

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IURC
PETITIONER'S 9
EXHIBIT NO. 125-22
DATE REPORTER

IN THE MATTER OF THE PETITION OF)
NORTH DEARBORN WATER AUTHORITY)
FOR EXPEDITED APPROVAL TO ISSUE) CAUSE NO. 45618
LONG-TERM DEBT AND ADJUST ITS)
RATES AND CHARGES.)

PETITIONER'S RESPONSE TO PRESIDING OFFICERS'
JANUARY 19, 2022 DOCKET ENTRY QUESTIONS

Petitioner, North Dearborn Water Authority ("North Dearborn"), by counsel, respectfully submits its response to the Presiding Officers' January 19, 2022 Docket Entry Questions as follows:

Q.1: Please identify the remaining estimated useful lives of the current 600 gallon per minute well pumps.

Response:

Well Pump #1 was re-built in 2017. The pump will likely need to be replaced in 2025. Well Pump #2 was rebuilt in 2021, and will likely need to be replaced in 2028. North Dearborn's raw water quality is very good, which allows for these longer cycles between re-build and replacement. The pumps can typically be re-built one time, and then need to be replaced on the next cycle.

Q.2: Please identify and explain any discussions Petitioner has had with Hoosier Hills Regional Water District ("Hoosier Hills") concerning Hoosier Hills' interest or willingness to renew/renegotiate the purchased water contract with Petitioner, which is currently set to expire in 2028.

Response:

There have not yet been discussions between Petitioner and Hoosier Hills regarding the current contract that is set to expire in 2028. As evidenced by Attachment DE-2, Petitioner's cost to self-supply its own water is approximately \$0.81 per 1,000 gallons compared with \$4.11 per 1,000 gallons to purchase water from Hoosier Hills. Petitioner already pays Hoosier Hills' lowest rate, and does not reasonably expect that Hoosier Hills will renew or renegotiate the contract at a price that is competitive with Petitioner's cost to self-supply water. Accordingly, Petitioner believes it is in its long-term best economic and operational interest to be self-reliant for water supply.

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EXHIBITS

Q.3: Please indicate whether Petitioner has conducted any study or analysis that would demonstrate a need for improved efficiency in Petitioner producing its own water over continuing to purchase water. If so, please provide the study or analysis.

Response: Please see Attachment DE-2. While there has not been a specific study to identify the need for improved engineering efficiencies resulting from self-production of water, the Petitioner's Board, staff and engineers recognize that Petitioner's two connections to Hoosier Hills are near the outer edges of Petitioner's distribution system. One connection is to a 3" water main, and the other connection is to a 4" water main. Petitioner's wells and water treatment plant feed through the center of the distribution system with larger diameter water transmission mains, enabling them to better distribute water through the system than the small Hoosier Hills connections on the fringe of the system. Providing the water from Petitioner's treatment plant provides more efficient transmission to the system.

Q.4: Please explain whether there are high service pumps associated with the proposed water treatment plant project to be equipped with variable frequency drives. If so, please identify the lowest flow limit at which those pumps can be operated.

Response: Yes, the proposed high service pumps are proposed to be equipped with variable frequency drives. The design pumping range for the pumps is 600 – 1,000 gpm with the VFD control.

Q.5: Please indicate whether the high service pumps associated with the proposed water treatment plant project will need to be respecified if the well pumps are not upgraded as proposed by Petitioner.

Response: The project design has progressed and the design team has developed a final design to provide for operational flexibility with a pumping range of 600 – 1,000 GPM.

Q.6: Please provide an updated Project Schedule as listed in Section 6.6 of the 2020 Preliminary Engineering Report ("PER") (Petitioner's Exhibit 3, p. 52).

Response:

| Project Component | Date |
|----------------------------------------|----------------------------------|
| Submit PER to SRF | June 15, 2020 |
| Public Hearing for PER | May 10, 2021 |
| IURC Rate Case Filing | September, 2021 |
| Plan & Specification Submittal to IDEM | January – February 2022 |
| PER Approval | November 15, 2021 |
| Construction Permit Approval from IDEM | February - March 2022 |
| Advertise for Bids | March, 2022 |
| Receive Bids for Project | April, 2022 |
| Receive IURC Rate Case Approval* | TBD (<i>March-April, 2022</i>) |
| Close on SRF Loan | May, 2022 |
| Contract Award | May, 2022 |
| Begin Construction | June, 2022 |
| Completion of Construction | June, 2023 |

Q.7: Please explain why Petitioner applied a 15% contingency in its PER when the Financial Information Form in the PER, at p. 133, notes that the contingency should not exceed 10% of the construction cost.

