New Debt	10,551,613	7,691,575	(2,860,038)
	<u>\$ 20,685,808</u>	<u>\$ 17,825,770</u>	<u>\$ (2,860,038)</u>

## **V. REVENUE REQUIREMENT OFFSETS**

8 **Q: Did Evansville include any revenue requirement offsets in its proposed rate**  
9 **increase?**

10 A: Yes. Evansville proposed total revenue requirement offsets of \$8,477,410 in Phase  
11 I, \$8,477,410 in Phase II and \$8,668,554 in Phase III.

12 **Q: What revenue requirement offsets did Evansville propose?**

13 A: Evansville proposed five offsets to its revenue requirement: (1) interest income;  
14 (2) other operating revenues (also known as revenues not subject to increase); (3)  
15 other non-operating income; (4) sewer portion of operating expenses  
16 (reimbursement); and (5) fixed capacity payments from wholesaler (Phase III only).

**Table 9: Evansville Proposed Revenue Requirement Offsets**

	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
Interest Income	\$ 203,420	\$ 203,420	\$ 203,420
Other Operating Income	524,476	524,476	524,476
Other Non-Operating Income	377,928	377,928	377,928
Sewer Portion of General Expenses	7,371,586	7,371,586	7,371,586
Fixed Capacity Payments from Wholesaler	-	-	191,144
	<u>\$ 8,477,410</u>	<u>\$ 8,477,410</u>	<u>\$ 8,668,554</u>

1 **Q: Do you accept Evansville's proposed offsets to its revenue requirement?**

2 A: Yes. I accept all of Evansville's proposed revenue requirement offsets. But I also  
3 include an additional interest income offset, which is identified by OUCC witness  
4 Edward Kaufman.

5 **Q: Why is the OUCC recognizing an additional interest income offset?**

6 A: Evansville's interest income offset is based on debt service reserve and customer  
7 deposits, but does not include interest income on unspent open market funds.  
8 Evansville will issue both SRF and open market debt to fund its proposed capital  
9 improvement plan. While the SRF funds will be drawn down as needed, the open  
10 market debt issuance will be provided all at once and Evansville will spend down  
11 these monies over an estimated 24-month period. These funds can earn interest until  
12 they are needed. Therefore, the OUCC proposes the additional interest be  
13 recognized as an offset to Evansville's revenue requirement. OUCC witness  
14 Edward Kaufman calculated the amounts included in this adjustment. He discusses  
15 these adjustments in more detail in his testimony.



1 **Q: What amount of additional interest income did Mr. Kaufman calculate?**

2 A: Mr. Kaufman calculated \$374,105 of interest income would accrue on the funds  
3 borrowed through the open market in 2019 (Phase I). Mr. Kaufman calculated  
4 \$131,442 of interest income would accrue on the funds borrowed through the open  
5 market in 2020 (Phase II). Mr. Kaufman's analysis assumes all open market funds  
6 will be spent by 2021 and, therefore, he estimates there will be no additional interest  
7 income for Phase III. (These amounts are not cumulative and represent additional  
8 interest income for one specific year only. Therefore, total interest income is  
9 \$374,105 greater than that proposed by Evansville in Phase I but only \$131,442  
10 greater in Phase II.)

11 **Q: What total revenue requirement offsets do you propose?**

12 A: I propose total revenue requirement offsets of \$8,851,515 in Phase I, \$8,608,852 in  
13 Phase II, and \$8,668,554 in Phase III (OUCC Schedule 9).

**Table 10: OUCC Proposed Revenue Requirement Offsets**

	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
Interest Income	\$ 577,525	\$ 334,862	\$ 203,420
Other Operating Income	524,476	524,476	524,476
Other Non-Operating Income	377,928	377,928	377,928
Sewer Portion of General Expenses	7,371,586	7,371,586	7,371,586
Fixed Capacity Payments from Wholesaler	-	-	191,144
	<u>\$ 8,851,515</u>	<u>\$ 8,608,852</u>	<u>\$ 8,668,554</u>

**VI. RECOMMENDATIONS**

1   **Q:    Please summarize your recommendations.**

2   A:    I recommend the Commission consider the cumulative impact of Evansville's past  
3           and present rate increases and approve an overall rate increase for Evansville of  
4           24.21%.

5   **Q:    Does this conclude your testimony?**

6   A:    Yes.

**APPENDIX A**

1   **Q:   Please describe your educational background and experience.**

2   A:   I graduated from Ball State University in 2005 with a Bachelor of Science degree  
3       and in 2010 graduated from Indiana Wesleyan University with a Master of Business  
4       Administration degree (“MBA”).

5               From 1996-2010, I worked for a non-for-profit primarily in management  
6       with the latter ten years in a senior management capacity. From 2010-2015, I  
7       worked in financial services as a Corporate Registered Investment Advisor  
8       (“CRIA”), and the latter four years dually serving as an Independent Registered  
9       Investment Advisor (“IAR”) and a Tax and Accounting specialist. From 2014-  
10      2017, I served as a business adjunct instructor for undergraduate courses specific  
11      to business finance and accounting. In 2015, I had the opportunity to work for the  
12      Secretary of the State of Indiana as an Investment and Broker-Dealer Examiner.  
13      Additionally, I was a member of the national and local Women in Insurance and  
14      Financial Services (“WIFS”) from 2011-2014 voted in as vice-president for one  
15      year and two years as president for the Indiana chapter.

16             Since joining the OUCC, I have completed the National Association of  
17      Regulatory Utility Commissioners (“NARUC”) Western Utility Rate School in San  
18      Diego, CA on May 15-19, 2017. I have also attended the American Water Works  
19      Association conference, National Association of Water Companies (“NAWC”)  
20      2017 Indiana Chapter Water Summit, National Association of State Utility

1 Consumer Advocates (“NASUCA”) Accounting and Tax committee monthly  
2 meetings.

3 **Q: Have you held any professional licenses?**

4 A: Yes. Industry sponsored licenses include the Financial Industry Regulatory  
5 Authority (“FINRA”) Series 7 (General Investments) and FINRA Series 66  
6 (Uniformed Combined State Law) licenses, Indiana Health (Accident) and Life  
7 license and Affordable Care Act certified. These licenses are not active as they must  
8 be sponsored by a firm to remain active.

9 **Q: Have you previously testified before the Indiana Utility Regulatory**  
10 **Commission?**

11 A: Yes.

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Comparison of Petitioner's and OUCC's  
Overall Revenue Requirement**

	<b>Per Petitioner</b>	<b>Per OUCC</b>	<b>Sch Ref</b>	<b>OUCC More (Less)</b>
Operating Expenses	\$ 24,779,946	\$ 23,415,103	4	\$ (1,364,843)
Extensions and Replacements	9,544,100	6,154,201	7	(3,389,899)
Payment in Lieu of Taxes	3,112,900	3,112,900	PET	-
Debt Service				
Existing Debt	10,134,195	10,134,195	8	-
New Debt	10,551,613	7,691,575	8	(2,860,038)
Total Revenue Requirements	58,122,754	50,507,974		(7,614,780)
Less Revenue Requirement Offsets:				
Interest Income	(203,420)	(203,420)	PET	-
Other Operating Income	(524,476)	(524,476)	PET	-
Other Non-Operating Income	(377,928)	(377,928)	PET	-
Sewer Portion of General Expenses	(7,371,586)	(7,371,586)	PET	-
Fixed Capacity Payments from Wholesale	(191,144)	(191,144)	PET	-
Net Revenue Requirements	49,454,200	41,839,420		(7,614,780)
Less: Rev at Current Rates Subj to Increase	(33,505,765)	(33,792,210)	4	(286,445)
Net Revenue Increase Required	15,948,435	8,047,210		(7,901,225)
Gross Revenue Conversion Factor	101.473862%	101.677762%	1	0.203900%
Recommended Revenue Increase	\$ 16,183,493	\$ 8,182,223		\$ (8,001,270)
Recommended Percentage Rate Increase	48.30%	24.21%		-24.09%

