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Duo SNK

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
STUCKER FORK CONSERVANCY) CAUSE NO: 44987
DISTRICT FOR APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES) APPROVED: JUL 25 2018
FOR WATER SERVICE)

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Loraine L. Seyfried, Chief Administrative Law Judge

On September 26, 2017, Stucker Fork Conservancy District (“Petitioner” or “Stucker Fork”) filed its Petition with the Indiana Utility Regulatory Commission (“Commission”) in this matter. On the same day, Stucker Fork also filed its direct testimony and exhibits, which it later supplemented and amended on February 1, 2018.

On October 10, 2017, Morgan Foods, Inc. (“Morgan Foods”) filed its Petition to Intervene, which was granted in an October 24, 2017 Docket Entry.

On March 7, 2018, the Indiana Office of Utility Consumer Counselor (“OUCC”) and Morgan Foods filed their respective direct testimony and exhibits. On March 21, 2018, Stucker Fork filed its rebuttal testimony and exhibits.

On April 25, 2018, Stucker Fork, the OUCC, and Morgan Foods filed their Joint Stipulation and Settlement Agreement. On May 1, 2018, Stucker Fork filed its settlement testimony and exhibit which was followed by the filing of the settlement testimony and exhibits of the OUCC and Morgan Foods on May 2, 2018.

An evidentiary hearing was held in this Cause on June 4, 2018, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Stucker Fork, Morgan Foods, and the OUCC were present and participated. The filings of the parties were offered and admitted into the record without objection.

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

- 1. Statutory Notice and Commission Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Stucker Fork is a conservancy district that has elected to furnish water under Ind. Code ch. 14-33-20. Pursuant to Ind. Code § 14-33-20-14, the Commission has jurisdiction over changes to Stucker Fork’s rates and charges for the provision of water service. Therefore, the Commission has jurisdiction over Stucker Fork and the subject matter of this Cause.

2. **Petitioner's Characteristics.** Stucker Fork is a conservancy district, duly established by an April 9, 1964 Order of the Scott County Circuit Court for the purpose of providing water service to customers within its service area. Stucker Fork uses wells and surface water, water treatment and transmission facilities, elevated storage tanks, land, land rights, equipment, distribution mains, and other property to provide service to 7,576 customers located in Scott, Jefferson, Jackson, Jennings, Washington, and Clark Counties. Stucker Fork's existing rates and charges were established by the Commission's December 14, 2016 Order in Cause No. 44687.

3. **Relief Requested.** Stucker Fork requests approval to adjust its rates and charges for water service on an across-the-board basis. In its February 1, 2018 supplemental testimony and amended exhibit, Stucker Fork requested an increase to its annual revenue requirement of 39.22% or \$1,436,580, for a total net revenue requirement of \$5,099,709.

4. **Test Year.** The test year for determining Stucker Fork's actual and pro forma operating revenues, expenses, and operating income under present and proposed rates is the 12 months ended December 31, 2016, adjusted for changes that are fixed, known, and measurable for ratemaking purposes and that occur within the 12 months following the end of the test year.

5. **Stucker Fork's Direct Evidence.**

A. **John W. Wetzel, P.E.** Mr. Wetzel, Senior Project Engineer with Midwestern Engineers, Inc. ("Midwestern"), addressed Stucker Fork's current water supply and distribution system and its anticipated capital and periodic maintenance needs. Mr. Wetzel described how his firm has assisted Stucker Fork for more than 50 years. He explained that Stucker Fork's service area now extends over 420 square miles and includes approximately 7,576 residential, agricultural, commercial, industrial, and wholesale customers in Scott, Jefferson, Jackson, Jennings, Washington, and Clark Counties.

Mr. Wetzel discussed Morgan Foods usage and explained how Morgan Foods has migrated over the last 18 years from using Stucker Fork only as a backup supply to now using Stucker Fork as its sole source of supply. He testified that Morgan Foods' usage at the time of Stucker Fork's last rate case (i.e., Cause No. 44687) had expanded to the point where Morgan Foods was using approximately 1.2 million gallons per day, which was almost 30% of Stucker Fork's total usage at that time. Mr. Wetzel stated, however, that water usage by all Stucker Fork's customers, including Morgan Foods, has decreased since the test year in Cause No. 44687. By way of example, Mr. Wetzel noted that Morgan Foods' total usage was approximately 241 million gallons for the first six months of 2016. During the same period in 2017, Morgan Foods' total usage was approximately 173 million gallons, which represents an approximate 28% reduction.

Mr. Wetzel stated that Stucker Fork seeks to adjust its rates on an across-the-board basis. He explained that since issuance of the Order in Cause No. 44687, Stucker Fork's cash balances have decreased, which prompted Stucker Fork's Board of Directors to request that H.J. Umbaugh and Associates ("Umbaugh") and Midwestern review Petitioner's operations to determine the cause of such decreases. In reviewing the expenses for periodic maintenance, Mr. Wetzel said that he looked at the actual invoices that Stucker Fork had received for the periodic maintenance

expense items and compared these invoices to the amounts that previously had been included in rates. He then updated his estimate of Stucker Fork's prospective maintenance expenses, prepared an exhibit that summarized each of the periodic maintenance items and their estimated cost, and ultimately shared the exhibit with Umbaugh for inclusion in its Accounting Report.

Mr. Wetzel testified that while there were certain capital improvements that needed to occur, a list of which was included in Umbaugh's Accounting Report, Stucker Fork proposed to include an amount for annual depreciation expense in its revenue requirement in this case. Mr. Wetzel described the process used to develop the list of anticipated capital improvements for inclusion in Umbaugh's Accounting Report. He stated that in his professional opinion the improvements were reasonable and necessary for Stucker Fork to provide safe, efficient service to its customers.

Finally, Mr. Wetzel testified in support of Stucker Fork's proposal to add two new field employees. He initially described the need for a new maintenance employee. He stated that Stucker Fork was finding it difficult with its existing staffing to adequately maintain its facilities which, if left unaddressed, could result in premature replacements, extra maintenance expenses, and less reliable service. Mr. Wetzel stated that Stucker Fork's decision to add a new maintenance employee was consistent with another regional utility that Midwestern assists, Patoka Lake Regional Water and Sewer District, which had previously decided that it was in the best interest of the utility and its customers to retain an individual dedicated to performing these specific maintenance tasks.

In support of the need for a new operator, Mr. Wetzel explained that Stucker Fork has two different water treatment plants, a surface water treatment plant and a groundwater treatment plant. He described how the surface water treatment plant must be manned 24 hours a day, seven days a week. Mr. Wetzel stated that Stucker Fork currently only has five water treatment plant employees, and believes that the addition of a sixth employee that either has or can obtain the requisite licenses is appropriate to ensure that Stucker Fork can operate and maintain both facilities and continue to provide safe and adequate service to its customers. Mr. Wetzel stated that from an overall staffing perspective, he believed the hiring of the two new employees was reasonable and necessary for Stucker Fork to have appropriate staffing.

B. John M. Seever. Mr. Seever, a Certified Public Accountant and partner at Umbaugh, addressed Stucker Fork's proposed rate adjustment. He described his involvement in Stucker Fork's four most recent rate cases and explained that his firm had been retained in this case to propose across-the-board changes to Stucker Fork's present rates and charges.

Mr. Seever sponsored an Accounting Report, dated January 31, 2018, that his firm prepared for Stucker Fork. Since filing the petition in Cause No. 44687, Mr. Seever testified that Stucker Fork's cash balances have continued to decline. He explained that after review, Umbaugh and Midwestern discovered that Stucker Fork had experienced lower customer usage and revenues than what was estimated in its last rate case. In Cause No. 44687, Stucker Fork anticipated normalized annual revenues of \$4,199,043 after the new rates were in effect. In reality, the annualized revenues were only \$3,663,129, which was \$535,914 less than what was authorized. According to Mr. Seever, one reason for the overall lower usage was Morgan Foods' decreased usage, particularly beginning in 2017. Mr. Seever explained that in his Accounting

Report he only made an adjustment for Morgan Foods' lower usage because the December 31, 2016 test year already captured the lower usage from all other customers. In addition to lower usage, Mr. Seever stated that Stucker Fork has experienced higher than anticipated periodic maintenance expenses.

Mr. Seever next explained the contents of the Accounting Report, which is divided into two sections. The first section contains the pro forma financial information for the 12 months ended December 31, 2016, which was the test year in this case. The second section contains additional unaudited comparative financial information for the three calendar years ended December 31, 2014, 2015, and 2016, together with supplemental financial information regarding Stucker Fork's outstanding indebtedness.