Response: The 15% contingency applied in Petitioner's PER represents a 15% contingency in the amount of Petitioner's requested borrowing authority from this Commission, and not a 15% contingency in the final project cost that will be submitted to the Indiana Finance Authority ("IFA") and reflected in the loan. The professional engineering firm for North Dearborn, Curry and Associates, includes higher contingencies in the PER because the estimated costs at that stage of the process are typically written prior to design of the project. At this point, North Dearborn and its professional engineer do not have all the detailed information needed to prepare an accurate cost estimate based on the final design and possible cost escalations that all utilities are currently experiencing in the construction marketplace. Once North Dearborn receives the final bids, North Dearborn will know its construction costs with a greater degree of certainty; North Dearborn can size the amount of the bonds based on the actual bid amounts; North Dearborn will reduce the contingency to 5% of the actual bid amount in accordance with the IFA's requirements; and no waiver will be needed (from the Indiana Finance Authority). Considering the current bidding environment (and until bids are received), North Dearborn and its professional engineer believe it is appropriate to include a 15% contingency so that North Dearborn will not

need to return to the Commission for additional borrowing authority if final costs are higher than originally anticipated. To be clear, once the final bids are received, North Dearborn will only borrow an amount that includes no more than a 5% contingency on the project costs reflected in the final bids as required by the IFA.

Q.8: Mr. Baldessari, at p. 5 of his rebuttal testimony, indicates his agreement with the Indiana Office of Utility Consumer Counselor's ("OUCC") proposed calculation of the debt service requirement for Phase 1. However, Petitioner's revised schedules (Exhibit 8, p. 2) reflect an annual debt payment for Phase 1 of \$138,600, which differs from the OUCC's annual debt payment of \$110,136 (OUCC's Exhibit 3, Attachment SD-4, p.1). Please explain the discrepancy.

Response: On page 5 of Mr. Baldessari's rebuttal testimony it does state that Mr. Baldessari agrees with the OUCC's proposed calculation of the debt service requirement for phase I. However, the intention of this response was that Mr. Baldessari agreed with the methodology of how the debt service requirement was calculated using the monthly payments at an interest rate of 2.65% for Series A and 2.75% for Series B. The difference in the debt service requirement between the OUCC's proposed calculation and the Petitioner's Rebuttal calculation is due to the fact that Petitioner did not agree with the total amount of the project costs as proposed by the OUCC, as stated on page 2 of Mr. Baldessari's rebuttal testimony. Petitioner's proposed par amounts are \$1,645,000 for Series A and \$1,960,000 for Series B which are amortized to calculate the debt service requirement. The total par amount of bonds proposed by the Petitioner is \$3,605,000 which is \$359,930 more than proposed by the OUCC.

Respectfully Submitted,



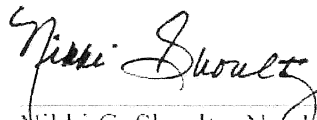
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*Counsel for Petitioner,
North Dearborn Water Authority*

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served upon the following by electronic mail this 24th day of January, 2022:

Scott Franson
Indiana Office of Utility Consumer Counselor
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North Dearborn Water Authority
 7484 Christina Drive Suite 103
 West Harrison IN 47060
 812-576-2177

Production Cost of Water 2019 and 2020
 Compared to purchase water from Hoosier Hills Regional Water District

2019 Cost taken from the Annual Audit see attached document

| | |
|----------------------|-------------|
| Electricity | \$56,014.00 |
| Well Field Lease | \$9,973.00 |
| Supplies (chemicals) | \$17,340.00 |
| Total | \$83,104.00 |