**Current Rate for 5,000 Gallons = \$28.87**

<b>Proposed</b>			<b>OUCC More (Less)</b>
<b>Petitioner</b>	<b>OUCC</b>		
\$ 42.84	\$ 35.88	10	\$ (6.96)

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Comparison of Petitioner's and OUCC's  
Phased-in Revenue Requirement**

	Phase I				Phase II				Phase III			
	Petitioner	Oucc	Sch Ref	Oucc More (Less)	Petitioner	Oucc	Sch Ref	Oucc More (Less)	Petitioner	Oucc	Sch Ref	Oucc More (Less)
Operating Expenses	\$ 24,779,946	\$ 23,415,103	4	\$ (1,364,843)	\$ 24,859,978	\$ 23,430,172	4	\$ (1,429,806)	\$ 24,958,267	\$ 23,499,329	4	\$ (1,458,938)
Extensions and Replacements	7,082,200	6,442,862	7	(639,338)	8,344,400	5,960,944	7	(2,383,456)	9,544,100	6,154,201	7	(3,389,899)
Payment in Lieu of Taxes	1,882,300	1,882,300	PET	-	2,509,100	2,509,100	PET	-	3,112,900	3,112,900	PET	-
Debt Service								-				-
Existing Debt	10,133,900	10,133,900	8	-	10,132,501	10,132,501	8	-	10,134,195	10,134,195	8	-
New Debt	4,355,836	1,667,736	8	(2,688,100)	8,543,712	5,403,575	8	(3,140,137)	10,551,613	7,691,575	8	(2,860,038)
Total Revenue Requirements	48,234,182	43,541,901		(4,692,281)	54,389,691	47,436,292		(6,953,399)	58,301,075	50,592,200		(7,708,875)
Less Revenue Requirement Offsets:												
Interest Income	(203,420)	(577,525)	9	(374,105)	(203,420)	(334,862)	9	(131,442)	(203,420)	(203,420)	PET	-
Other Operating Revenues	(524,476)	(524,476)	PET	-	(524,476)	(524,476)	PET	-	(524,476)	(524,476)	PET	-
Other Non-Operating Income	(377,928)	(377,928)	PET	-	(377,928)	(377,928)	PET	-	(377,928)	(377,928)	PET	-
Sewer Portion of General Expenses	(7,371,586)	(7,371,586)	PET	-	(7,371,586)	(7,371,586)	PET	-	(7,371,586)	(7,371,586)	PET	-
Fixed Capacity Payments from Wholesaler	-	-		-	-	-		-	(191,144)	(191,144)		-
Net Revenue Requirements	39,756,772	34,690,386		(5,066,386)	45,912,281	38,827,440		(7,084,841)	49,632,521	41,923,646		(7,708,875)
Less: Revenues at Current Rates Subject to Increase	(33,505,765)	(33,792,210)	4	(286,445)	(39,836,804)	(34,705,455)	4	5,131,349	(46,010,570)	(38,896,597)	4	7,113,973
Net Revenue Increase Required	6,251,007	898,176		(5,352,831)	6,075,477	4,121,985		(1,953,492)	3,621,951	3,027,049		(594,902)
Gross Revenue Conversion Factor	101.280306%	101.677762%	1	0.397456%	101.617799%	101.677762%	1	0.000599630	101.566476%	101.677762%	1	0.1112860%
Recommended Increase	\$ 6,331,039	\$ 913,245		\$ (5,417,794)	\$ 6,173,766	\$ 4,191,142		\$ (1,982,624)	\$ 3,678,688	\$ 3,077,836		\$ (600,852)
Recommended Percentage Increase	18.90%	2.70%		-16.20%	98,289.00				56,737			
Overall Rate Increase					15.50%	12.08%		-3.42%	8.00%	7.91%		-0.09%

	Proposed			OUCC More (Less)		Proposed			OUCC More (Less)		Proposed			OUCC More (Less)
	Petitioner	Oucc				Petitioner	Oucc				Petitioner	Oucc		
<u>Current Rate for 5,000Gallons = \$28.87</u>	\$ 34.34	\$ 29.64	10	\$ (4.70)		\$ 39.68	\$ 33.24	10	\$ (6.44)		\$ 42.84	\$ 35.88	10	\$ (6.96)

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Gross Revenue Conversion Factor  
Phased Revenue Requirements**

**Gross Revenue Conversion Factor**

	<u>Phase I</u>			<u>Phase II</u>			<u>Phase III</u>	
	<u>OUCC</u>			<u>OUCC</u>			<u>OUCC</u>	
1 Gross Revenue Change	100.000000%	\$ 913,245		100.000000%	\$ 4,191,142		100.000000%	\$ 3,077,836
2 Less: Bad Debt Expense	<u>0.480839%</u>	<u>4,391</u>		<u>0.480839%</u>	<u>20,153</u>		<u>0.480839%</u>	<u>14,799</u>
3 Subtotal	99.519161%			99.519161%			99.519161%	
4 Less: Utility Receipts Tax (See Calculation Below)	<u>1.169239%</u>	<u>10,678</u>		<u>1.169239%</u>	<u>49,004</u>		<u>1.169239%</u>	<u>35,987</u>
5 Change in Operating Income	<u>98.349923%</u>	<u>\$ 898,176</u>		<u>98.349923%</u>	<u>\$ 4,121,985</u>		<u>98.349923%</u>	<u>\$ 3,027,050</u>
6 Gross Revenue Conversion Factor	<u>101.677762%</u>			<u>101.677762%</u>			<u>101.677762%</u>	

**Calculation of Bad Debt Expense**

Test Year Expense Rate		0.686000%
Times: Portion of Revenues Subject to Bad Debt Rate		<u>70.093113%</u>
Effective Bad Debt Expense Rate		<u>0.480839%</u>
Total Revenues Subject to Increase	(A)	33,792,210
Pro forma Residential Revenues		16,321,085
Pro forma Commercial Revenues		<u>7,364,927</u>
	(B)	<u>23,686,012</u>
Percent Related to Bad Debt Rate	(B) / (A)	0.70093113

**Calculation of Utility Receipts Tax Rate:**

Statutory Rate		1.400000%
Times: Portion of Revenues Subject to URT		<u>83.920560%</u>
Subtotal		1.174888%
Times: Line 3		<u>99.519161%</u>
Effective Utility Receipts Tax Rate		<u>1.169239%</u>
Total Revenues Subject to Increase	(A)	33,792,210
Pro forma Sales for Resale		1,235,161
Pro Forma Other Exempt Revenues		<u>4,198,437</u>
Total Exempt Revenues	(B)	<u>5,433,598</u>
Percent Related to Sales for Resale	(B) / (A)	16.079440%
Total Revenues		100.000000%
Less: Revenues Exempt from URT		<u>-16.079440%</u>
Portion of Revenues Subject to URT		<u>83.920560%</u>

EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073

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

	<u>Per Petitioner</u>	<u>Per OUCC</u>	<u>OUCC More (Less)</u>
Operating Revenues			
Water Sales			
Residential	\$ 1,873,085	\$ 2,625,043	\$ 751,958
Commercial	1,366,303	1,167,851	(198,452)
Industrial	362,807	380,346	17,539
Public Authorities	177,713	202,618	24,905
Sales for Resale	291,942	305,633	13,691
Fire Protection	686,092	362,896	(323,196)
Forfeited Discounts	26,979	26,979	-
Other Operating Income	67,194	67,194	-
	<u>4,852,115</u>	<u>5,138,560</u>	<u>286,445</u>
O&M Expense			
Salaries and Wages	1,027,839	1,027,839	-
Employee Benefits			
FICA	89,092	89,092	-
PERF	201,371	(200,111)	(401,482)
Health and Life Insurance	1,008,258	1,008,258	-
Workman's Compensation	(5,584)	(5,584)	-
Teamster's Scholarship Fund	55	55	-
Purchased Power		-	-
Chemicals		-	-
Materials and Supplies	23,438	23,438	-
Repairs and Maintenance	1,972,788	999,227	(973,561)
Contractual Services	155,203	155,203	-
Rents	131,852	131,852	-
Transportation		-	-
Insurance		-	-
Bad Debt Expense	22,222	26,008	3,786
Miscellaneous Expense		-	-
Non-Recurring Expenses	(203,567)	(203,567)	-
Reclassification of YE Adjustment	(450,858)	(450,858)	-
Additional Sewer O&M Expenses	625,579	625,579	-
Utility Receipts Tax	40,863	47,277	6,414
Total Operating Expenses	<u>4,638,551</u>	<u>3,273,708</u>	<u>(1,364,843)</u>
Net Operating Income	<u>\$ 213,564</u>	<u>\$ 1,864,852</u>	<u>\$1,651,288</u>



**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**COMPARATIVE BALANCE SHEET  
As of**

<b><u>ASSETS</u></b>	<b><u>September 30, 2017</u></b>	<b><u>December 31, 2017</u></b>	<b><u>December 31, 2016</u></b>	<b><u>December 31, 2015</u></b>
Utility Plant:				
Utility Plant in Service	\$ 204,501,974	\$ 214,872,592	\$ 203,136,342	\$ 178,412,977
Construction Work in Progress	14,135,068	13,355,858	9,175,354	23,887,919
Land and Land Improvements	432,435	432,435	432,435	432,435
Less: Accumulated Depreciation	(70,908,927)	(71,868,580)	(67,976,349)	(64,630,377)
Net Utility Plant in Service	<u>148,160,550</u>	<u>156,792,305</u>	<u>144,767,782</u>	<u>138,102,954</u>
Restricted Assets:				
Bond and Interest Fund	3,692,201	5,838,912	3,200,420	90,952
Debt Service Reserve	8,168,473	6,110,000	8,074,683	4,345,963
Construction Fund	36,523,233	21,450,000	41,583,296	12,391,463
Improvement funds	612,475	833,758	569,693	347,011
Periodic maintenance Fund	725,250	2,185,676	111,600	-
Cash with fiscal agent	98,184	292,979	97,609	-
Total Restricted Assets	<u>49,819,816</u>	<u>36,711,325</u>	<u>53,637,301</u>	<u>17,175,389</u>
Current Assets:				
Operating Cash	6,576,288	17,927,568	3,815,621	2,559,373
Customer Deposits	1,527,068	1,503,558	1,422,301	1,296,637
Assistance program	8,291	7,231	-	-
Accounts Receivable (Net of Allowance)				
Customer	2,083,380	1,785,257	1,775,977	1,623,491
Other	282,133	119,034	253,815	219,974
Interfund Receivable (Sewer Utility)	448,665	448,665	444,085	593,673
Materials and Supplies Inventory	962,221	1,063,509	962,221	867,855
Prepays	94,192	318,028	68,967	68,992
Interest Receivable	83,651	199,012	30,043	13,620
Other Current Assets	-	-	-	-
Total Current Assets	<u>12,065,889</u>	<u>23,371,862</u>	<u>8,773,030</u>	<u>7,243,615</u>
Deferred Debits				
Unamortized Debt Discount and Expense	2,502,333	2,217,867	2,365,145	1,550,893
Deferred Rate Case Expense	279,238	282,858	352,376	50,317
Defined Benefit Pension Deferred Outflows	2,821,084	1,689,158	2,821,084	2,357,549
Other Miscellaneous Deferred Debits	-	11,966	23,930	109,885
Total Deferred Debits	<u>5,602,655</u>	<u>4,201,849</u>	<u>5,562,535</u>	<u>4,068,644</u>
Total Assets	<u>\$ 215,648,910</u>	<u>\$ 221,077,341</u>	<u>\$ 212,740,648</u>	<u>\$ 166,590,602</u>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 44760**

**COMPARATIVE BALANCE SHEET  
As of**

<b><u>EQUITY AND LIABILITIES</u></b>	<b><u>September 30 2017</u></b>	<b><u>December 31 2017</u></b>	<b><u>December 31 2016</u></b>	<b><u>December 31 2015</u></b>
Equity				
Retained Earnings	\$ 39,988,362	\$ 39,362,522	\$ 34,190,476	\$ 32,192,601
Contributions in Aid of Construction	30,738,264	33,527,270	30,276,413	28,616,534
Long-term Debt				
Bonds Payable	128,800,000	128,800,000	131,930,000	93,355,000
Required Bonds	(2,574,424)	(2,510,331)	(2,766,703)	(1,019,036)
Other Long-term Debt (PILT)	702,956	702,956	702,956	702,956
Total Long-term Debt	<u>126,928,532</u>	<u>126,992,625</u>	<u>129,866,253</u>	<u>93,038,920</u>
Current Liabilities				
Accounts Payable	1,246,234	3,532,141	1,748,074	2,002,184
Bonds payable - Current	3,130,000	3,130,000	1,765,000	-
Bond Anticipation Note of 2016	-	-	1,050,000	-
Customer Deposits	1,553,172	1,534,463	1,435,969	1,323,223
Taxes Payable	194,171	94,259	159,244	133,909
Accrued Interest	1,345,213	2,690,425	1,437,987	-
Accrued Payroll and Withholdings payable	206,033	197,486	209,774	341,735
Compensated Absences	536,409	602,947	536,409	485,993
Net Pension Liability	5,867,096	5,938,565	5,867,096	5,214,330
Total Liabilities	<u>14,078,328</u>	<u>17,720,286</u>	<u>14,209,553</u>	<u>9,501,374</u>
Deferred Credits				
Unamortized Bond Premium (Discount)	3,161,445	3,109,621	3,443,974	2,662,294
Deferred Loss on Early Retirement	753,979	365,017	753,979	578,879
Total Deferred Credits	<u>3,915,424</u>	<u>3,474,638</u>	<u>4,197,953</u>	<u>3,241,173</u>
Total Liabilities and Equity	<u>\$ 215,648,910</u>	<u>\$ 221,077,341</u>	<u>\$ 212,740,648</u>	<u>\$ 166,590,602</u>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**COMPARATIVE INCOME STATEMENT  
Twelve Months Ended**