Mr. Seever explained that pages 4-13 of the Accounting Report present the pro forma annual cash operating and maintenance expenses, including adjustments to test year expenses for items that are fixed, known, and measurable. He stated that the test year operating expenses had been adjusted to reflect the cost of, among other things, payroll adjustments, employee benefits, insurance, periodic maintenance, the hiring of one new office employee and two new field employees, and an adjustment for pension expense. After factoring in all expense adjustments, he showed pro forma annual cash operating expenses of \$3,173,470. In addition to the pro forma operation and maintenance expense, Mr. Seever reflected on page 15 of the Accounting Reporting an annual depreciation expense on Petitioner's facilities of \$889,303.

Mr. Seever stated that Stucker Fork's pro forma revenue requirements were summarized on page 15, with explanations of the adjustments appearing on page 16. He explained that the revenue requirements had been adjusted to incorporate Petitioner's adjusted operation and maintenance expenses, as shown on pages 4-13. The average annual debt service on the outstanding bonds was included along with an amount for depreciation expense, which resulted in total revenue requirements of \$5,182,336. The total revenue requirements were then reduced by test year interest income, penalties, and other income, resulting in net revenue requirements to be funded through rates of \$5,099,709. Mr. Seever concluded that to provide sufficient revenues for Stucker Fork to meet its pro forma annual revenue requirement, annual revenues would need to be increased by \$1,436,580 or approximately 39.22%. After incorporating the proposed 39.22% across-the-board increase, Mr. Seever summarized the proposed water rates and charges on pages 17 and 18 of the Accounting Report.

Mr. Seever explained that the second section of his Accounting Report displays unaudited, supplemental financial information. Included in this section is a comparative statement of Stucker Fork's net assets as of December 31, 2014, 2015, and 2016. In addition, pages 25 and 26 compare Stucker Fork's account balances with the minimum balances either required by Stucker Fork's bond ordinances or typically maintained by similar utilities.

Finally, Mr. Seever testified that Stucker Fork is proposing to increase rates on an across-the-board basis. He explained that Stucker Fork did not prepare a new cost of service study in this Cause for several reasons. First, he explained that Petitioner did not have sufficient time or staff to complete some of the items previously required by the Commission. Second, Stucker Fork's largest customer, Morgan Foods, has used significantly less water over the last six to eight months which, if it were to continue, could impact the results of any cost of service study.

Third, the proposed project, especially the recently completed storage tank, could affect the cost of service study. Mr. Seever believed that Stucker Fork would be in a position to file a cost of service study in its next rate case. He also explained Stucker Fork's proposed rate case expense and its need for three new employees.

6. OUCC's Direct Evidence.

A. Margaret A. Stull. Ms. Stull, a Senior Utility Analyst in the Water/Wastewater Division of the OUCC, addressed Stucker Fork's proposed rate increase. She accepted Stucker Fork's proposed operating expense adjustments to salaries and wages, employee benefits, purchased power, liability insurance, and the adjustment to remove the prior year State Board of Account audit fees. She proposed, however, to remove capital non-recurring costs and allocate certain operating expenses to the flood control portion of Stucker Fork's business. She also proposed the removal of non-cash Public Employees Retirement Fund ("PERF") expense and adjustments to contractual services for accounting consultant fees, periodic maintenance, and rate case expense. Ms. Stull stated that her adjustments would result in an increase of \$291,416 to test year operating expenses of \$2,640,544, yielding pro forma operating expense of \$2,931,960. Ms. Stull presented a chart indicating that the OUCC was proposing operating expense adjustments that were \$241,510 less than Stucker Fork.

Ms. Stull explained in greater detail the adjustment for allocation of salaries and employee benefits to Stucker Fork's flood control activities. Ms. Stull proposed a reduction of salary and wage expense of \$13,256 to reflect the time spent by Stucker Fork employees on flood control duties. In addition, she proposed an allocation of \$5,163 for employee benefits to Stucker Fork's flood control activities. Ms. Stull testified that Stucker Fork did not have time sheets or other data to track the amount of time spent on flood control activities and explained why she felt her estimate was more accurate than what had been proposed by Stucker Fork.

For PERF pension expense, Mr. Stull testified that Stucker Fork can choose to include in its revenue and recover through rates either its pension cash contributions or the calculated pension expense under the Financial Accounting Standards Board ("FASB") or Governmental Accounting Standards Board ("GASB") standards. According to Ms. Stull, ratepayers should not be required to fund both the cash contribution and the pension expense. Ms. Stull testified that since at least 2004, Stucker Fork has always included its cash pension contributions in its revenue requirement. She said that while it may be a requirement to recognize Stucker Fork's net pension liability in its financial statements, this does not represent a cash operating expense for Stucker Fork and should not be included in Stucker Fork's pension expense in this Cause.

Ms. Stull initially agreed to the adjustment for annual accounting fees of \$2,500 per month, but believed that this was an expensive solution in the long-term and that this contract should not be continued indefinitely. For this reason, she proposed an adjustment of \$90,000 which represented three years of consultant fees that would, in turn, be amortized over five years for an annual operating expense of \$18,000 per year.

Ms. Stull accepted Stucker Fork's proposed adjustments for intake structure maintenance, tank cleaning and inspection, booster station maintenance, and meter/control valve pit maintenance. Although Ms. Stull generally agreed with the components of Stucker Fork's

remaining periodic maintenance expense, she disagreed with both the cost and frequency of the maintenance assumed by Stucker Fork in the determination of its remaining periodic maintenance expense adjustments. In total, the OUCC recommended pro forma periodic maintenance expense of \$280,169, which is \$58,959 less than Petitioner's proposed adjustment. In addition, Ms. Stull recommended that the Commission order Stucker Fork to deposit all periodic maintenance funds provided in this Cause in a restricted account to be used for that purpose alone. She further stated that Stucker Fork should be required to provide a report on this fund as part of its annual report ("IURC report") filing with the Commission, including amounts deposited into the account, amounts paid from the account, and a description of what expenditures were incurred.

Finally, Ms. Stull recommended a slightly lower (i.e., \$61,200) increase to test year operating expense to reflect the amortization of rate case costs in this Cause, as well as an \$80,309 decrease to test year operating expense to remove items that are capital in nature. She also recommended a slight reduction to Stucker Fork's proposed depreciation expense from \$889,303 to \$863,744 and a reduction of Stucker Fork's debt service reserve requirement from \$71,494 to \$49,630.

As to the proposed revenue requirement offsets, Ms. Stull accepted Stucker Fork's inclusion of interest income but disagreed with the proposed inclusion of other revenues as revenue requirement offsets. Ms. Stull proposed total revenue requirement offsets of \$64,709, which included \$13,029 of interest income and \$51,680 for tap fee revenues.

Ms. Stull accepted Stucker Fork's proposed operating revenue adjustments except for the adjustment to Morgan Foods' operating revenues. She proposed pro forma operating revenues at present rates of \$3,894,295, an increase of \$322,702 to test year operating revenues of \$3,571,593. She also proposed a \$32,324 decrease to test year operating revenues of \$803,621 to Morgan Foods' operating revenues. These numbers represent a \$161,568 increase over the Morgan Foods operating revenues proposed by Stucker Fork.

B. Jim Parks. Mr. Parks, a Utility Analyst II with the Water/Wastewater Division of the OUCC, testified regarding Stucker Fork's proposed periodic maintenance expense, the need for a tank maintenance program, and the establishment of a restricted account for all periodic maintenance funds. Mr. Parks testified that during the test year Stucker Fork only spent \$65,232 on periodic maintenance, but is now seeking \$339,128 for these expenses. Mr. Parks also testified that since 2004, Stucker Fork has indicated a need to spend approximately \$196,000 annually on periodic maintenance, but has averaged less than \$14,000 per year in actual spending. Mr. Parks expressed concern that customers are paying through rates for periodic maintenance that is not being performed. Mr. Parks noted that tank maintenance was a large part of the periodic maintenance and Stucker Fork had painted only one tank since the Commission's Order in Cause No. 42752. Mr. Parks described the status of Stucker Fork's existing tanks and the need for upgraded maintenance.

With regard to other periodic maintenance expense, Mr. Parks recommended several reductions and a few additions. He recommended: (1) including the costs for cleaning and pump maintenance for the four existing wells instead of the requested five wells since the new well does not yet exist; (2) keeping the pump maintenance frequency to every two years, which

reduced the annual periodic maintenance expense for this task from \$17,500 to \$10,000; (3) keeping the filter maintenance costs of \$7,500 for the Austin water treatment plant the same as the prior rate case since Stucker Fork did not provide cost support for doubling this cost; (4) reducing the annual cost for new bulbs for the ultraviolet (“UV”) disinfection system by half since the UV lamp life at 15,000 hours is longer than Petitioner’s budgeted annual replacement; (5) adding \$4,200 in annual allowance to clean and repaint four pressure filters; (6) adding \$10,000, amortized over five years, for the cutting up and removal of the Sommerville tank; and (7) reducing the tank painting expense from \$232,675 to \$191,267. Based on his adjustments, Mr. Parks recommended that the Commission reduce Petitioner’s requested \$339,128 for periodic maintenance expense to \$280,169. He also recommended that Petitioner be required to place these revenues in a restricted account for future use on periodic maintenance.