Water Produced at Treatment Plant 2019 107,263,000 gallons see attached document

\$83,104.00 divided by 107,357 = \$.77 cents per 1000 gallon

2020 Cost taken from the Annual Audit see attached document

| | |
|----------------------|-------------|
| Electricity | \$65,091.00 |
| Well Field Lease | \$9,973.00 |
| Supplies (chemicals) | \$12,134.00 |
| Total | \$87,198.00 |

Water Produced at Treatment Plant 2020 107,357,000 gallons see attached document

\$87,198.00 divided by 107,357 = \$.81 cents per 1000 gallons

Hoosier Hill lowest tier is \$4.11 per 1000 gallons see attached rate schedule

North Dearborn Water Corporation
Notes to Financial Statements
December 31, 2020 and 2019

7. Expense Disclosures

Expenses are assigned directly to specific activities as expenditures are made.

| | 2020 | | Total Expenses |
|-------------------------------------|--------------------|------------------------|----------------|
| | Program Activities | Supporting Activities | |
| | Water Distribution | Management and General | |
| Purchased water | \$ 99,603 | \$ - | \$ 99,603 |
| Electricity | 65,091 | - | 65,091 |
| Meter reading and reporting | 13,800 | - | 13,800 |
| Locates and disconnect charges | 20,260 | - | 20,260 |
| Well field lease | 9,973 | - | 9,973 |
| Laboratory testing | 3,070 | - | 3,070 |
| Contracted maintenance service | 176,809 | - | 176,809 |
| Repairs and maintenance | 62,149 | - | 62,149 |
| Supplies | 12,134 | - | 12,134 |
| Depreciation | 147,898 | - | 147,898 |
| Office wages and payroll taxes | - | 68,084 | 68,084 |
| Office supplies and small equipment | - | 12,383 | 12,383 |
| Postage | - | 7,846 | 7,846 |
| Insurance | - | 11,403 | 11,403 |
| Office rent and utilities | - | 18,371 | 18,371 |
| Professional Fees | - | 25,655 | 25,655 |
| Bank charges and fees | - | 1,420 | 1,420 |
| Director fees | - | 2,850 | 2,850 |
| Misc Expense | - | 15,935 | 15,935 |
| Total Expenses | \$ 610,787 | \$ 163,947 | \$ 774,734 |

See independent auditor's report.

North Dearborn Water Corporation
Notes to Financial Statements
December 31, 2020 and 2019

Note 7, Expense Disclosures, continued.

| | 2019 | | Total Expenses |
|-------------------------------------|--------------------|------------------------|----------------|
| | Program Activities | Supporting Activities | |
| | Water Distribution | Management and General | |
| Purchased water | \$ 97,539 | \$ - | \$ 97,539 |
| Electricity | 56,014 | - | 56,014 |
| Meter reading and reporting | 13,801 | - | 13,801 |
| Locates and disconnect charges | 19,640 | - | 19,640 |
| Well field lease | 9,750 | - | 9,750 |
| Laboratory testing | 4,223 | - | 4,223 |
| Contracted maintenance service | 164,809 | - | 164,809 |
| Repairs and maintenance | 68,713 | - | 68,713 |
| Supplies | 17,340 | - | 17,340 |
| Depreciation | 152,057 | - | 152,057 |
| Office wages and payroll taxes | - | 61,113 | 61,113 |
| Office supplies and small equipment | - | 10,817 | 10,817 |
| Postage | - | 7,304 | 7,304 |
| Insurance | - | 9,092 | 9,092 |
| Office rent and utilities | - | 18,012 | 18,012 |
| Professional Fees | - | 9,650 | 9,650 |
| Bank charges and fees | - | 1,630 | 1,630 |
| Director fees | - | 4,000 | 4,000 |
| Misc Expense | - | 15,473 | 15,473 |
| Total Expenses | \$ 603,886 | \$ 137,091 | \$ 740,977 |

8. Supplemental Disclosure of Cash Flow Information

| | December 31, 2020 | December 31, 2019 |
|--------------------------------|-------------------|-------------------|
| Cash paid during the year for: | | |
| Interest | \$ 48,271 | \$ 51,373 |
| Income Taxes | - | - |

Reconciliation of cash and cash equivalents and cash held by bond trustee as reported in Statements of Financial Position to the amount reported in the Statement of Cash Flows

| | December 31, 2020 | December 31, 2019 |
|---------------------------------------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 407,406 | \$ 231,796 |
| Cash held by bond trustee | 120,774 | 115,071 |
| Cash and cash equivalents and cash held by bond trustee at year end | \$ 528,180 | \$ 346,867 |

See independent auditor's report.

NORTH DEARBORN WATER CORP. ANNUAL USAGE AND WATER LOST 2019

| | Treatment Plant | Elrod Penntown | Elrod Hwy 48 | TTW Mt. Pleas. | TTW Geo. | Greendale | Total Purchased | TOTAL WATER |
|------------------------------|--------------------|-------------------|------------------|-------------------|----------------|----------------|--------------------|-------------------|
| Jan. | 8,093,000 | 249,000 | 1,245,000 | 342,000 | 542,000 | 365,000 | 2,743,000 | 10,836,000 |
| Feb. | 7,817,000 | 196,000 | 1,121,000 | 291,000 | 474,000 | 251,000 | 2,333,000 | 10,150,000 |
| March | 8,483,000 | 229,000 | 1,235,000 | 352,000 | 646,000 | 330,000 | 2,792,000 | 11,275,000 |
| April | 7,827,000 | 213,000 | 1,180,000 | 299,000 | 555,000 | 307,000 | 2,554,000 | 10,381,000 |
| May | 9,551,000 | 210,000 | 1,289,000 | 374,000 | 755,000 | 369,000 | 2,997,000 | 12,548,000 |
| June | 8,701,000 | 228,000 | 1,031,000 | 358,000 | 608,000 | 379,000 | 2,604,000 | 11,305,000 |
| July | 10,155,000 | 200,000 | 1,187,000 | 487,000 | 650,000 | 437,000 | 2,961,000 | 13,116,000 |
| Aug. | 10,573,000 | 123,000 | 1,187,000 | 451,000 | 681,000 | 425,000 | 2,867,000 | 13,440,000 |
| Sept. | 10,131,000 | 122,000 | 1,174,000 | 428,000 | 684,000 | 479,000 | 2,887,000 | 13,018,000 |
| Oct. | 9,204,000 | 121,000 | 1,142,000 | 378,000 | 524,000 | 428,000 | 2,593,000 | 11,797,000 |
| Nov. | 8,307,000 | 134,000 | 1,113,000 | 383,000 | 496,000 | 380,000 | 2,506,000 | 10,813,000 |
| Dec. | 8,421,000 | 144,000 | 1,148,000 | 408,000 | 535,000 | 386,000 | 2,621,000 | 11,042,000 |
| TOTAL | 107,263,000 | 2,169,000 | 14,052,000 | 4,551,000 | 7,150,000 | 4,536,000 | 32,458,000 | 139,721,000 |
| AVERAGE PER MONTH | 8,938,583 | 180,750 | 1,171,000 | 379,250 | 595,833 | 378,000 | 2,704,833 | 11,643,417 |

| | | | | |
|----------------------------------|--------------------|--------------------|-------------------|-------------|
| | Total Purchased | 32,458,000 | Total Produced | 107,263,000 |
| | TOTAL WATER | WATER SOLD | WATER LOST | PERCENT |
| Dec. / 8 | 10,986,000 | | | |
| Jan. | 10,836,000 | | | |
| Feb. | 10,150,000 | 19,382,907 | 2,439,093 | 11% |
| March | 11,275,000 | | | |
| April | 10,381,000 | 19,522,349 | 1,902,651 | 9% |
| May | 12,548,000 | | | |
| June | 11,305,000 | 20,523,741 | 2,405,259 | 10% |
| July | 13,116,000 | | | |
| Aug. | 13,440,000 | 22,245,993 | 2,175,007 | 9% |
| Sept. | 13,018,000 | | | |
| Oct. | 11,797,000 | 24,274,164 | 2,183,836 | 8% |
| Nov. | 10,813,000 | | | |
| Dec. | | 20,990,562 | 1,619,438 | 7% |
| TOTAL | 139,665,000 | 126,939,716 | 12,725,284 | 9% |
| AVERAGE PER MONTH | 11,638,750 | 10,578,310 | 1,060,440 | 9% |

NORTH DEARBORN WATER CORP. ANNUAL USAGE AND WATER LOST 2020

| | Treatment Plant | Elrod Penntown | Elrod Hwy 48 | TTW Mt. Pleas. | TTW Geo. | Greendale | Total Purchased | TOTAL WATER |
|-------|-----------------|----------------|--------------|----------------|----------|-----------|-----------------|-------------|
| Jan. | 8,000,000 | 125,000 | 1,136,000 | 385,000 | 513,000 | 386,000 | 2,545,000 | 10,545,000 |
| Feb. | 8,055,000 | 90,000 | 1,076,000 | 354,000 | 481,000 | 349,000 | 2,350,000 | 10,405,000 |
| March | 8,099,000 | 72,000 | 1,161,000 | 419,000 | 532,000 | 362,000 | 2,546,000 | 10,645,000 |
| April | 7,999,000 | 78,000 | 1,123,000 | 396,000 | 565,000 | 397,000 | 2,559,000 | 10,558,000 |
| May | 9,363,000 | 214,000 | 1,179,000 | 370,000 | 649,000 | 482,000 | 2,894,000 | 12,257,000 |
| June | 10,099,000 | 183,000 | 1,215,000 | 457,000 | 612,000 | 516,000 | 2,983,000 | 13,082,000 |
| July | 10,874,000 | 123,000 | 1,242,000 | 489,000 | 650,000 | 581,000 | 3,085,000 | 13,959,000 |
| Aug. | 10,267,000 | 179,000 | 1,153,000 | 451,000 | 608,000 | 610,000 | 3,001,000 | 13,268,000 |
| Sept. | 9,692,000 | 247,000 | 1,142,000 | 384,000 | 608,000 | 436,000 | 2,817,000 | 12,509,000 |
| Oct. | 8,775,000 | 331,000 | 1,163,000 | 335,000 | 576,000 | 372,000 | 2,777,000 | 11,552,000 |
| Nov. | 7,726,000 | 374,000 | 1,144,000 | 301,000 | 556,000 | 348,000 | 2,723,000 | 10,449,000 |
| Dec. | 8,408,000 | 234,000 | 1,163,000 | 310,000 | 655,000 | 381,000 | 2,743,000 | 11,151,000 |

| | | | | | | | | |
|--------------|--------------------|-----------|------------|-----------|-----------|-----------|------------|-------------|
| TOTAL | 107,357,000 | 2,250,000 | 13,897,000 | 4,651,000 | 7,005,000 | 5,220,000 | 33,023,000 | 140,380,000 |
|--------------|--------------------|-----------|------------|-----------|-----------|-----------|------------|-------------|

| | | | | | | | | |
|--------------------------|-----------|---------|-----------|---------|---------|---------|-----------|------------|
| AVERAGE PER MONTH | 8,946,417 | 187,500 | 1,158,083 | 387,583 | 583,750 | 435,000 | 2,751,917 | 11,698,333 |
|--------------------------|-----------|---------|-----------|---------|---------|---------|-----------|------------|

| | | | |
|-----------------|------------|----------------|-------------|
| Total Purchased | 33,023,000 | Total Produced | 107,357,000 |
|-----------------|------------|----------------|-------------|

| | | | |
|-------------|------------|------------|---------|
| TOTAL WATER | WATER SOLD | WATER LOST | PERCENT |
|-------------|------------|------------|---------|

| | | | |
|---------|------------|------------|---------------|
| Dec. 19 | 11,042,000 | | |
| Jan. | 10,545,000 | | |
| Feb. | 10,405,000 | 18,502,754 | 3,084,246 14% |
| March | 10,645,000 | | |
| April | 10,558,000 | 19,031,123 | 2,018,877 10% |
| May | 12,257,000 | | |
| June | 13,082,000 | 20,839,212 | 1,975,788 9% |
| July | 13,959,000 | | |
| Aug. | 13,268,000 | 24,500,890 | 2,540,110 9% |
| Sept. | 12,509,000 | | |
| Oct. | 11,552,000 | 22,063,728 | 3,713,272 14% |
| Nov. | 10,449,000 | | |
| Dec. | | 20,378,720 | 1,622,280 7% |

| | | | |
|--------------|-------------|-------------|----------------|
| TOTAL | 140,271,000 | 125,316,427 | 14,954,573 11% |
|--------------|-------------|-------------|----------------|

| | | | |
|--------------------------|------------|------------|---------------|
| AVERAGE PER MONTH | 11,689,250 | 10,443,036 | 1,246,214 11% |
|--------------------------|------------|------------|---------------|

HOOSIER HILLS REGIONAL WATER DISTRICT
P.O. BOX 395, MILAN IN 47031
PHONE 812-654-3200 TOLL FREE 866-268-3200
WEBSITE hhrwd.com

****SCHEDULE OF RATES & CHARGES****

| <u>METERED RATES PER MONTH</u> | <u>PER 1,000 GALLONS</u> |
|--------------------------------|--------------------------|
| FIRST 3,000 GALLONS | \$8.94 |
| NEXT 3,000 GALLONS | \$8.00 |
| NEXT 4,000 GALLONS | \$6.39 |
| NEXT 10,000 GALLONS | \$4.75 |
| OVER 20,000 GALLONS | \$4.11 |

MINIMUM CHARGE PER MONTH

EACH USER SHALL PAY A MINIMUM CHARGE IN ACCORDANCE WITH THE FOLLOWING APPLICABLE SIZE OF METER INSTALLED FOR WHICH THE USER WILL BE ENTITLED TO THE QUANTITY OF WATER SET FORTH BELOW:

| <u>METER SIZE</u> | <u>GALLONS</u> | <u>RATE PER MONTH</u> |
|-------------------|----------------|-------------------------|
| 5/8" | 3,000 | \$26.82 + tax = \$28.70 |
| 3/4" | 4,500 | \$38.82 |
| 1" | 7,500 | \$60.41 |
| 1 1/2" | 15,000 | \$100.13 |
| 2" | 24,000 | \$140.32 |
| 3" | 45,000 | \$226.63 |
| 4" | 75,000 | \$349.93 |

HYDRANTS

THERE ARE NO FIRE HYDRANTS OR PRIVATE PROTECTION DEVICES ON THE WATER SYSTEM. TWO INCH (2") FLUSH HYDRANTS INSTALLED ON THE SYSTEM ARE AVAILABLE TO FIRE COMPANY'S WITHIN THE AREA FOR GRAVITY USE TO FILL WATER TRUCK TANKS ONLY.

MEMBERSHIP

\$100.00, WHICH IS REFUNDABLE IF SERVICE IS EVER CANCELLED
THE METERS ARE READ THE THIRD FULL WEEK OF EVERY MONTH. THE BILLS GO OUT ON THE 1ST OF EVERY MONTH AND ARE DUE ON THE 1ST OF EVERY MONTH. IF BILLS ARE NOT PAID IN FULL BY THE 1ST OF EACH MONTH, A PENALTY OF 10% OF THE FIRST \$3.00/3% OF BALANCE WILL BE ACCESSED

DISCONNECT NOTICES

NOTICES WILL BE SENT OUT ON THE 15TH OF EACH MONTH FOR PAST DUE ACCOUNTS. ONCE A NOTICE IS SENT OUT OUR OFFICE CAN ONLY ACCEPT CASH, MONEY ORDER, CREDIT/DEBIT CARDS

RECONNECT FEE

IF THE NEED ARISES TO DISCONNECT ANY USERS SERVICE, THESE CHARGES WILL BE APPLIED TO RECONNECT THEIR SERVICE:

| | |
|-----------------------|----------|
| DURING OFFICE HOURS - | \$50.00 |
| AFTER OFFICE HOURS - | \$100.00 |
| CUT LOCK CHARGE - | \$75.00 |

\$50.00 RECONNECT FEE WILL BE CHARGED FOR ALL CURRENT MEMBERS WISHING TO HAVE SERVICE RESTORED AT ANOTHER RESIDENCE THAT HAS BEEN DISCONNECTED.

REQUEST TO RE-READ METERS

\$50.00 FEE WILL BE CHARGED FOR ALL CURRENT MEMBERS REQUESTING THEIR METERS RE-READ.