	<b>September 30, 2017</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Operating Revenues				
Water Sales				
Residential	\$ 13,696,042	\$ 14,049,944	\$ 11,160,679	\$ 11,188,398
Commercial	6,197,076	6,321,110	5,039,561	4,872,646
Industrial	2,120,285	2,346,366	1,980,803	2,032,302
Sales for Resale	1,655,288	1,495,034	1,262,611	1,180,019
Public Authorities	929,528	949,658	739,220	760,917
Fire Protection				
Public	3,447,899	3,591,481	2,827,979	2,763,376
Private	526,780	517,394	397,910	389,479
Late Fees	147,946	157,166	119,071	127,178
Other	457,282	330,330	432,628	487,501
Sewer Utility Portion of General Expenses	5,370,243	5,383,983	5,358,365	5,338,491
Total Operating Revenues	<u>34,548,369</u>	<u>35,142,466</u>	<u>29,318,827</u>	<u>29,140,307</u>
Operating Expenses				
Salaries and Wages	6,626,457	6,717,938	6,477,216	6,315,097
Employee Benefits	3,585,723	4,420,167	3,877,382	4,955,423
Purchased Power	1,331,344	1,307,991	1,278,248	1,125,963
Chemicals	1,096,964	975,310	1,236,254	1,206,901
Materials and Supplies	1,001,035	714,478	1,003,363	833,225
Repairs and Maintenance	2,341,209	-	(A) 1,652,894	1,871,403
Contractual Services	2,577,799	5,174,448	(A) 2,791,463	2,767,922
Rents	103,066	103,106	102,938	101,679
Transportation	276,125	300,872	296,713	364,229
Insurance	351,141	351,141	351,141	347,664
Bad Debt Expense	136,416	129,712	136,416	294,844
Miscellaneous Expense	359,318	264,858	319,941	320,513
Total O&M Expense	<u>19,786,597</u>	<u>20,460,021</u>	<u>19,523,969</u>	<u>20,504,863</u>
Depreciation Expense	3,845,446	3,892,231	3,484,574	3,331,192
Taxes Other than Income				
Payments in Lieu of Property Taxes	1,135,896	1,677,172	1,363,900	1,363,900
Utility Receipts Tax	354,798	351,599	284,320	292,027
Total Operating Expenses	<u>25,122,737</u>	<u>26,381,023</u>	<u>24,656,763</u>	<u>25,491,982</u>
Net Operating Income	9,425,632	8,761,443	4,662,064	3,648,325
Other Income (Expense)				
Interest Income	127,365	139,958	74,911	41,231
Other Income	479,467	111,684	594,306	221,544
Interest Expense	(3,740,016)	(3,579,771)	(3,137,713)	(2,652,326)
Interest Expense Amortization	(249,252)	(146,229)	(184,151)	(188,852)
Other Expense	(250)	-	(11,542)	(264,562)
Total Other Income (Expense)	<u>(3,382,686)</u>	<u>(3,474,358)</u>	<u>(2,664,189)</u>	<u>(2,842,965)</u>
Net Income	<u>\$ 6,042,946</u>	<u>\$ 5,287,085</u>	<u>\$ 1,997,875</u>	<u>\$ 805,360</u>

(A) As presented in Petitioner's 2017 IURC annual report. Comparable information to that presented for test year and calendar years 2016 and 2015 was unavailable.

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Operating and Maintenance Expenses by Application Category**

**Test Year Ended September 30, 2017**

	<b>Source of Supply</b>	<b>Treatment</b>	<b>Transmission &amp; Distribution</b>	<b>Customer Accounts</b>	<b>G&amp;A</b>	<b>Total</b>
<b><u>9/30/2017</u></b>						
Salaries and Wages		1,134,759	1,738,227	1,733,660	2,002,431	6,609,077
Board Members Salaries					17,380	17,380
Employee Benefits		592,218	1,080,402	899,339	1,013,764	3,585,723
Purchased Power	881,932	68,623	380,789			1,331,344
Chemicals		1,096,964	-			1,096,964
Materials and Supplies		150,959	449,795	306,400	93,881	1,001,035
Repairs and Maintenance	1,063,679	367,846	845,936	16,461	47,287	2,341,209
Contractual Services		60,017	163,123	65,500	2,289,159	2,577,799
Rents		-	-		103,066	103,066
Transportation		6,889	170,044	57,572	41,620	276,125
Insurance		-	-		351,141	351,141
Regulatory Commission Expense		-	-			-
Bad Debt Expense		-	-	136,416		136,416
Other		-	-	-	359,318	359,318
Total Operating Expenses	<u>1,945,611</u>	<u>3,478,275</u>	<u>4,828,316</u>	<u>3,215,348</u>	<u>6,319,047</u>	<u>19,786,597</u>
Utility Receipts Tax					354,798	354,798
Total Operating Expenses as Reported by Petitioner					<u>6,673,845</u>	<u>20,141,395</u>
Lab Expense		-				
Office Supplies		-	-	-		
Postage				-	3,714	
Office Expense					-	
Permits					63,000	
Other					292,604	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,318</u>	

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Operating and Maintenance Expenses by Application Category**

**Calendar Year 2016**

	<b>Source of Supply</b>	<b>Treatment</b>	<b>Transmission &amp; Distribution</b>	<b>Customer Accounts</b>	<b>G&amp;A</b>	<b>Total</b>
Salaries and Wages		1,090,324	1,748,562	1,853,465	1,769,125	6,461,476
Board Members Salaries					15,740	15,740
Employee Benefits		640,344	1,093,921	1,131,884	1,011,233	3,877,382
Purchased Power	842,041	64,469	371,738			1,278,248
Chemicals		1,236,254				1,236,254
Materials and Supplies		11,601	581,312	345,967	64,483	1,003,363
Repairs and Maintenance	419,892	382,683	827,386	4,254	18,679	1,652,894
Contractual Services		258,378	115,704	66,025	2,351,356	2,791,463
Rents					102,938	102,938
Transportation		19,098	156,788	77,525	43,302	296,713
Insurance					351,141	351,141
Regulatory Commission Expense						-
Bad Debt Expense				136,416		136,416
Other	-	-	-	-	319,941	319,941
Total Operating Expenses	<u>1,261,933</u>	<u>3,703,151</u>	<u>4,895,411</u>	<u>3,615,536</u>	<u>6,047,938</u>	<u>19,523,969</u>
Utility Receipts Tax					284,320	284,320
Total Operating Expenses as Reported by Petitioner					<u>6,332,258</u>	<u>19,808,289</u>
Lab Expense		-				
Office Supplies		-	-			
Postage				-	2,727	
Office Expense				-	-	
Permits					61,200	
Other					256,014	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,941</u>	

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Operating and Maintenance Expenses by Application Category**

**Calendar Year 2015**

	<b>Source of Supply</b>	<b>Treatment</b>	<b>Transmission &amp; Distribution</b>	<b>Customer Accounts</b>	<b>G&amp;A</b>	<b>Total</b>
Salaries and Wages		1,076,331	1,595,137	1,893,937	1,733,952	6,299,357
Board Members Salaries					15,740	15,740
Employee Benefits		838,692	1,227,225	1,548,586	1,340,920	4,955,423
Purchased Power	725,024	68,708	332,231			1,125,963
Chemicals		1,206,901				1,206,901
Materials and Supplies		16,050	317,568	403,057	96,550	833,225
Repairs and Maintenance	646,784	226,442	979,028	8,247	10,902	1,871,403
Contractual Services		285,465	201,021	164,871	2,116,565	2,767,922
Rents					101,679	101,679
Transportation		18,868	209,116	98,933	37,312	364,229
Insurance					347,664	347,664
Regulatory Commission Expense						-
Bad Debt Expense				294,844		294,844
Other	-	-	-	-	320,513	320,513
Total Operating Expenses	<u>1,371,808</u>	<u>3,737,457</u>	<u>4,861,326</u>	<u>4,412,475</u>	<u>6,121,797</u>	<u>20,504,863</u>
Utility Receipts Tax					292,027	292,027
Total Operating Expenses as Reported by Petitioner					<u>6,413,824</u>	<u>20,796,890</u>
Lab Expense		-				
Office Supplies		-	-	-		
Postage				-	2,317	
Office Expense					-	
Permits					63,000	
Other					255,196	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,513</u>	

EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073

Pro Forma Net Operating Income Statement - Phase I

	Year Ended September 30 2017	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Phase I Pro Forma Proposed Rates
Operating Revenues							
Residential Water Sales	\$ 13,696,042	\$ 2,625,043	5-Sum	\$ 16,321,085	441,084		\$ 16,762,169
Commercial Water Sales	6,197,076	1,167,851	5-Sum	7,364,927	199,039		7,563,966
Industrial Water Sales	2,120,285	380,346	5-Sum	2,500,631	67,580		2,568,211
Public Authorities Water Sales	1,655,288	202,618	5-Sum	1,857,906	50,210		1,908,116
Sales for Resale	929,528	305,633	5-Sum	1,235,161	33,381		1,268,542
Fire Protection							
Public Fire Protection - Inside	2,208,288	415,052	PET	2,623,340	70,897		2,694,237
Public Fire Protection - Outside	1,239,611	(134,963)	5-4	1,104,648	29,853		1,134,501
Private Fire Protection	526,780	82,807	PET	609,587	16,474		626,061
Late Fees	147,946	26,979	5-Sum	174,925	4,727		179,652
Other Operating Revenues	457,282	67,194	PET	524,476			524,476
Total Operating Revenues	29,178,126	5,138,560		34,316,686	913,245	1	35,229,931
O&M Expense							
Salaries and Wages	6,626,457	1,027,839	PET	7,654,296			7,654,296
Employee Benefits	3,585,723			4,477,433			4,477,433
FICA		89,092	PET				
PERF		(200,111)	6-1				
Health and Life Insurance		1,008,258	PET				
Workman's Compensation		(5,584)	PET				
Teamster's Scholarship Fund		55	PET				
Purchased Power	1,331,344			1,331,344			1,331,344
Chemicals	1,096,964			1,096,964			1,096,964
Materials and Supplies	1,001,035	23,438	PET	1,024,473			1,024,473
Repairs and Maintenance	2,341,209	999,227	6-2	3,340,436			3,340,436
Contractual Services	2,577,799	155,203	PET	2,733,002			2,733,002
Rents	103,066	131,852	PET	234,918			234,918
Transportation	276,125			276,125			276,125
Insurance	351,141			351,141			351,141
Bad Debt Expense	136,416	26,008	6-3	162,424	4,391	1	166,815
Miscellaneous Expense	359,318			330,472			330,472
Non-Recurring Expenses		(203,567)	PET				
Reclassification of YE Adjustment		(450,858)	PET				
Additional Sewer O&M Expenses		625,579	PET				
Depreciation Expense	3,845,446			3,845,446			3,845,446
Taxes Other than Income							
Payment in Lieu of Property Taxes	1,135,896	746,404	PET	1,882,300			1,882,300
Utility Receipts Tax	354,798	47,277	6-4	402,075	10,678	1	412,753
Total Operating Expenses	25,122,737	4,020,112		29,142,849	15,069		29,157,918
Net Operating Income	\$ 4,055,389	\$ 1,118,448		\$ 5,173,837	\$ 898,176		\$ 6,072,013

EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073

Pro Forma Net Operating Income Statement - Phase II

	Phase I Pro Forma Proposed Rates	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Phase II Pro Forma Proposed Rates
Operating Revenues							
Residential Water Sales	\$ 16,762,169			\$ 16,762,169	1,735,804		\$ 18,497,973
Commercial Water Sales	7,563,966			7,563,966	913,449		8,477,415
Industrial Water Sales	2,568,211			2,568,211	310,145		2,878,356
Public Authorities Water Sales	1,908,116			1,908,116	230,430		2,138,546
Sales for Resale	1,268,542			1,268,542	153,193		1,421,735
Fire Protection							
Public Fire Protection - Inside	2,694,237			2,694,237	325,365		3,019,602
Public Fire Protection - Outside	1,134,501			1,134,501	137,006		1,271,507
Private Fire Protection	626,061			626,061	75,605		701,666
Late Fees	179,652			179,652	310,145		489,797
Other Operating Revenues	524,476			524,476			524,476
Total Operating Revenues	35,229,931	-		35,229,931	4,191,142	1	39,421,073
O&M Expense							
Salaries and Wages	7,654,296			7,654,296			7,654,296
Employee Benefits	4,477,433			4,477,433			4,477,433
Purchased Power	1,331,344			1,331,344			1,331,344
Chemicals	1,096,964			1,096,964			1,096,964
Materials and Supplies	1,024,473			1,024,473			1,024,473
Repairs and Maintenance	3,340,436			3,340,436			3,340,436
Contractual Services	2,733,002			2,733,002			2,733,002
Rents	234,918			234,918			234,918
Transportation	276,125			276,125			276,125
Insurance	351,141			351,141	20,153	1	371,294
Bad Debt Expense	166,815			166,815			166,815
Miscellaneous Expense	330,472			330,472			330,472
Depreciation Expense	3,845,446			3,845,446			3,845,446
Taxes Other than Income							
Payment in Lieu of Taxes	1,882,300	626,800	PET	2,509,100			2,509,100
Utility Receipts Tax	412,753			412,753	49,004	1	461,757
Total Operating Expenses	29,157,918	626,800		29,784,718	69,157		29,853,875
Net Operating Income	\$ 6,072,013	\$ (626,800)		\$ 5,445,213	\$ 4,121,985		\$ 9,567,198



EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073

Pro Forma Net Operating Income Statement - Phase III

	Phase II Pro Forma Proposed Rates	Adjustments	Sch Ref	Pro Forma Present Rates	Adjustments	Sch Ref	Phase III Pro Forma Proposed Rates
Operating Revenues							
Residential Water Sales	\$ 18,497,973			\$ 18,497,973	1,463,720		\$ 19,961,693
Commercial Water Sales	8,477,415			8,477,415	670,807		9,148,222
Industrial Water Sales	2,878,356			2,878,356	227,760		3,106,116
Public Authorities Water Sales	2,138,546			2,138,546	169,220		2,307,766
Sales for Resale	1,421,735			1,421,735	112,500		1,534,235
Fire Protection							
Public Fire Protection - Inside	3,019,602			3,019,602	238,937		3,258,539
Public Fire Protection - Outside	1,271,507			1,271,507	100,613		1,372,120
Private Fire Protection	701,666			701,666	55,522		757,188
Late Fees	489,797			489,797	38,757		528,554
Other Operating Revenues	524,476			524,476			524,476
Total Operating Revenues	39,421,073	-		39,421,073	3,077,836	1	42,498,909
O&M Expense							
Salaries and Wages	7,654,296			7,654,296			7,654,296
Employee Benefits	4,477,433			4,477,433			4,477,433
Purchased Power	1,331,344			1,331,344			1,331,344
Chemicals	1,096,964			1,096,964			1,096,964
Materials and Supplies	1,024,473			1,024,473			1,024,473
Repairs and Maintenance	3,340,436			3,340,436			3,340,436
Contractual Services	2,733,002			2,733,002			2,733,002
Rents	234,918			234,918			234,918
Transportation	276,125			276,125			276,125
Insurance	371,294			371,294	14,799	1	386,093
Bad Debt Expense	166,815			166,815			166,815
Miscellaneous Expense	330,472			330,472			330,472
Depreciation Expense	3,845,446			3,845,446			3,845,446
Taxes Other than Income							
Payroll Taxes	2,509,100	603,800	PET	3,112,900			3,112,900
Utility Receipts Tax	461,757			461,757	35,987	1	497,744
Total Operating Expenses	29,853,875	603,800		30,457,675	50,786		30,508,461
Net Operating Income	\$ 9,567,198	\$ (603,800)		\$ 8,963,398	\$ 3,027,050		\$ 11,990,448