7. Morgan Foods’ Direct Evidence. Mr. Dwayne G. Bratcher, Morgan Foods Environmental, Health and Safety Manager, discussed the information related to the business and water usage of Morgan Foods. Mr. Bratcher responded to certain portions of Mr. Wetzel’s testimony regarding Morgan Foods’ decreased usage. He stated that because Morgan Foods is in a cyclical business and its water usage typically is at its lowest point from February through June, the first six months of a particular calendar year would not be reasonably representative of Morgan Foods’ water usage for an annual period. He also objected to Mr. Wetzel’s testimony indicating that Morgan Foods usage would decrease in the future. Mr. Bratcher testified that Morgan Foods’ increased production likely would lead Morgan Foods to surpassing its annual peak water usage by the end of 2019. Mr. Bratcher confirmed, however, that Morgan Foods and Stucker Fork have developed a good working relationship.

Similarly, Mr. Bratcher objected to Mr. Seever’s adjustments for anticipated lower water usage for Morgan Foods. He believed that annualizing Morgan Foods’ usage for the first four months of 2017, which are among the lowest in any given year, was not reasonably representative of what Morgan Foods would use over the course of an entire year. Instead, he believed that the test year amount of water revenues of \$803,621 for Morgan Foods should be used for ratemaking purposes and Stucker Fork’s proposed pro forma adjustment for Morgan Foods’ anticipated water usage should be rejected by the Commission.

Mr. Bratcher testified that there are still some things that could improve the future relationship between Stucker Fork and Morgan Foods. For example, he recommended that Stucker Fork provide notice to Morgan Foods before Stucker Fork files its next rate case and provide Morgan Foods with an opportunity to sit down with Stucker Fork to discuss projected revenue requirements, rate design, and cost of service issues. He stated that this type of communication could benefit both parties and potentially all of Stucker Fork’s customers by reducing the cost of litigation.

8. Stucker Fork’s Rebuttal Evidence.

A. John W. Wetzel. Mr. Wetzel agreed with Mr. Bratcher that Stucker Fork and Morgan Foods should and most likely will maintain communication as the parties move forward. He did, however, believe that Mr. Bratcher’s testimony regarding Morgan Foods’ anticipated usage was inconsistent with Morgan Foods’ prior representations. Mr. Wetzel stated that in 2015, Stucker Fork met with Morgan Foods and Morgan Foods specifically stated that it

would implement water conservation projects that would potentially save 300,000 gallons per day in the first phase and 200,000-400,000 gallons per day in the second phase. Mr. Wetzel stated that Stucker Fork considered this information, as well as Morgan Foods' reduced usage for the first six months in 2017 (as compared to the first six months in 2016), when making an adjustment to test year expense for Morgan Foods' anticipated lower usage. Mr. Wetzel explained that after prefilming his testimony and exhibits in this case, Morgan Foods began using more water to the point where its annual usage was more than anticipated, but still less than in the test year.

With respect to the OUCC's testimony, Mr. Wetzel agreed with Mr. Parks' recommendations regarding: (1) the rather immediate need for Stucker Fork to paint many of its tanks; (2) the establishment of a written maintenance plan for its water storage facilities; (3) the allowance for cleaning and repainting the four pressure filters at the Marble Hill water treatment plant; and (4) the adjustment to periodic maintenance for UV system maintenance and bulb replacement at the Austin water treatment plant. Mr. Wetzel did, however, object to the OUCC's testimony proposing a reduction to Stucker Fork's periodic maintenance expense and, in particular to, Mr. Parks' testimony that Stucker Fork only incurred \$14,000 per year in periodic maintenance expense from 2012-2017. Mr. Wetzel pointed to a series of invoices provided during discovery that demonstrated Stucker Fork incurred approximately \$560,000 for periodic maintenance expense from 2012 to 2017. He stated that his estimates for prospective periodic maintenance expense were consistent with the cost previously incurred by Stucker Fork for this work. Mr. Wetzel also explained his individual disagreements with Mr. Parks regarding the maintenance required for Stucker Fork's wells and the filters at the Austin water treatment plant.

Mr. Wetzel also disagreed with Ms. Stull's statement that Stucker Fork's proposed filter maintenance expense adjustment for the Marble Hill plant should be reduced because Stucker Fork provided no invoice support for its adjustment. In support of his argument, Mr. Wetzel provided a copy of the invoices that were provided to the OUCC for the filter periodic maintenance expense.

Finally, Mr. Wetzel noted that Stucker Fork has sold the Sommerville tank and presented a chart and testimony objecting to Mr. Parks' testimony regarding tank maintenance. Mr. Wetzel did, however, agree with Mr. Parks' statement that Stucker Fork has not painted a number of tanks over the last ten years, but concluded that the lack of recent tank painting meant that Stucker Fork would likely be expending significant monies for tank painting in the near future. He also noted that Stucker Fork has funded and continues to fund a dedicated account for future tank painting.

B. John M. Seever. Mr. Seever agreed with the OUCC's adjustments for rate case expense, depreciation expense, the inclusion of tap fees as a revenue requirement offset along with penalty revenues, and other revenues at current rates. He disagreed, however, with the OUCC's proposed adjustments for allocation of salaries and wages, pension expense, contractual services, well maintenance, filter maintenance, tank painting, the inclusion of periodic maintenance funds in a restricted account, test year periodic maintenance, the capitalization of certain expenses, and the debt service reserve adjustment. While Mr. Seever generally agreed with Ms. Stull's approach to calculating Morgan Foods' operating revenues, he proposed a \$19,576 decrease from the OUCC's proposed amount for Morgan Foods' operating revenues to

reflect pro forma water revenue from Morgan Foods of \$751,721. He made this adjustment based on Petitioner's actual billed water revenues for Morgan Foods for the period January 2017 to December 2017, rather than consumption (because Petitioner is on an accrual, not cash, basis).

9. Settlement Agreement. Subsequent to the pre-filing of evidence, the parties entered into a Joint Stipulation and Settlement Agreement ("Settlement Agreement") settling all the issues among them. Based on the terms of the Settlement Agreement, Stucker Fork should be authorized to increase its rates and charges for water service to reflect a total net revenue requirement in the amount of \$4,960,558, resulting in an annual increase of \$1,085,839 or 28.41% over Stucker Fork's current revenues at existing rates.

For purposes of settlement only, Stucker Fork agreed to modify its proposed relief and accept the OUCC's adjustments for Petitioner's PERF liability and the debt service reserve requirement. All other adjustments were consistent with the rebuttal testimony of Mr. Seever. Stucker Fork also agreed to place \$340,328 for periodic maintenance in a restricted account that may only be used to pay for periodic maintenance expense items or to fund the debt service reserve until February 2022, or, in the case of emergency, to thereafter fund or pay Stucker Fork's debt service or debt service reserve. In the event it uses any of the periodic maintenance funds for debt service or to fund the debt service reserve, Stucker Fork agreed to notify the OUCC in writing and explain the need for the emergency, its plans to address the emergency, and its plans to replenish the account.

The parties agreed that Stucker Fork should include in its annual IURC report filing its annual periodic maintenance expenditures and the work of its accounting consultant consistent with the specific requirements in the Settlement Agreement. Finally, the Settlement Agreement requires Stucker Fork to meet with Morgan Foods, along with their respective cost of service experts, prior to Stucker Fork preparing and developing its next cost of service study. The purpose of the meeting will be to discuss cost of service and rate design issues with the goal of avoiding protracted litigation over these issues in Stucker Fork's next rate case. The Settlement Agreement also requires Stucker Fork to provide Morgan Foods with 60 days written notice prior to Stucker Fork filing its next rate case.

10. Settlement Testimony.

A. Stucker Fork. Mr. Seever explained that the parties reached an agreement that provides for a 28.41% across-the-board increase to Stucker Fork's existing rates and charges. He stated the agreed upon adjustment in rates and charges would produce an increase in Stucker Fork's annual revenues of \$1,085,839 to meet a net revenue requirement of \$4,960,558. He explained that while the OUCC accepted many of Stucker Fork's adjustments, it did not accept the adjustment for the GASB 68 PERF liability or Stucker Fork's proposed adjustment to fund its debt service reserve. For purposes of settlement only, Mr. Seever stated that Stucker Fork was willing to accept the OUCC's position on these two issues.

