

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**PETITION OF DOE CREEK SEWER)
UTILITY, INC. FOR A NEW SCHEDULE OF) CAUSE NO. 45655-U
RATES AND CHARGES FOR WASTEWATER)
SERVICE)**

OUCC's FILING OF SETTLEMENT AGREEMENT

The Office of Utility Consumer Counselor ("OUCC"), by counsel, hereby submits the Stipulation and Settlement Agreement ("Settlement Agreement") entered into by and between Doe Creek Sewer Utility, Inc. and the OUCC.

Respectfully submitted

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *OUCC's Notice Filing of Settlement Agreement* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 25, 2022.

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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

APPLICATION OF DOE CREEK SEWER)
UTILITY, INC. FOR A NEW SCHEDULE OF) CAUSE NO. 45655-U
RATES AND CHARGES FOR WASTEWATER)
SERVICE)

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (“Settlement Agreement”) is entered into on May 24, 2022, by and between Doe Creek Sewer Utility, Inc. (“Doe Creek”), and the Indiana Office of Utility Consumer Counselor (“OUCC”), both of whom 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 Order of the Indiana Utility Regulatory Commission (“Commission”) without modification or the addition of further conditions that may be unacceptable to either party. If the Commission does not approve the Settlement Agreement in its entirety and incorporate the conclusions herein in its final Order, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by Doe Creek and the OUCC (“Settling Parties”).

Terms and Conditions of Settlement Agreement

Factual and Procedural Background. Doe Creek Sewer Utility, Inc. (“Doe Creek” or “Applicant”) is a for-profit investor-owned corporation, providing sewer service to approximately 385 customers¹ in Hancock County relying on one wastewater treatment plant, approximately 114,527 feet of collection main, and two lift stations.² Doe Creek has expressed its ability and willingness to extend service to a proposed development in its service territory, which would

¹ 2020 Annual Report, page S-1, Year End Customer Numbers.

² 2020 Annual Report, page S-7, 86,911+15,005+12,611=114,527

potentially add 110 customers to its system. On December 16, 2021, Doe Creek filed an application with the Indiana Utility Regulatory Commission (“Commission” or “IURC”) under 170 IAC 14-1-1 et al, the small utility rate filing statute (IC 8-1-2-61.5). Doe Creek requested an overall rate increase of 75.32% to produce an additional \$175,082 of operating revenue, which would establish a flat monthly rate of \$84.15. Doe Creek proposed a return on its investment based on a weighted average cost of capital of 9.5%. On March 16, 2022 the OUCC filed its Report, which set forth its analysis of Doe Creek’s proposed rate increase. The OUCC recommended a rate increase of 44.44% or an additional \$103,489 of operating revenue, to produce a flat monthly rate of \$69.33, which difference was the result of various expense adjustments, elimination of working capital from the calculation of rate base and a proposed weighted cost of capital of 8%.

Settlement. The Settling Parties have agreed on the terms and conditions as described herein that resolve all issues between them in this Cause.

1. **Amount of Rate Increase.** The Settling Parties agree Doe Creek should be permitted to implement a 59.9% increase designed to produce additional operating revenues of \$139,482 per year through a flat monthly rate of \$76.75, which authorization is agreed to be subject to the conditions and terms set forth herein. A table comparing the parties’ positions with the agreement is attached hereto as Settlement Agreement Exhibit -1.

2. **Weighted Cost of Capital.** Doe Creek’s proposed weighted cost of capital was based on a cost of equity of 9.5%. The OUCC proposed a weighted cost of capital based on a cost of equity of 8.0% due in part to the lack of debt (and therefore the lack of risk) in Doe Creek’s capital structure. To the extent a cost of equity finding is necessary for the Commission’s order, the parties agreed to a cost of equity of 9.0% conditioned on the acceptance by the Commission of this Settlement Agreement as a whole.

3. **Authorized Revision of Rates.** Doe Creek has expressed its ability and willingness to extend service to a proposed development in its service territory with up to 110 residential units, establishing additional customers producing revenues that are not reflected in the initial rates to be implemented in this cause. The Settling Parties agree that Doe Creek shall be required and authorized by the Commission's order and this settlement agreement to revise its schedule of rates to establish a flat rate of \$70 per month after Doe Creek has added 55 customers from the proposed development to its system. Within 60 days of adding the 55th such customer, Doe Creek shall submit its revised schedule of rates and charges in accordance with the Commission's process without the necessity of any further Commission order. Nothing herein prohibits Doe Creek from filing a rate case at any time to establish rates that are different from those agreed to herein. However, in the event Doe Creek files a request for rate increase, Doe Creek shall revise its rates in accordance with the terms of this agreement during the pendency of any such rate case.