		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Authority</b>	<b>Sales for Resale</b>	<b>Fire Protection</b>	<b>Late Fees</b>	<b>Total</b>
	Test Year Revenues	\$ 13,696,042	\$ 6,197,076	\$ 2,120,285	\$ 929,528	\$ 1,655,288	\$ 3,974,679	\$ 147,946	\$ 28,720,844
PET	CN 44760 Phase I	469,210	248,648	72,674	26,133	64,366	-	5,457	886,488
5-1	CN 44760 Phase II	1,987,385	904,335	307,672	134,079	241,267	-	21,522	3,596,260
5-2	Growth Normalization	168,448							168,448
PET	Growth Normalization		14,868	-		-	497,859	-	512,727
5-3	Growth Normalization				42,406				42,406
5-4	Growth Normalization						(134,963)		(134,963)
	Total Adjustments	<u>2,625,043</u>	<u>1,167,851</u>	<u>380,346</u>	<u>202,618</u>	<u>305,633</u>	<u>362,896</u>	<u>26,979</u>	<u>5,071,366</u>
	Sub-total	<u>\$ 16,321,085</u>	<u>\$ 7,364,927</u>	<u>\$ 2,500,631</u>	<u>\$ 1,132,146</u>	<u>\$ 1,960,921</u>	<u>\$ 4,337,575</u>	<u>\$ 174,925</u>	<u>\$ 33,792,210</u>
		16,152,637							
	Other Operating Revenues								524,476
	<i>Pro forma</i> Operating Revenues								<u>\$ 34,316,686</u>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Revenue Adjustments**

(1)

**Revenue Adjustment for Phase II of Cause No. 44760**

To adjust test year metered operating revenues for a full year of the Phase II 14.03% rate increase effective January 1, 2018.

	<u>Test Year</u>	<u>CN 44760 Phase I Adj.</u>	<u>Normalized Revenues</u>		<u>Phase II Adjustment</u>
Residential	\$ 13,696,042	\$ 469,210	\$ 14,165,252	14.03%	\$ 1,987,385
Commercial	6,197,076	248,648	6,445,724	14.03%	904,335
Industrial	2,120,285	72,674	2,192,959	14.03%	307,672
Public Authority	929,528	26,133	955,661	14.03%	134,079
Sales for Resale	1,655,288	64,366	1,719,654	14.03%	241,267
Late Fees	147,946	5,457	153,403	14.03%	21,522
Totals	<u>\$ 24,746,165</u>	<u>\$ 886,488</u>	<u>\$ 25,632,653</u>		<u>\$ 3,596,260</u>
<b>Adjustment Increase (Decrease)</b>					<b><u>\$ 3,596,260</u></b>

(2)

**Residential Customer Growth Adjustment**

To adjust operating revenues to reflect test year Residential customer growth.

		<u>Consumption</u>	<u>Billings</u>	<u>Bills Remaining</u>		<u>Additional Monthly Bills</u>
October	2016	243,142	59,238			
November	2016	210,818	58,985	(253)	1	(253)
December	2016	192,216	58,618	(367)	2	(734)
January	2017	191,009	58,518	(100)	3	(300)
February	2017	165,704	58,432	(86)	4	(344)
March	2017	202,425	58,307	(125)	5	(625)
April	2017	173,638	58,403	96	6	576
May	2017	185,799	58,651	248	7	1,736
June	2017	261,089	59,028	377	8	3,016
July	2017	258,359	59,296	268	9	2,412
August	2017	285,357	59,296	-	10	-
September	2017	226,570	59,465	169	11	1,859
Totals		<u>2,596,126</u>	<u>706,237</u>	<u>227</u>		<u>7,343</u>
		<b>(A)</b>	<b>(B)</b>			

Times Average Monthly Billing \$ 22.94 <sup>(1)</sup>

**Adjustment Increase (Decrease) \$ 168,448**

Monthly Service Charge (5/8")	\$ 6.47	Total Test Year Consumption	2,596,126 <sup>(A)</sup>
Volumetric Charge at \$4.48 per thousand gallons	16.47	Divided by Total Test Year Billings	706,237 <sup>(B)</sup>
Average Monthly Billing	<u>\$ 22.94</u> <sup>(1)</sup>	Average Monthly consumption	<u>3.676</u> <sup>(A) / (B)</sup>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Revenue Adjustments**

(3)

**Public Authority Customer Growth Adjustment**

To adjust operating revenues to reflect test year Public Authority customer growth.

		<u>Consumption</u>	<u>Billings</u>	<u>Bills Remaining</u>		<u>Additional Monthly Bills</u>
October	2016	28,368	217			
November	2016	26,793	217	-	1	-
December	2016	20,132	217	-	2	-
January	2017	19,178	220	3	3	9
February	2017	19,034	225	5	4	20
March	2017	21,139	233	8	5	40
April	2017	21,161	236	3	6	18
May	2017	28,467	235	(1)	7	(7)
June	2017	35,023	234	(1)	8	(8)
July	2017	47,789	234	-	9	-
August	2017	35,237	235	1	10	10
September	2017	32,356	236	1	11	11
Totals		<u>334,677</u>	<u>2,739</u>	<u>19</u>		<u>93</u>
		(A)	(B)			

Times Average Monthly Billing

\$ 455.98 <sup>(1)</sup>

**Adjustment Increase (Decrease)**

**\$ 42,406**

Monthly Service Charge (5/8")	\$ 7.70	Total Test Year Consumption	334,677 <sup>(A)</sup>
Volumetric Charge at \$4.48 per thousand gallons	89.60	Divided by Total Test Year Billings	<u>2,739</u> <sup>(B)</sup>
Volumetric Charge at \$3.51 per thousand gallons	358.68	Average Monthly consumption	<u>122.189</u> <sup>(A)/(B)</sup>
Average Monthly Billing	<u>\$ 455.98</u> <sup>(1)</sup>		

(4)

**Public Fire Protection - Outside City Limits**

To adjust test year public fire protection revenues changed to customers outside the city limits to reflect the current number of connections and to eliminate the surcharge.

<u>Fire Protection Charge Per Meter Size and Customer Count as of 1/17/2018</u>	<u>Current Tariff</u>	<u>Revenue Per Month</u>	<u>Monthly Revenue Annualized</u>
5/8 inch meter 18,936	\$ 3.67	\$ 69,495	\$ 833,940
1 inch meter 1,068	7.89	8,427	101,124
1 1/2 inch meter 3	14.57	44	528
2 inch meter 269	23.35	6,281	75,372
3 inch meter 4	51.07	204	2,448
4 inch meter 51	78.81	4,019	48,228
6 inch meter 24	149.32	3,584	43,008
Totals		<u>\$ 92,054</u>	<u>\$ 1,104,648</u>

Less: Test Year Public Fire Protection - Outside City Limits

1,239,611

**Adjustment Increase (Decrease)**

**\$ (134,963)**

Current Tariff for inside city limits public fire protection to reflect elimination of outside city limits surcharge.

# EVANSVILLE MUNICIPAL WATER CAUSE NUMBER 45073

## OUCC Expense Adjustments

### (1) PERF

To adjust test year PERF expense to reflect *pro forma* salaries and wages expense, which includes an increase in PERF rate to 14.20%.

<i>Pro forma</i> Salaries and Wages Expense	\$ 7,654,296	
Less: Payroll Applicable to Board Members	<u>10,000</u>	
Net Salaries and Wages Expense	\$ 7,644,296	
Times: PERF Rate of 14.20% (11.2% + 3.0%)	<u>14.20%</u>	
<i>Pro forma</i> PERF Expense		\$ 1,085,490
Less: Test Year PERF Expense		<u>1,285,601</u>
Adjustment Increase (Decrease)		<u><u>\$ (200,111)</u></u>

### (2) Periodic Maintenance

To adjust the test year to allow for periodic maintenance expense.