Mr. Seever also addressed the OUCC's recommendation that Stucker Fork place its periodic maintenance monies in a dedicated account to be used only for certain items. He stated that Stucker Fork agreed to place the full amount of its periodic maintenance expense (i.e., \$340,328) in a restricted account that could only be used for periodic maintenance expense items

and to fund its debt service reserve until February 2022. After February 2022, Stucker Fork can only use these funds for periodic maintenance expense items and to fund Stucker Fork's debt service reserve in the case of emergency. He further explained if such an emergency arises, Stucker Fork would notify the OUCC in writing and explain the need for emergency as well as its plans to address the emergency and replenish the account. Mr. Seever also explained that Stucker Fork agreed to include in its annual IURC report a summary of the restricted account, including deposits and expenditures therefrom. Finally, Mr. Seever testified that Stucker Fork would prepare an annual report summarizing the work performed by its accounting consultant to improve Stucker Fork's books and record keeping and train an Accounting Manager to more accurately record utility transactions.

With respect to Morgan Foods, Mr. Seever described how the parties had agreed that Stucker Fork and its professionals would meet with Morgan Foods and its professionals to discuss cost of service and rate design issues prior to Stucker Fork preparing its next cost of service study. Mr. Seever stated that he believes the proposed settlement is fair and reasonable, is in the public interest, will benefit all of the customers of Stucker Fork, and is a reasonable compromise of the issues that have been raised in this case.

B. OUCC. Ms. Stull provided settlement testimony on behalf of the OUCC regarding the pro forma revenue requirements to which the parties agreed and identified each issue addressed in the Settlement Agreement. She testified that the parties agreed Stucker Fork's current rates and charges for water service should be increased as to produce additional operating revenues of \$1,085,839, representing a 28.41% across-the-board rate increase. In addition, the parties agreed to annual operating revenues of \$3,874,719, which included \$751,721 for Morgan Foods' revenues. She explained that the parties agreed to an operating expense revenue requirement of \$3,063,824, which was consistent with Stucker Fork's rebuttal position with the exception of the pension expense (i.e., PERF liability).

She also stated that the parties have agreed to a revenue requirement of \$340,328 for periodic maintenance expense and that Stucker Fork would place these funds in a restricted account that may only be used to pay for periodic maintenance expense. Until February 2022, these funds may also be used to fund a debt service reserve to ensure appropriate funding of that account. She explained that in the event Stucker Fork uses any of its periodic maintenance funds for debt service, it shall notify the OUCC in writing and explain the need for the emergency, its plans to address the emergency, and its plans to replenish the account. As part of creating a restricted periodic maintenance fund, Ms. Stull also stated that Stucker Fork would provide a summary of such account as part of its annual IURC report filing.

Ms. Stull testified the parties agreed to a debt service reserve requirement of \$49,630 as proposed by the OUCC. She also detailed Stucker Fork's reporting requirement for the work performed during the year by its accounting consultant to correct and adjust Stucker Fork's books and records and train the accounting manager to correctly record the utility transactions.

Ms. Stull testified that she believes the Settlement Agreement represents a reasonable compromise of the Settling Parties' positions as set forth in the respective filings and should be considered in the public interest.

C. **Morgan Foods.** Mr. Bratcher expressed Morgan Foods' belief that Stucker Fork should provide water to all of its customers at reasonable and just rates and charges for service based upon a rate design supported by appropriate cost of service principles. He stated that while Morgan Foods is reluctantly willing to accept an across the board rate increase, Morgan Foods believes that approval of paragraph 8 of the Settlement Agreement, which requires Stucker Fork and Morgan Foods to meet with their respective cost of service experts prior to the preparation and development of the cost of service study and rate design for Stucker Fork's next rate case, should assist in reaching agreement on rate and rate design issues. He explained that these meetings may or may not result in a mutual agreement on some or all of the cost of service and rate design issues in advance of the next rate case, but having a dialogue prior to filing testimony in the next case should provide a basis for a better understanding of each party's position. He noted that Stucker Fork has also agreed to provide Morgan Foods with 60 days written notice prior to filing its next rate case.

12. **Commission Discussion and Findings.** We begin with the general statement that settlements presented to the Commission are not ordinary contracts between private parties. *U.S. Gypsum, Inc. v. Ind. Gas Corp.*, 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. of Ind., Inc. v. Pub. Serv. Co. of Ind., Inc.*, 582 N.E.2d 330, 331 (Ind. 1991)). The Commission's own procedural rules require that settlements be supported by probative evidence. 170 IAC 1-1.1-17(d). Therefore, before the Commission can approve the Settlement Agreement, we must determine whether the evidence in this Cause sufficiently supports the conclusion that the Settlement Agreement is reasonable, just, and consistent with the purpose of Ind. Code ch. 8-1-2, and that such agreement serves the public interest.

Pursuant to the Settlement Agreement, Stucker Fork would increase its rates by 28.41% consistent with Exhibit A attached to the Settlement Agreement. While the Settlement Agreement appears to resolve all of the material issues raised by the parties, the settlement supporting evidence offered by Stucker Fork and the OUCC contains minimal probative evidence to demonstrate that the Settlement Agreement is reasonable and in the public interest. Both Mr. Seever's and Ms. Stull's settlement supporting testimony simply reiterate the terms of the Settlement Agreement and opine, without further elaboration or explanation, that the Settlement Agreement is reasonable, just, and in the public interest. We have consistently held that "...settlement agreements must be supported by probative evidence to gain Commission approval" and reminded parties that success in obtaining approval of a settlement is dependent on providing adequate evidence to support the agreement. *Ind. Mich. Power Co.*, Cause No. 43992 S1 at 25 (IURC, May 23, 2012); *City of S. Bend, Ind.*, Cause No. 44892 at 4-5 (IURC, May 10, 2017). We again caution the parties to avoid summarily opining that a settlement is

reasonable and encourage them to explain why any settlement and its terms are reasonable given the parties earlier litigation positions so as to ensure probative evidence is provided to support approval of the settlement.

Notwithstanding our concerns, we find sufficient evidence exists that Stucker Fork's current rates and charges, which provide annual adjusted revenues of \$3,821,891, are insufficient to satisfy its annual pro forma net revenue requirement, and that the Settlement Agreement reflects a fair, reasonable, and just resolution of the issues raised in this proceeding. Prior to the Settlement Agreement, the primary areas of disagreement between the parties involved certain operating expenses, debt service reserve funding, and the appropriate test year revenue related to Morgan Foods.

In the Settlement Agreement, Petitioner accepted the OUCC's position regarding certain operating expenses and debt service reserve funding and also agreed to place its periodic maintenance expense monies in a restricted account. In exchange, the OUCC accepted Petitioner's revenue requirement, except with regard to pension expense, as set forth in its rebuttal evidence. We find that the parties' agreement, particularly with regard to the use of a restricted account for periodic maintenance expense, will ensure that adequate funds are available and used to perform the repairs and replacements necessary to provide safe and reliable water service.

With respect to test year revenues for Morgan Foods, Stucker Fork accepted in its rebuttal testimony the OUCC's approach and Morgan Foods' clarifying statements concerning its water conservation efforts and future water consumption needs. Based on the evidence presented prior to the Settlement Agreement, we find the use of Morgan Foods' actual billed water revenues for the test year is appropriate and provides a more reasonable indication of future water usage.

While Morgan Foods expressed concern with implementing an across the board rate increase, Mr. Bratcher noted that the Settlement Agreement affords Morgan Foods the opportunity for input into the development of Stucker Fork's next cost of service study and the rate design to be presented in Stucker Fork's next rate case. We are aware that cost allocation issues have been a reoccurring issue in Stucker Fork's rate cases. In Stucker Fork's last rate case, the Commission recognized the need for Petitioner to complete certain capital projects and encouraged "Stucker Fork to make every effort to complete its projects in a timely manner so as to allow the completion of a new [cost of service study] before filing another rate case." *Stucker Fork Conservancy District*, Cause No. 44687 at 17 (IURC, Dec. 14, 2016). Although Stucker Fork was not able to fully complete its projects in time to obtain sufficient data and prepare a cost of service study prior to filing this case, we are encouraged by the parties' recent cooperation and willingness to discuss cost of service issues in preparation for the completion of a cost of service study, which we fully anticipate should be done prior to Petitioner's next rate case filing.

Based on the evidence of record, we find that the Settlement Agreement presents a reasonable resolution of the issues raised by the parties, minimizes the cost of litigation, and provides a path forward for cooperatively addressing Petitioner's rates and charges for water

service in the future. Therefore, we find that the Settlement Agreement is reasonable, in the public interest, and we approve it in its entirety.

Accordingly, the Commission finds that Stucker Fork shall be authorized to increase its rates and charges for water service on an across-the-board basis to produce annual revenues of \$4,960,558, which represents an overall increase of \$1,085,839 in annual revenues and a 28.41% increase in current rates.

Stucker Fork's net revenue requirements are itemized below:

Revenue Requirements	
Operating Expenses	\$ 3,063,824
Depreciation Expense	863,744
Working Capital	-
Debt Service	1,048,069
Debt Service Reserve	<u>49,630</u>
Total Revenue Requirements	\$5,025,267
Less: Revenue Requirement Offsets	
Interest Income	(13,029)
Tap Fees	<u>(51,680)</u>
Total Net Revenue Requirements	\$4,960,558
Less: Revenues at Current Rates subject to increase	(3,821,891)
Other revenues at current rates	<u>(52,828)</u>
Net Revenue Increased Required	<u>\$1,085,839</u>
Recommended Percentage Increase	<u>28.41%</u>

Finally, the Parties agreed that the Settlement Agreement should not 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 Agreement, we find that our approval herein should be construed in a manner consistent with our findings in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849, at *7-8 (IURC, March 19, 1997).

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

1. The Joint Stipulation and Settlement Agreement, a copy of which is attached, is approved. The parties shall comply with the provisions of the Joint Stipulation and Settlement Agreement.
2. Stucker Fork is authorized to increase its rates and charges as provided in this Order.

3. Prior to implementing the rates authorized in this Order, Stucker Fork shall file new rate schedules in this Cause for approval by the Commission's Water and Wastewater Division. Such rates shall be effective on or after the Order date subject to Division review and agreement with the amounts reflected.

4. In accordance with Ind. Code §§ 14-33-20-12 and 8-1-2-70, Petitioner shall pay the following itemized charges within 20 days from the date of the Order, and prior to placing into effect the rates approved herein, the following items charges as well as any additional charges which were or may be incurred in connection with this Cause.

Commission Charges	\$ 2,665.89
OUCG Charges	\$ 8,589.85
Legal Advertising Charges	\$ 109.48
Total:	\$11,365.22

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.

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

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

APPROVED: JUL 25 2018

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



Mary M. Becerra
Secretary of the Commission

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
STUCKER FORK CONSERVANCY)
DISTRICT FOR APPROVAL OF A NEW) CAUSE NO.: 44987
SCHEDULE OF RATES AND CHARGES)
FOR WATER SERVICE)

JOINT STIPULATION AND SETTLEMENT AGREEMENT

This Joint Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into this 25th day of April, 2018, by and between the Stucker Fork Conservancy District (“Stucker Fork”), Intervenor, Morgan Foods, Inc. (“Morgan Foods”), 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 any 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 Stucker Fork, the OUCC, and Morgan Foods (“Settling Parties”).

Terms and Conditions of Settlement Agreement

1. **Requested Relief.** On September 26, 2017, Stucker Fork initiated this Cause by filing its Petition requesting authority to adjust its rates and charges for water service.
2. **Prefiled Evidence of Parties.** In support of its Petition, Stucker Fork simultaneously filed the Prefiled Testimony and Exhibits of John W. Wetzel, Professional

Engineer, and John Seever, Certified Public Accountant. On March 7, 2018, the OUCC filed the Prefiled Testimony and Exhibits of Margaret A. Stull and James T. Parks, and Morgan Foods filed the Prefiled testimony of Dwayne G. Bratcher. Stucker Fork filed the Verified Rebuttal Testimony and Exhibits of Messrs. Wetzel and Seever on March 21, 2018.

3. **Settlement.** Through analysis, discussion, and negotiation, as aided by their respective technical staff and experts, Stucker Fork, Morgan Foods, and the OUCC agree on the terms and conditions as described herein that resolve all issues between them in this Cause. Attached to the Settlement Agreement as Exhibit A are schedules that reflect the agreed upon revenue requirement, as well as the final rates and charges.

4. **Revenue Requirement, Rates, and Charges.** The Settling Parties agree that Stucker Fork should be authorized to increase its rates and charges for water service to reflect an ongoing net revenue requirement in the amount of \$4,960,558, resulting in an annual increase of \$1,085,839 or 28.41% over Stucker Fork's current revenues at existing rates.

5. **Operation and Maintenance Adjustments.** After review and examination of the parties' respective positions, Stucker Fork has agreed for purposes of settlement only to modify its proposed relief as set forth in its prefiled direct and rebuttal testimony and accept the: (i) OUCC's proposed elimination of the expense adjustment in the amount of \$61,962 for Stucker Fork's PERF liability; and (ii) OUCC's proposed downward adjustment in the amount of \$21,864 for Stucker Fork's debt service reserve. All other operation and maintenance adjustments will be consistent with the Petitioner's position as set forth in the Rebuttal Testimony and Exhibits of Mr. Seever.

6. **Periodic Maintenance.** The Settling Parties agree that Stucker Fork shall have an amount of \$340,328 for periodic maintenance expense. Stucker Fork agrees to place the

\$340,328 for periodic maintenance expense in a restricted account that may only be used to pay for the periodic maintenance expense items and debt service reserve until February, 2022, or, in the case of emergency, to thereafter fund or pay Stucker Fork's debt service or debt service reserve. In the event Stucker Fork uses any of the periodic maintenance funds for debt service or debt service reserve, it shall notify the OUCC in writing and explain the need for the emergency, its plans to address the emergency, and its plans to replenish the account.

7. **Reporting Requirements.** Stucker Fork shall include a report of its annual periodic maintenance expenditures in its IURC annual report. This annual report shall include a summary of the restricted account reflecting the beginning balance, the total deposits to the account, total expenditures paid from the account, and the resulting ending balance of the restricted maintenance account. Further, Stucker Fork will provide a detailed report of the total expenditures made during the year in the categories and format as presented in Stucker Fork's Adjustment No. 5 – Periodic Maintenance Expense (Supplemental Testimony of John M. Seever, Amended Petitioner's Exhibit 4, pages 7-10).

Stucker Fork will also include a report summarizing the work performed during the year by its accounting consultant to: (i) correct and adjust Stucker Fork's books and records; and (ii) train the accounting manager to correctly record utility transactions, including, but not limited to, utility plant retirements, capital versus expense, and contributions in aid of construction.

8. **Morgan Foods.** Stucker Fork agrees to meet with Morgan Foods, along with their respective cost of service experts, prior to Stucker Fork preparing and developing its next cost of service study. The purpose of this meeting will be to discuss cost of service and rate design issues with the goal of avoiding protracted litigation over these issues in Stucker Fork's next rate case. While Stucker Fork and Morgan Foods agree to cooperatively work together to

discuss and hopefully limit the amount of disputed cost of service and rate design issues in the next rate case, the lack of any agreement will not prevent Stucker Fork from filing a rate case. In the event Stucker Fork does file a rate case, it shall provide Morgan Foods with sixty (60) days written notice prior to filing its next rate case.

9. **Admissibility and Sufficiency of Evidence.** Stucker Fork, Morgan Foods, and the OUCC hereby stipulate that the prefiled testimony and exhibits of Stucker Fork, Morgan Foods, and the OUCC should be admitted into the record without objection or cross-examination by any party. The Settling Parties also stipulate that any settlement testimony and exhibits of Stucker Fork, Morgan Foods, and the OUCC should be admitted into the record without objection or cross-examination by any 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 the Settlement Agreement as filed.

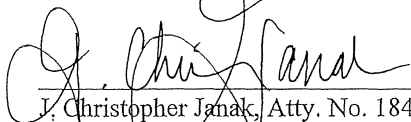
10. **Non-Precedential Effect of Settlement.** The Settling Parties agree that the facts in this Cause are unique and all issues presented are fact-specific. Therefore, the Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any party in any other 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, except as provided herein, and is without prejudice to and shall not constitute waiver of any position that any party may take with respect to any issue at any future regulatory or non-regulatory proceeding.

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

12. **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, then this matter should proceed to be heard by the Commission as if no settlement had been reached unless otherwise agreed to by the Settling Parties in a writing that is filed with the Commission.

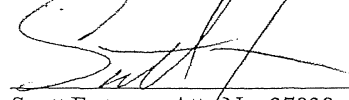
13. **Proposed Order.** The Settling Parties agree to cooperate and work together in filing a mutually agreeable proposed order by May 7, 2018.

**STUCKER FORK CONSERVANCY DISTRICT
("STUCKER FORK")**



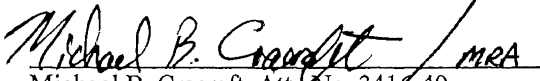
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MORGAN FOODS, INC. ("MORGAN FOODS")

 / MRA

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ICE MILLER LLP

One American Square, Suite 2900

Indianapolis, IN 46282-0200

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Exhibit A

**STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987**

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

	<u>Petitioner Amended</u>	<u>Petitioner Rebuttal</u>	<u>OUCC</u>	<u>Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>	
						<u>Rebuttal</u>	<u>OUCC</u>
Operating Expenses	\$ 3,173,470	\$ 3,125,786	\$ 2,931,960	\$ 3,063,824	4	\$(61,962)	\$ 131,864
Depreciation Expense	889,303	863,744	863,744	863,744	4	-	-
Working Capital	-	-	-	-		-	-
Debt Service	1,048,069	1,048,069	1,048,069	1,048,069	Pet	-	-
Debt Service Reserve	71,494	71,494	49,630	49,630	7	(21,864)	-
Total Revenue Requirements	5,182,336	5,109,093	4,893,403	5,025,267		(83,826)	131,864
Less: Revenue Requirement Offsets							
Interest Income	(13,029)	(13,029)	(13,029)	(13,029)	Pet	-	-
Tap Fees	-	(51,680)	(51,680)	(51,680)		-	-
Other Income	(69,598)	-	-	-		-	-
Net Revenue Requirements	5,099,709	5,044,384	4,828,694	4,960,558		(83,826)	131,864
Less: Revenues at current rates subject to increase	(3,663,129)	(3,821,891)	(3,841,467)	(3,821,891)	4	-	19,576
Other revenues at current rates	-	(52,828)	(52,828)	(52,828)	4	-	-
Net Revenue Increase Required	<u>\$ 1,436,580</u>	<u>\$ 1,169,665</u>	<u>\$ 934,399</u>	<u>\$ 1,085,839</u>		<u>\$(83,826)</u>	<u>\$ 151,440</u>
Recommended Percentage Increase	<u>39.22%</u>	<u>30.60%</u>	<u>24.32%</u>	<u>28.41%</u>		<u>-2.19%</u>	<u>4.09%</u>

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>				<u>Settlement More (Less)</u>	
	<u>Petitioner</u>	<u>Rebuttal</u>	<u>OUCC</u>	<u>Settlement</u>	<u>Rebuttal</u>	<u>OUCC</u>
Current Rate = \$23.40	\$ 32.58	\$ 30.56	\$ 29.09	\$ 30.05	\$ (0.51)	\$ 0.96

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates
For Settlement Purposes Only

	Petitioner Amended	Petitioner Rebuttal	Per OUCC	Settlement	Settlement More (Less)	
					Rebuttal	OUCC
Operating Revenues						
Water Sales						
Metered Water Revenues	\$ 224,876	\$ 224,876	\$ 224,876	\$ 224,876	\$ -	\$ -
Morgan Foods	(193,892)	(51,900)	(32,324)	(51,900)	-	(19,576)
Wholesale Water Revenues	87,657	87,657	87,657	87,657	-	-
Fire Protection	42,493	42,493	42,493	42,493	-	-
Total Operating Revenues	<u>161,134</u>	<u>303,126</u>	<u>322,702</u>	<u>303,126</u>	<u>-</u>	<u>(19,576)</u>
O&M Expense						
Salaries and Wages						
Wage Increase and New Positions	96,430	96,430	96,430	96,430	-	-
Allocation to Flood Control District	(880)	(880)	(13,256)	(880)	-	12,376
Employee Pensions and Benefits						
PERF	15,221	15,221	15,221	15,221	-	-
Remove Non-cash PERF from Expense	-	-	(61,962)	(61,962)	(61,962)	-
Health Insurance	55,036	55,036	55,036	55,036	-	-
Denial, Vision, and Life Insurance	2,533	2,533	2,533	2,533	-	-
GAP Insurance	5,996	5,996	5,996	5,996	-	-
Payroll Taxes	8,048	8,048	8,048	8,048	-	-
Allocation to Flood Control District	(167)	(430)	(5,271)	(430)	-	4,841
Purchased Power	310	310	310	310	-	-
Materials and Supplies	-	(14,609)	(18,346)	(14,609)	-	3,737
Contractual Services						
SBOA Audit Fees	(20,414)	(20,414)	(20,414)	(20,414)	-	-
Accounting Fees	30,000	30,000	18,000	30,000	-	12,000
Periodic Maintenance	273,896	275,096	214,937	275,096	-	60,159
Capital or Non-recurring Costs	-	(23,212)	(61,963)	(23,212)	-	38,751
Insurance						
Disability Insurance	917	917	917	917	-	-
Allocation to Conservancy District	(6,000)	(6,000)	(6,000)	(6,000)	-	-
Bad Debt Expense	-	-	-	-	-	-
Rate Case Expense	72,000	61,200	61,200	61,200	-	-
Miscellaneous	-	-	-	-	-	-
Total Operating Expenses	<u>532,926</u>	<u>485,242</u>	<u>291,416</u>	<u>423,280</u>	<u>(61,962)</u>	<u>131,864</u>
Net Operating Income	<u>\$ (371,792)</u>	<u>\$ (182,116)</u>	<u>\$ 31,286</u>	<u>\$ (120,154)</u>	<u>\$ 61,962</u>	<u>\$ (151,440)</u>

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

COMPARATIVE BALANCE SHEET
As of December 31,

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Utility Plant:			
Utility Plant in Service	\$ 45,050,279	\$ 42,174,380	\$ 38,329,347
Less: Accumulated Depreciation	(15,125,783)	(14,532,442)	(13,939,101)
Net Utility Plant in Service	<u>29,924,496</u>	<u>27,641,938</u>	<u>24,390,246</u>
Restricted Assets:			
Debt Service Fund	-	3,724	176
Debt Service Reserve	761,722	729,790	697,858
Customer Deposits	361,411	351,878	342,193
Construction Fund	<u>1,727,823</u>	<u>3,471,591</u>	<u>4,341,696</u>
Total Restricted Assets	<u>2,850,956</u>	<u>4,556,983</u>	<u>5,381,923</u>
Current Assets:			
Cash and Cash Equivalents	804,555	1,683,212	1,526,024
Accounts Receivable	291,887	291,601	294,978
Materials and Supplies	-	-	-
Prepays	38,634	42,721	40,105
Interest Receivable	723	415	415
Other Current Assets	-	-	-
Total Current Assets	<u>1,135,799</u>	<u>2,017,949</u>	<u>1,861,522</u>
Deferred Debits			
Bond Issuance Costs, net	552,562	579,642	555,872
Deferred Amount on Refunding	223,829	246,744	269,658
Deferred Rate Case Costs	534,812	502,889	407,863
Deferred Benefit Pension Outflows	<u>262,684</u>	<u>275,424</u>	-
Total Deferred Debits	<u>1,573,887</u>	<u>1,604,699</u>	<u>1,233,393</u>
Total Assets	<u>\$ 35,485,138</u>	<u>\$ 35,821,569</u>	<u>\$ 32,867,084</u>

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

COMPARATIVE BALANCE SHEET
As of December 31,

<u>LIABILITIES</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Equity			
Retained Earnings	\$ 9,768,327	\$ 9,714,312	\$ 10,181,042
Paid in Capital			
Total Equity	<u>9,768,327</u>	<u>9,714,312</u>	<u>10,181,042</u>
Contributions in Aid of Construction	8,421,225	8,369,339	8,314,985
Long-term Debt			
Refunding Revenue Bonds (2012)	5,980,000	6,210,000	6,440,000
Refunding Revenue Bonds (2014)	2,095,000	2,335,000	2,570,000
Revenue Bonds (2014)	4,000,000	4,000,000	4,000,000
Notes Payable (2015 BAN)	3,215,000	3,215,000	-
Lease Payable	-	-	-
Total Long-term Debt	<u>15,290,000</u>	<u>15,760,000</u>	<u>13,010,000</u>
Current Liabilities			
Accounts Payable	62,157	105,472	154,398
Current Portion of Long-term Debt	470,000	465,000	460,000
Accrued Interest	181,184	184,908	181,360
Customer Deposits	361,232	351,942	344,654
Accrued Wages	71,870	53,587	56,403
Accrued Taxes	540	(293)	636
Other Current Liabilities	<u>1,146,983</u>	<u>1,160,616</u>	<u>1,197,451</u>
Deferred Credits and Other Long-term Liabilities			
Deferred Benefit Pension Inflows	53,220	58,015	-
Premium on Debt, net	147,762	155,683	163,606
Net Pension Liability	<u>657,621</u>	<u>603,604</u>	<u>-</u>
	<u>858,603</u>	<u>817,302</u>	<u>163,606</u>
Total Liabilities	<u>\$ 35,485,138</u>	<u>\$ 35,821,569</u>	<u>\$ 32,867,084</u>

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,

	2016	2015	2014
Operating Revenues			
Water Sales	\$ 3,386,040	\$ 3,402,339	\$ 3,501,955
Fire Protection	115,955	117,575	118,065
Penalties	16,770	16,522	17,826
Other	52,828	37,045	41,437
Total Operating Revenues	<u>3,571,593</u>	<u>3,573,481</u>	<u>3,679,283</u>
Operating Expenses			
Salaries and Wages	798,023	772,113	796,273
Employee Benefits	471,119	395,980	343,890
Purchased Water	-	-	-
Purchased Power	441,893	424,256	497,918
Chemicals	264,293	237,259	260,846
Materials and Supplies	175,765	167,935	166,058
Contractual Services	309,935	313,288	255,988
Transportation Expense	58,872	63,228	89,785
Insurance	96,941	100,786	75,519
Bad Debt Expense	-	-	1,428
Rate Case Expense Amortization	-	-	-
Miscellaneous Expense	23,703	22,407	16,889
Total O&M Expense	<u>2,640,544</u>	<u>2,497,252</u>	<u>2,504,594</u>
Depreciation Expense	593,341	593,341	593,341
Amortization Expense	-	-	-
Taxes Other than Income	-	-	-
Total Operating Expenses	<u>3,233,885</u>	<u>3,090,593</u>	<u>3,097,935</u>
Net Operating Income	337,708	482,888	581,348
Other Income (Expense)			
Interest Income	20,951	10,554	7,359
Gain (Loss) on Sale of Assets	-	-	(10,782)
Other Income	177,688	-	5,692
Interest Expense	(505,474)	(450,751)	(328,688)
Amortization of Debt Issuance Costs	(160,854)	(59,904)	(94,112)
Total Other Income (Expense)	<u>(467,689)</u>	<u>(500,101)</u>	<u>(420,531)</u>
Net Income	<u>\$ (129,981)</u>	<u>\$ (17,213)</u>	<u>\$ 160,817</u>

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

Pro-forma Net Operating Income Statement

	Year Ended 12/31/2016	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
Operating Revenues							
Water Sales							
Metered Water Revenue	\$2,110,269	\$ 224,876	Pet	\$2,335,145	\$ 663,439	1	\$2,998,584
Morgan Foods	803,621	(51,900)	5-1	751,721	213,572	1	965,293
Wholesale Water Revenue	472,150	87,657	Pet	559,807	159,047	1	718,854
Fire Protection	115,955	42,493	Pet	158,448	45,017	1	203,465
Penalties	16,770			16,770	4,765	1	21,535
Other	52,828			52,828			52,828
Total Operating Revenues	<u>3,571,593</u>	<u>303,126</u>		<u>3,874,719</u>	<u>1,085,839</u>		<u>4,960,559</u>
O&M Expense							
Salaries and Wages	798,023			893,573			893,573
Annual Increase & New Employees		96,430	Pet				
Allocation to Flood Control District		(880)	Pet				
Employee Pensions and Benefits	471,119			495,561			495,561
PERF		15,221	Pet				
Remove PERF Liability		(61,962)	6-1				
Health Insurance		55,036	Pet				
Denial, Vision, and Life Ins.		2,533	Pet				
GAP Insurance		5,996	Pet				
Payroll Taxes		8,048	Pet				
Allocation to Flood Control District		(430)	Pet				
Purchased Power	441,893	310	Pet	442,203			442,203
Chemicals	264,293			264,293			264,293
Materials and Supplies	175,765			161,156			161,156
Capital or Non-recurring Costs		(14,609)	6-2				
Contractual Services	309,935			571,405			571,405
SBOA Audit Fees		(20,414)	Pet				
Accounting Fees		30,000	Pet				
Periodic Maintenance		275,096	6-3				
Capital or Non-recurring Costs		(23,212)	6-2				
Transportation	58,872			58,872			58,872
Insurance	96,941			91,858			91,858
Disability Insurance		917	Pet				
Allocation of Flood Control		(6,000)	Pet				
Bad Debt Expense	-			-			-
Rate Case Expense	-	61,200	6-4	61,200			61,200
Miscellaneous	23,703			23,703			23,703
Depreciation Expense	593,341	270,403	6-5	863,744			863,744
Total Operating Expenses	<u>3,233,885</u>	<u>693,683</u>		<u>3,927,568</u>	<u>-</u>		<u>3,927,568</u>
Net Operating Income	<u>\$ 337,708</u>	<u>\$ (390,557)</u>		<u>\$ (52,849)</u>	<u>\$ 1,085,839</u>		<u>\$1,032,991</u>

**STUCKER FORK CONSERVANCY DISTRICT
 CAUSE NUMBER 44987**

OUCC Revenue Adjustments

(1)

Morgan Foods Revenues

To adjust test year revenues to reflect actual consumption during the period January 2017 through December 2017.

	<u>Consumption</u>	<u>Billed Revenues</u>
Jan-17	32,757,000	\$ 55,995.00
Feb-17	29,735,000	65,283.06
Mar-17	20,251,000	59,299.50
Apr-17	19,905,000	40,521.18
May-17	21,168,000	39,836.10
Jun-17	28,278,000	42,336.84
Jul-17	36,073,000	56,414.64
Aug-17	47,969,000	71,848.74
Sep-17	42,676,000	95,402.82
Oct-17	36,455,000	84,922.68
Nov-17	33,753,000	72,605.10
Dec-17	37,953,000	67,255.14
	<u>386,973,000</u>	<u>\$751,720.80</u>

<i>Pro forma</i> Revenues	\$ 751,721
Less: Test Year Revenues	<u>803,621</u>

Adjustment Increase (Decrease) \$ (51,900)

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

OUCC Expense Adjustments

(1)

Pension Expense (PERF)

To adjust test year pension (PERF) expense to remove pension liability amounts recorded in compliance with GASB 68 and 71. These amounts do not represent a cash expense of the utility and should not be included in Petitioner's revenue requirement.

Test Year Transaction Recorded:

Debit	604.18	Adm & Gen - Pension	12/31/2016	\$	61,962	
Credit	241.18	Net Pension Liability	12/31/2016			\$ 61,962

Adjustment Increase (Decrease) \$ (61,962)

(2)

Capital and Non-recurring Costs

To adjust test year operating expenses to remove those costs that are capital in nature or non-recurring.

Contractual Services

635.16	Road bore	DAN CRISTIANI	1,300.00	
635.13	Replace Intake Water Level Transducer	EIC Contractors, INC	1,385.00	
635.13	Replace Air Dryer	EIC Contractors, INC	2,145.00	
635.13	Replace SCADA Radio	EIC Contractors, INC	2,008.00	
635.13	Replace RTU	EIC Contractors, INC	3,415.50	
635.13	Installation of Analyzer	Living Waters Company, INC	5,804.50	
635.16	New Camera System	North Electric	2,460.00	
635.13	New Camera System	North Electric	2,460.00	
635.13	Replace Exhaust Fan at Austin WTP	North Electric	2,234.05	
				\$ (23,212)

Materials and Supplies

620.13	Office Desk	Grainger, INC	1,348.38	
620.13	Spectrophotometer	Hach Company, INC	8,977.94	
620.16	Kubota 24" Bucket	JACOBI SALES, INC	1,419.00	
620.16	2 Hydrants	Utility Supply Company	1,856.16	
620.16	2" Ball Valve	Utility Supply Company	1,007.27	
				(14,609)

Adjustment Increase (Decrease) \$ (37,821)

STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987

OUCG Expense Adjustments

(3)

Periodic Maintenance

To adjust annual operating expenses to include periodic maintenance expenses.

			<u>Pro forma</u>
<u>Intake Structure Cleaning and Pump Maintenance</u>			
Cleaning	\$15,000 every 5 years	\$ 3,000	
Intake Pump Maintenance	\$1,500 per pump (3)	4,500	
		<hr/>	\$ 7,500
<u>Well Maintenance</u>			
Chemical cleaning	\$1,500 per well (5)	7,500	
Well Pump maintenance	\$2,000 per pump (5)	10,000	
		<hr/>	17,500
<u>Austin Water Treatment Plant Maintenance</u>			
High Service Pumps	\$1,200 per pump (8)	9,600	
Low Service Pumps	\$500 per pump (3)	1,500	
Backwash Pump	\$750 per pump (2)	1,500	
Pump Control Valve	\$500 per valve (4)	2,000	
Plant Production Meter	\$500 per meter (7)	3,500	
Calibration			
Turbidity Meter Maint.	\$500 per meter (9)	4,500	
Generator Maintenance	\$1,500 per generator (1)	1,500	
Fire Extinguisher Maint.		300	
Filter Maintenance	\$1,875 per filter (8)	15,000	
Lagoon Cleaning	\$6,000 every 5 years	1,200	
U.V. System (Bulb Replace)	\$250 per bulb (12)	3,000	
		<hr/>	43,600
<u>Marble Hill Water Treatment Plant Maintenance</u>			
High Service Pump	\$1,200 per pump (3)	3,600	
Backwash Pump	\$750 per pump (1)	750	
Pump Control Valve	\$500 per valve (3)	1,500	
Plant Production Meter	\$500 per meter (4)	2,000	
Fire Extinguisher Maint.		300	
Filter Maintenance	\$1,875 per filter (4)	7,500	
Pressure Filter (painting)	\$15,750 per filter eerie 15 years	4,200	
		<hr/>	19,850

STUCKER FORK CONSERVANCY DISTRICT
 CAUSE NUMBER 44987

OUCCE Expense Adjustments

(3)

Periodic Maintenance (continued)

Tank Maintenance

Cleaning and Inspection			6,008
Tank Painting		<u>Gallons</u>	
Austin	\$325,000 / 15 years	500,000	21,667
Little York	\$175,000 / 15 years	100,000	11,667
Blocher	\$200,000 / 15 years	150,000	13,333
Commiskey	\$175,000 / 15 years	100,000	11,667
Polk Road	\$175,000 / 15 years	100,000	11,667
Double or Nothing Road	\$325,000 / 15 years	500,000	21,667
Radiotower Road	\$325,000 / 15 years	500,000	21,667
Lovett	\$175,000 / 15 years	100,000	11,667
Paynesville Road	\$325,000 / 15 years	500,000	21,667
Fairview Road	\$250,000 / 15 years	250,000	16,667
Austin Tank No. 2	\$400,000 / 15 years	1,000,000	26,667
Marble Hill (ground)	\$250,000 / 15 years	500,000	16,667
Marble Hill (aeration)	\$150,000 / 15 years		10,000
Marble Hill (aeration)	\$150,000 / 15 years		10,000

232,678

Booster Pump Station Maintenance

Booster Station No. 4		3,000
Booster Station No. 7		1,500
Booster Station No. 8		1,500

6,000

Meter/Control Valve Pit Maintenance

\$1200 per control valve (11)		13,200
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Total Pro forma Periodic Maintenance		340,328
Less: Test Year Periodic Maintenance Expense		65,232

Adjustment Increase (Decrease)

\$ 275,096

STUCKER FORK CONSERVANCY DISTRICT
 CAUSE NUMBER 44987

OUCG Expense Adjustments

(4)

Rate Case Expense

To adjust test year operating expenses to include amortization of rate case costs for this Cause as well as Cause No. 44687.

Estimated Rate Case Costs for this Cause		
Municipal Advisor	\$	70,000
Legal Counsel		70,000
Consulting Engineer		40,000
Total Estimated Rate Case Costs		<u>\$ 180,000</u>
Unamortized Rate Case Costs for Cause No. 44687		
Allowed Rate Case Costs in Cause No. 44687		180,000
Less 2017 Annual Amortization Expense		(36,000)
Less: 2018 Annual Amortization Expense		<u>(18,000)</u>
Unamortized Rate Case Costs as of 6/30/2018		<u>126,000</u>
Total Rate Case Costs to be Amortized	\$	306,000
Divided by: 5 years		<u>5</u>
<i>Pro forma</i> Rate Case Expense		61,200
Less: Test Year Rate Case Expense		<u>-</u>
Adjustment Increase (Decrease)		<u>\$ 61,200</u>

(5)

Depreciation Expense

To adjust test year depreciation expense to reflect a 2% composite depreciation rate.

Utility Plant in Service at 12/31/2016	\$	45,050,279
Add: Capitalized test year operating expenses		80,309
Less: Land and Land Rights		585,142
Less: Estimated Original Cost of Replacements		<u>1,358,268</u> (See calculation below)
Net Depreciable Utility Plant in Service		43,187,178
Times: Composite Depreciation Rate		<u>2.00%</u>
Pro forma Depreciation Expense	\$	863,744
Less: Test Year Depreciation Expense		<u>593,341</u>
Adjustment Increase (Decrease)		<u>\$ 270,403</u>

2015 Replacements per IURC Annual Report

		<u>Replacement</u>
		<u>Cost</u>
304 16" Line Replacement (Austin Treatment Plant)	\$	1,891,157
331 16" Line Replacement		<u>1,504,514</u>
		3,395,671
Times: 40%		40.00%
Estimated Original Cost of 2015 Replacements	\$	<u>1,358,268</u>

**STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987**

Debt Service Reserve

Debt Service Reserve at 12/31/2016	\$ 761,722
2017 Debt Service Reserve Contributions (CN 44687)	<u>76,385</u>
Estimated 12/31/2017 Debt Service Reserve Balance	838,107
2018 Debt Service Reserve Contributions (6 months)	<u>38,193</u>
<i>Pro forma</i> Debt Service Reserve at 6/30/2018	876,300
Debt Service Reserve Balance Requirement as of February 2022	<u>1,050,005</u>
Remaining Debt Service Reserve to be Funded	173,705
Divide by: 3.5 years	<u>3.5</u>
<i>Pro forma</i> Annual Debt Service Reserve Requirement	<u><u>\$ 49,630</u></u>

**STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987**

Current and Proposed Rates and Charges

			<u>Current</u>	<u>Petitioner Amended</u>	<u>Petitioner Rebuttal</u>	<u>OUCC</u>	<u>Settlement</u>
<u>Metered Usage</u>							
First	10,000 Gallons	\$	3.46	\$ 4.82	\$ 4.52	\$ 4.30	\$ 4.44
Next	240,000 Gallons		2.77	3.86	3.62	3.44	3.56
Next	250,000 Gallons		2.59	3.61	3.38	3.22	3.33
Over	500,000 Gallons		1.98	2.76	2.59	2.46	2.54
<u>Monthly Service Charge</u>							
5/8" Meter		\$	6.10	\$ 8.50	\$ 7.97	\$ 7.58	\$ 7.83
3/4" Meter			6.45	9.00	8.42	8.02	8.28
1" Meter			7.35	10.20	9.60	9.14	9.44
1.25" Meter			7.95	11.05	10.38	9.88	10.21
1.50" Meter			8.55	11.90	11.17	10.63	10.98
2" Meter			11.95	16.65	15.61	14.86	15.34
4" Meter			36.75	51.20	48.00	45.69	47.19
6" Meter			45.90	63.90	59.95	57.06	58.94
8" Meter			67.30	93.65	87.89	83.67	86.42
10" Meter			91.85	127.90	119.96	114.19	117.94
			119.40	166.20	155.94	148.44	153.32
<u>Wholesale Customers</u>							
Rate per 1,000 gallons (subject to contract minimums)		\$	1.98	\$ 2.76	\$ 2.59	\$ 2.46	\$ 2.54
<u>Public Fire Protection</u>							
5/8" Meter		\$	6.81	\$ 9.48	\$ 8.89	\$ 8.47	\$ 8.74
3/4" Meter			10.23	14.24	13.36	12.72	13.14
1" Meter			17.04	23.72	22.25	21.18	21.88
1.25" Meter			27.25	37.94	35.59	33.88	34.99
1.50" Meter			34.07	47.43	44.50	42.36	43.75
2" Meter			54.51	75.89	71.19	67.77	70.00
3" Meter			102.21	142.29	133.49	127.07	131.25
4" Meter			170.34	237.14	222.46	211.77	218.73
6" Meter			340.68	474.29	444.93	423.53	437.47
8" Meter			545.10	758.87	711.90	677.67	699.96
10" Meter			783.57	1,090.86	1,023.34	974.13	1,006.18

**STUCKER FORK CONSERVANCY DISTRICT
CAUSE NUMBER 44987**

Current and Proposed Rates and Charges

	<u>Current</u>	<u>Petitioner Amended</u>	<u>Petitioner Rebuttal</u>	<u>OUCC</u>	<u>Settlement</u>
<u>Private Fire Protection</u>					
Private Fire Hydrant Rental (annual)	\$ 826.69	\$ 1,150.90	\$ 1,079.66	\$ 1,027.74	\$ 1,061.55
Automatic Sprinklers (annual)					
1" connection	22.96	31.96	29.99	28.54	29.48
2" connection	91.86	127.89	119.97	114.20	117.96
3" connection	206.68	287.73	269.92	256.94	265.40
4" connection	367.42	511.51	479.85	456.78	471.80
6" connection	826.69	1,150.90	1,079.66	1,027.74	1,061.55
8" connection	1,469.68	2,046.05	1,919.40	1,827.11	1,887.22
10" connection	2,296.38	3,196.96	2,999.07	2,854.86	2,948.78
12" connection	3,306.78	4,603.61	4,318.65	4,110.99	4,246.24