4. **Particular Information Required for Next Rate Case.** The Settling Parties agree that in the 12-month period that will become Doe Creek's next test year, Doe Creek will keep a log identifying each Astbury employee that works on Doe Creek matters and stating the number of hours each such Astbury employee worked on Doe Creek matters including a general description of the matter. Doe Creek agrees it shall submit the information to the OUCC upon request in Doe Creek's next rate case. Doe Creek agrees it will provide in the next rate case, if asked, the hourly rate of pay of such employees if hourly and salary of such employee if salaried, and the annual cost to Astbury of any employee benefits for each such employee. Nothing herein prohibits Doe Creek from submitting the information to the OUCC pursuant to the terms of a standard OUCC non-disclosure agreement protecting it from public disclosure

5. **Additional Reporting Requirement.** The Settling Parties agree that, for each of its lift stations, Doe Creek shall include in its annual reports to the IURC the number of cleanings and the amount expended on cleaning each such lift station in the year addressed by the report.

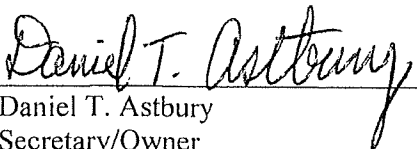
6. **Sufficiency of Information and Evidence.** The Settling Parties agree that the terms of this settlement agreement are the result of a compromise of the positions taken by Doe Creek in its application for small utility rate increase and the OUCC in its Report responding to Doe Creek's application. The Settling Parties agree that Doe Creek's application, the evidence produced at the field hearing held on February 22, 2022 and the OUCC's Report consisting of the testimonies of its witnesses along with any public comments received constitute substantial information and 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. The Settling Parties agree one or more parties may file testimony in support of the Settlement Agreement as determined necessary by the Settling Parties.

7. **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 Settling Parties agree and intend the Settlement Agreement neither constitutes nor should 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.

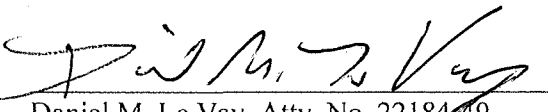
8. **Authority to Execute.** The undersigned have represented and agreed that they are fully authorized to execute the Settlement Agreement on behalf of the designated parties, who will hereafter be bound thereby.

9. **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. If either party considers the condition stated in this section has not been met, it shall so advise the other party as soon as possible, and it shall notify the Commission through an appropriate filing within 20 days of the order.

DOE CREEK UTILITY, INC.


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Doe Creek Sewer Utility, Inc.
CAUSE NUMBER 45655-U

**Comparison of Proposed
 Revenue Requirements**

	<u>Per Petitioner's Rate Application</u>	<u>Per OUCC's Response</u>	<u>OUCC More (Less)</u>	<u>Per Petitioner's Proposed Settlement</u>	<u>Petitioner More (Less)</u>
Original Cost rate Base	\$ 659,477	\$ 632,088	\$ (27,389)	\$ 645,783	\$ 13,695
Times: Weighted Cost of Capital	9.5%	8.0%	-1.5%	9.0%	1.0%
Net Operating Income Required for Return on Rate base	62,650	50,567	(12,083)	58,120	7,553
Less: Adjusted Net Operating income	(65,951)	(27,087)	38,864	(46,541)	(19,454)
Net Revenue Requirement	128,601	77,654	(50,947)	104,661	27,007
Gross Revenue Conversion Factor	136.14%	133.27%	-2.87%	133.27%	0.00%
Recommended Revenue Increase	<u>\$ 175,082</u>	<u>\$ 103,489</u>	<u>\$ (71,593)</u>	<u>\$ 139,482</u>	<u>\$ 35,993</u>
Recommended Percentage Increase	<u>75.32%</u>	<u>44.44%</u>	<u>-30.88%</u>	<u>59.90%</u>	<u>15.46%</u>

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>		<u>OUCC More (Less)</u>	<u>Proposed</u>	
	<u>Petitioner</u>	<u>OUCC</u>		<u>Settlement</u>	<u>Petitioner More (Less)</u>
Current Rate = \$48	\$ 84.15	\$ 69.33	\$ (14.82)	\$ 76.75	\$ 7.42