<u>Pump Maintenance</u>	<u>Number of Pumps</u>	<u>Serviced Per Year</u>	<u>Interval of Service</u>	<u>Average Cost Each</u>		<u>Annual Cost</u>
High Service Pumps	7	4	1.75	\$ 35,714	\$	62,500
Low Service Pumps	6	4	1.50	48,000		<u>72,000</u>
Annual Pump Maintenance					\$	134,500
<u>Filter Media</u>						
Filter Media Replacement	24	2.4	10.00	112000		268,800
<u>Dredging in Front of Intake Structure</u>				(per Petitioner)		236,580
<u>Tank Maintenance</u>				(per Petitioner)		514,309
<u>Booster Stations</u>						
(3 pumps per year @ \$20,637 Each)						
<u>Traveling Screens Maintenance</u>				(per Petitioner)		61,680
<u>Leak Detection and Distribution System Maintenance</u>				(per Petitioner)		<u>492,883</u>
Pro forma Periodic Maintenance Expense					\$	1,708,752
Less: Test Year Periodic Maintenance Expense						<u>709,525</u>
Adjustment Increase (Decrease)					\$	<u><u>999,227</u></u>

# **EVANSVILLE MUNICIPAL WATER CAUSE NUMBER 45073**

## **OUCC Expense Adjustments**

**(3)**

### **Bad Debt Expense**

To adjust operating and maintenance expenses for bad debt expense on additional present rate water sales revenues.

Test Year Residential Water Sales	\$ 13,696,042
Test Year Commercial Water Sales	<u>6,197,076</u>
Total	19,893,118
Divide by: Test Year Bad Debt Expense	<u>136,416</u>
Bad Debt Expense Rate	<u><u>0.6857%</u></u>

#### Adjustments to Test Year Operating Revenues

Residential	\$ 2,625,043
Commercial	<u>1,167,851</u>

Increase in Residential and Commercial Revenues	\$ 3,792,894
Times: Bad Debt % for Test Year	<u>0.6857%</u>

**Adjustment Increase (Decrease) \$ 26,008**

**(4)**

### **Utility Receipts Tax**

To adjust the test year to normalize Utility Receipts Tax expense.

Normalized Operating Revenues for Test Year Ended 9/30/2017	\$ 34,316,686
Less: Exemption	(1,000)
Bad Debt Expense	(162,424)
Sales for Resale	(1,235,161)
Other Exempt Sales	<u>(4,198,437)</u>
<i>Pro forma</i> Revenues Subject to URT	\$ 28,719,664
Times: URT Rate	<u>1.40%</u>
<i>Pro forma</i> URT Expense	402,075
Less: Test Year URT Expense	<u>354,798</u>

**Adjustment Increase (Decrease) \$ 47,277**

EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073

Extension and Replacements

	Phase I	Phase II	Phase III	Total
<b><u>Distribution System</u></b> (see page 2 of 2 for details)	\$ 2,952,500	\$ 2,952,500	\$ 2,952,500	\$ 8,857,500
<b><u>Treatment Plant</u></b>				
Filter Backwash System - Replace main in/out of floodwall to tanks	787,000			
Line 36" outfall #4 sewer and below existing filter buildings	88,000			
Enclose Filters 13-20 at Gallery Access, Relocate 1.5 MG clearwell vent	66,000			
	941,000	-	-	941,000
<b><u>Other Capital Improvement Projects</u></b>				
Enclose Switch Gear Housing	70,000			
Pump Replacement			130,000	
Add VFD for pump #1 on Campground Booster			33,000	
	70,000	-	163,000	233,000
<b><u>Annual Capital Improvement Projects</u></b>				
Annual Blow-offs	41,400	42,600	43,900	
Distribution System Improvements	268,000	268,000	268,000	
Engineering Equipment	36,540	37,700	38,830	
Hydrant Replacement Program	275,000	275,000	275,000	
Operations Equipment	360,948	500,632	649,596	
Surveying Equipment	-	53,350	-	
Annual Resetters	45,672	45,672	45,672	
Residential Meters	494,888	648,970	826,583	
Industrial Meters	366,000	377,000	388,000	
Valve Replacement Program	113,000	113,000	113,000	
Annual Vehicles	477,914	646,520	390,120	
Annual Capital On-Call CES/RPR	-	-	-	
New Service Connections	-	-	-	
	2,479,362	3,008,444	3,038,701	8,526,507
<b>Total Annual Extensions and Replacements</b>	<b>\$ 6,442,862</b>	<b>\$ 5,960,944</b>	<b>\$ 6,154,201</b>	<b>\$18,558,007</b>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Extension and Replacements**

	<u>Phase I</u>	<u>Phase II</u>	<u>Phase III</u>	<u>Total</u>
New Harmony Road, Allens Lane to Harmony Way	\$ -	\$ -	\$ -	
Ingle Ave, Forest to Marion		477,400		
Kerth Avenue, St. George to Christ		590,300		
Rosewood Drive, Weaver to Herman and Karch Drive east of Herman		402,100		
Gayne Street, West of Van Ness		-		
Schmitt Lane, east of Oak Hill		513,300		
Peerless Road, Upper Mt Vernon to Moya			2,203,000	
Covert Ave - Phase II and Wedge Ave.			1,718,400	
320' of new 8" main on Kathleen Ave	167,000			
Inglefield Road	490,000			
Install new 8" on Dexter and Jackson Ave.	300,000			
Replace 8" on Lake Dr.		384,000		
Replace water main on Cardinal Drive		288,000		
Replace water main on Wall Street		160,000		
Virginia Avenue		338,000		
1100 of 8" to replace existing 2" along Helfrich Avenue			200,000	
2,600 of 8" to replace existing 6" along Alvord and Columbia			338,000	
1100 of 8" to replace existing 2" and 4" along Washington Avenue			253,000	
Southeast Blvd- Phase I Tie-in at Powell			35,000	
Total Distribution System Projects	<u>957,000</u>	<u>3,153,100</u>	<u>4,747,400</u>	<u>8,857,500</u>
Distribution System Projects - Annual Three-Year Average				<u>\$ 2,952,500</u>



**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Debt Service**

To reflect the average amount of exiting and new debt service required for Phase I, Phase II & Phase III.

	<b>Phase I 2020</b>	<b>Phase II 2021</b>	<b>Phase III 2022</b>
2013A District Revenue Bonds	\$ 1,358,325	1,356,525	1,359,155
2013C District Revenue Bonds	969,781	977,281	1,128,086
2014B Refunding Bonds	2,579,000	2,583,000	2,085,100
2016A Bonds	3,092,200	3,084,401	2,906,481
2016B Bonds	2,134,594	2,131,294	2,655,373
2018 Proposed SRF	531,250	3,203,750	5,441,250
2018 Open Market	1,136,486	2,199,825	2,250,325
	<u><u>\$ 11,801,636</u></u>	<u><u>\$ 15,536,076</u></u>	<u><u>\$17,825,770</u></u>

**EVANSVILLE MUNICIPAL WATER  
CAUSE NUMBER 45073**

**Revenue Requirement Offsets**

<b>PHASE I</b>				
	<b>Test Year</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b>Phase I</b>
Interest Income	\$ 127,365	\$ 76,055	PET	\$ 577,525
		374,105	ERK	
Other Operating Revenues	457,282	67,194	PET	524,476
Other Non-Operating Income	479,467	(101,539)	PET	377,928
Sewer Portion of General Expenses	5,370,243	2,001,343	PET	7,371,586
Fixed Capacity Payments from Wholesaler	-			-
	<u>\$ 6,434,357</u>	<u>\$ 2,417,158</u>		<u>\$ 8,851,515</u>

<b>PHASE II</b>				
	<b>Phase I</b>	<b>Adjustments</b>	<b>Ref</b>	<b>Phase II</b>
Interest Income	\$ 577,525	\$ (242,663)	ERK	\$ 334,862
Other Operating Income	524,476	-		524,476
Other Non-Operating Income	377,928	-		377,928
Sewer Portion of General Expenses	7,371,586	-		7,371,586
Fixed Capacity Payments from Wholesaler	-	-		-
	<u>\$ 8,851,515</u>	<u>\$ (242,663)</u>		<u>\$ 8,608,852</u>

<b>PHASE III</b>				
	<b>Phase II</b>	<b>Adjustments</b>	<b>Sch Ref</b>	<b>Phase III</b>
Interest Income	\$ 334,862	\$ (131,442)	ERK	\$ 203,420
Other Operating Income	524,476	-		524,476
Other Non-Operating Income	377,928	-		377,928
Sewer Portion of General Expenses	7,371,586	-		7,371,586
Fixed Capacity Payments from Wholesaler	-	191,144	PET	191,144
	<u>\$ 8,608,852</u>	<u>\$ 59,702</u>		<u>\$ 8,668,554</u>

**Evansville Municipal Water**  
**CAUSE NUMBER. 45073**

**Schedule of Rates and Charges**

				<b>Petitioner</b>			<b>OUCC</b>			<b>OUCC More (Less)</b>		
				<b>Phase I</b>	<b>Phase II</b>	<b>Phase II</b>	<b>Phase I</b>	<b>Phase II</b>	<b>Phase II</b>	<b>Phase I</b>	<b>Phase II</b>	<b>Phase II</b>
(A)	<b><u>Monthly Service Charge</u></b>											
	5/8-3/4	Inch Meter	\$ 6.47	\$ 7.69	\$ 8.88	\$ 9.59	\$ 6.64	\$ 7.44	\$ 8.03	\$ (1.05)	\$ (1.44)	\$ (1.56)
	1	Inch Meter	7.70	9.16	10.58	11.43	7.91	8.87	9.57	(1.25)	(1.71)	(1.86)
	1 1/4	Inch Meter	8.50	10.11	11.68	12.61	8.73	9.78	10.55	(1.38)	(1.90)	(2.06)
	1 1/2	Inch Meter	9.09	10.81	12.49	13.49	9.34	10.47	11.30	(1.47)	(2.02)	(2.19)
	2	Inch Meter	12.44	14.79	17.08	18.45	12.78	14.32	15.45	(2.01)	(2.76)	(3.00)
	3	Inch Meter	37.77	44.91	51.87	56.02	38.79	43.48	46.92	(6.12)	(8.39)	(9.10)
	4	Inch Meter	47.12	56.03	64.71	69.89	48.39	54.24	58.53	(7.64)	(10.47)	(11.36)
	6	Inch Meter	68.97	82.01	94.72	102.30	70.83	79.39	85.67	(11.18)	(15.33)	(16.63)
	8	Inch Meter	93.94	111.69	129.00	139.32	96.48	108.13	116.68	(15.21)	(20.87)	(22.64)
	10	Inch Meter	121.99	145.05	167.53	180.93	125.29	140.43	151.54	(19.76)	(27.10)	(29.39)
(B)	<b><u>Volume Charge (per Thousand Gallons)</u></b>											
	First	20,000 Gallons	\$ 4.48	\$ 5.33	\$ 6.16	\$ 6.65	\$ 4.60	\$ 5.16	\$ 5.57	\$ (0.73)	\$ (1.00)	\$ (1.08)
	Next	280,000 Gallons	3.51	4.17	4.82	5.21	3.60	4.03	4.35	(0.57)	(0.79)	(0.86)
	Next	700,000 Gallons	3.17	3.77	4.35	4.70	3.26	3.65	3.94	(0.51)	(0.70)	(0.76)
	Next	2,000,000 Gallons	2.79	3.32	3.83	4.14	2.87	3.22	3.47	(0.45)	(0.61)	(0.67)
	Over	3,000,000 Gallons	2.11	2.51	2.90	3.13	2.17	2.43	2.62	(0.34)	(0.47)	(0.51)

Evansville Municipal Water  
CAUSE NUMBER. 45073

Schedule of Rates and Charges

(C) Public Fire Protection Charges

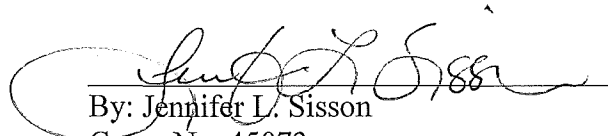
		Petitioner			OUCG			OUCG More (Less)		
		Phase I	Phase II	Phase II	Phase I	Phase II	Phase II	Phase I	Phase II	Phase II
5/8"	\$ 3.67	\$ 4.46	\$ 5.15	\$ 5.56	\$ 3.77	\$ 4.23	\$ 4.56	\$ (0.69)	\$ (0.92)	\$ (1.00)
1"	7.89	11.15	12.88	13.91	8.10	9.08	9.80	(3.05)	(3.80)	(4.11)
1 1/2"	14.57	22.32	25.78	27.84	14.96	16.77	18.10	(7.36)	(9.01)	(9.74)
2	23.35	35.71	41.25	44.55	23.98	26.88	29.01	(11.73)	(14.37)	(15.54)
3	51.07	66.95	77.33	83.52	52.45	58.79	63.44	(14.50)	(18.54)	(20.08)
4	78.81	111.58	128.87	139.18	80.94	90.72	97.90	(30.64)	(38.15)	(41.28)
6	149.32	223.16	257.75	278.37	153.36	171.89	185.49	(69.80)	(85.86)	(92.88)

(D) Private Fire Protection Charges, each per annum:

		Petitioner			OUCG			OUCG More (Less)		
		Phase I	Phase II	Phase II	Phase I	Phase II	Phase II	Phase I	Phase II	Phase II
1"	\$ 5.52	\$ 6.56	\$ 7.58	\$ 8.19	\$ 5.67	\$ 6.35	\$ 6.85	\$ (0.89)	\$ (1.23)	\$ (1.34)
2"	30.64	36.43	42.08	45.45	31.47	35.27	38.06	(4.96)	(6.81)	(7.39)
3"	84.72	100.73	116.34	125.65	87.01	97.52	105.23	(13.72)	(18.82)	(20.42)
4"	173.58	206.39	238.38	257.45	178.27	199.81	215.61	(28.12)	(38.57)	(41.84)
6"	477.98	569.32	656.41	708.92	490.90	550.20	593.72	(78.42)	(106.21)	(115.20)
8"	981.46	1,166.96	1,347.84	1,455.67	1,007.98	1,129.74	1,219.10	(158.98)	(218.10)	(236.57)
10"	1,714.24	2,038.23	2,354.16	2,542.49	1,760.57	1,973.25	2,129.33	(277.66)	(380.91)	(413.16)
12"	2,704.31	3,215.42	3,713.81	4,010.91	2,777.39	3,112.90	3,359.13	(438.03)	(600.91)	(651.78)

**AFFIRMATION**

I affirm the representations I made in the foregoing testimony are true to the best of my knowledge, information, and belief.

  
By: Jennifer L. Sisson  
Cause No. 45073  
Indiana Office of  
Utility Consumer Counselor

7.20.18  
\_\_\_\_\_  
Date: