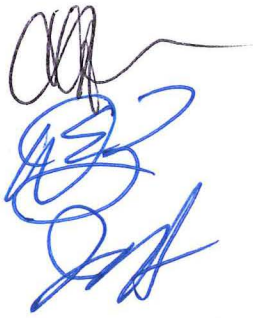


**ORIGINAL**



**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**PETITION OF CWA AUTHORITY, INC. FOR (1) )  
AUTHORITY TO INCREASE ITS RATES AND )  
CHARGES FOR WASTEWATER SERVICE AND )  
APPROVAL OF A NEW SCHEDULE OF RATES )  
AND CHARGES APPLICABLE THERETO, )  
INCLUDING A NEW RATE FOR LOW-INCOME )  
CUSTOMERS; (2) APPROVAL OF CERTAIN )  
CHANGES TO ITS GENERAL TERMS AND )  
CONDITIONS FOR WASTEWATER SERVICE; )  
AND (3) ESTABLISHMENT OF A SUBDOCKET )  
PROCEEDING TO ADDRESS CERTAIN COST )  
ALLOCATION ISSUES. )**

**CAUSE NO. 44685**

**APPROVED: JUL 18 2016**

**ORDER OF THE COMMISSION**

**Presiding Officers:  
Carol A. Stephan, Commission Chair  
James F. Huston, Commissioner  
Jeffery A. Earl, Administrative Law Judge**

On September 25, 2015, CWA Authority, Inc. (“CWA”) filed its Verified Petition (“Petition”) in this Cause. CWA also filed the direct testimony and exhibits of the following witnesses:

- Jeffrey A. Harrison, President and Chief Executive Officer of CWA and the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Energy Group (“Citizens Energy Group” or the “Board”);
- John R. Brehm, Senior Vice President and Chief Financial Officer of CWA and Citizens Energy Group;
- Jeffrey A. Willman, Vice President Water Operations for CWA and Citizens Energy Group;
- Mark C. Jacob, Vice President Capital Programs and Engineering for CWA and Citizens Energy Group;
- LaTona S. Prentice, Vice President Regulatory & External Affairs for CWA and Citizens Energy Group;
- Sabine E. Karner, Vice President and Controller for CWA and Citizens Energy Group;
- Ronnie D. Vincent, Consulting Principal at McCready and Keene, Inc.;
- Korlon L. Kilpatrick II, Director Regulatory Affairs for CWA and Citizens Energy Group; and
- Michael C. Borchers, Principal Consultant in the Management Consulting Division at Black & Veatch Corporation.

The CWA Industrial Group (“Industrial Group”), an ad hoc coalition of industrial users of CWA’s system consisting of Ingredion, Inc., Rolls-Royce Corporation, and Vertellus Agriculture &

Nutrition Specialties, Inc., intervened in this Cause.

On January 12, 2016, the Commission held a public field hearing at Emmerich Manual High School, 2405 Madison Avenue, Indianapolis, Indiana. Two state representatives, the Executive Director of Citizens Action Coalition, the Director of the Marion County Health Department, and twelve members of the general public testified at the field hearing. All oral and written comments received at the field hearing were admitted into the record of this Cause.

On February 2, 2016, the Commission issued a Docket Entry creating a subdocket under Cause No. 44685 S1 to consider certain cost allocation issues related to CWA's provision of wastewater treatment service to the following entities: the City of Beech Grove; the Ben Davis Conservancy District; the Town of Whitestown; the City of Greenwood; Hamilton Southeastern Utilities; the City of Lawrence; and the Tri-County Conservancy District (collectively "Satellite Customers").

On March 8, 2016, CWA, the Indiana Office of Utility Consumer Counselor ("OUCC"), and the Industrial Group filed a Stipulation and Settlement Agreement ("Settlement Agreement") resolving each of the issues raised in the Petition and CWA's pre-filed testimony and exhibits in this Cause. On March 11, 2016, the Parties filed the following testimony and exhibits in support of the Settlement Agreement:

- CWA filed the supplemental testimony and exhibits of Ms. Prentice and Mr. Borchers;
- The OUCC filed the settlement testimony and exhibits of Margaret A. Stull, Senior Utility Analyst in the OUCC's Water/Wastewater Division, and Jerome D. Mierzwa, Principal and Vice President of Exeter Associates, Inc; and
- The Industrial Group filed the settlement testimony and exhibit of Michael P. Gorman, Managing Principal of Brubaker & Associates, Inc.

On March 28, 2016, CWA filed a Notice of Substitution of Witnesses indicating that Mr. Kilpatrick would be adopting the supplemental testimony of Ms. Prentice.

On March 29, 2016, the Commission held an evidentiary hearing in this Cause in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. CWA, the OUCC, and the Industrial Group appeared and participated in the hearing.

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

1. **Legal Notice and Commission Jurisdiction.** Notice of the filing of the Petition in this Cause was published by CWA, as required by law. CWA also provided notice to its customers, which summarized the nature and extent of the proposed changes in CWA's rates and charges for wastewater service in accordance with the Commission's Rules. Notice of the public hearings in this Cause was given and published by the Commission as required by law.

CWA is an Indiana nonprofit corporation created pursuant to an Interlocal Cooperation Agreement entered into by the City of Indianapolis ("City"), the Sanitary District of the City (the "Sanitary District"), and Citizens Energy Group in accordance with the Interlocal Cooperation Act (Ind. Code ch. 36-1-7). Through the Interlocal Cooperation Agreement, the Board vested CWA with

its statutory powers to adopt rates and charges and terms and conditions for the provision of wastewater utility service under Ind. Code § 8-1-11.1-3(c)(9). Under that section, the Commission has jurisdiction over CWA's rules and rates for utility service. Therefore, the Commission has jurisdiction over CWA and the subject matter of this proceeding.

**2. CWA's Organization and Business.** CWA furnishes wastewater utility service to approximately 230,000 residential, commercial, industrial, and other customers in and around Marion County, Indiana. CWA provides such service by virtue of its acquisition of certain wastewater system assets from the City and the Sanitary District pursuant to an Asset Purchase Agreement approved in the Commission's July 13, 2011 Order in Cause No. 43936.

Under Section 2.04 of the Asset Purchase Agreement, CWA assumed responsibility for performance of the City's and Sanitary District's obligations under the terms of a Consent Decree entered by the U.S. District Court for the Southern District of Indiana, on December 19, 2006, in *United States and State of Indiana v. City of Indianapolis*, Cause No. 1:06-CV-1456-DFH-VSS, as amended (the "Consent Decree"). In general, the Consent Decree requires the construction and implementation of a number of specific remediation measures designed to reduce combined sewer overflows ("CSOs") from the wastewater system into the City's rivers and streams.

**3. Test Year.** The test year for determining CWA's actual and pro forma operating revenues, expenses, and operating income under present and proposed rates is the 12-month period ended December 31, 2014. We find that the December 31, 2014 test year, as adjusted for fixed, known, and measurable changes, is sufficiently representative of CWA's normal utility operations to provide reliable data for ratemaking purposes.

**4. Background and Original Relief Requested.** CWA filed its first general rate case in February 2013 in Cause No. 44305. On April 23, 2014, the Commission issued a Final Order in Cause No. 44305, which authorized CWA to implement a two-step rate increase, with the second step designed to generate total annual operating revenues of \$232,057,364. CWA implemented the phase 1 and phase 2 rates and charges initially authorized by the Commission on May 1, 2014, and October 1, 2014, respectively. CWA was required to file true-up reports and revised rate schedules based on the actual results of new debt issuances contemplated in Cause No. 44305. CWA made those compliance filings for the phase 1 and phase 2 rates and charges on August 15, 2014, and March 19, 2015, respectively. The March 19, 2015 compliance filing was amended on April 6, 2015, at the Commission's request. Accordingly, CWA's existing schedule of rates and charges became effective on April 8, 2015.

CWA's Petition asserts that the current rates and charges for wastewater service result in the collection of revenues that do not meet the requirements of reasonable and just rates and charges set forth in Ind. Code § 8-1.5-3-8. In its case-in-chief, CWA sought Commission approval of revised schedules of rates and charges to be implemented in two phases: a Phase 1 increase to generate additional annual operating revenues of \$76,347,983 and a Phase 2 increase, effective in July 2017, to generate additional annual operating revenues of \$10,718,344. CWA proposed that its requested increases in operating revenues be recovered from customer classes based on the results of a cost-of-service study prepared by Black & Veatch.

In its Petition, CWA also proposed revisions to its Terms and Conditions for Wastewater service. In addition, CWA proposed a new rate for low-income residential customers. The proposed low-income rate would essentially result in a 15% reduction to the wastewater bills of eligible low-income customers.

**5. CWA's Case-In-Chief Evidence.**

**A. Mr. Harrison.** Mr. Harrison testified that the request for relief in this case is driven largely by CWA's significant capital spending needs. During the two-year period CWA assumes rates approved in this case will be in effect (July 2016 through June 2018), CWA plans to issue over \$430 million of new debt to fund extensions and replacements ("E&R") and refund short-term debt that will accumulate while this case is pending. Approximately 68 percent of the capital investments in wastewater system extensions and replacements during the period July 2016 through June 2018 are necessary to comply with the Consent Decree.

Mr. Harrison testified that the other notable items causing upward pressure to CWA's rates include: (1) an increase in the amount of the payments due under the PILOT schedule that was approved by the Commission in Cause No. 43936; (2) elimination of the redistribution of Corporate Support Services ("CSS") costs resulting in an increased amount of those costs being allocated to the wastewater utility; and (3) an increase in the amounts paid to United Water Services Indiana LLC ("United"). In addition, Mr. Harrison said that CWA's rates and charges need to be adjusted as a result of a decrease in billed volumes compared to the billed volumes used to establish rates and charges in CWA's last rate case.

Mr. Harrison noted that given CWA's significant capital investment needs, CWA is particularly focused on identifying and implementing innovations and efficiencies in order to reduce capital costs. Mr. Harrison also described programs designed to mitigate the impact of the rate increase on CWA's low-income customers. Mr. Harrison testified that CWA proposed a discounted rate that would be available to eligible low-income customers. In addition, Citizens Energy Group will begin contributing additional money available from Utility Shield commissions to create a special fund that will be available exclusively to assist low-income water and wastewater utility customers and help them weather crises and benefit the utility as a whole by keeping more customers connected to the system.

In conclusion, Mr. Harrison testified that the rate relief CWA has requested is critically important for CWA to successfully meet its infrastructure investment needs, including continued compliance with the Consent Decree, the elimination of failing septic tanks and the other significant needs for CWA's advanced wastewater treatment plants and collection system. He said that CWA's proposal will enhance the sustainability of the critical wastewater utility assets CWA manages and, in turn, the Central Indiana region as a whole.

**B. Mr. Brehm.** Mr. Brehm sponsored CWA's pro forma revenue requirement for debt service and the pro forma amount of revenue funded E&R. Mr. Brehm said that CWA is proposing to increase its rates in two steps due to CWA's increasing debt service obligations because a significant amount of new debt must be issued each year to finance the large E&R spending requirements of the wastewater system. CWA will need to steadily increase the revenue funded amount of E&R in each base rate case throughout the time of spending to comply with the Consent

Decree. Mr. Brehm noted that each additional increment of debt service requires an increase in the revenue-funded portion of E&R to sustain the same level of debt service coverage.

Mr. Brehm noted that the two-year July 2016 through June 2018 total E&R spending requirements for the wastewater system are \$435.2 million, or an average of \$217.6 million per year. For this rate case, CWA has included \$62.0 million of its total pro forma annual amount of E&R in revenue requirements. Mr. Brehm said that this means less than a third of the wastewater system's annual average amount of E&R will be revenue funded and the remainder of the wastewater system's annual E&R spending requirements will be funded with new issuances of debt. After taking into consideration the requirement to fund debt service reserve and the estimated costs of issuing the debt, the total pro forma principal amount of the Series 2016A bonds is \$264.7 million and the total pro forma principal amount of the Series 2017A bonds is \$166.8 million.

**C. Mr. Willman.** Mr. Willman described CWA's ongoing efforts to maintain the safety and dependability of the wastewater system through effective management, operational oversight, and system improvements. Mr. Willman said that the wastewater system's collection facilities are divided into two distinct areas. The central and oldest part of the collection system was originally developed in the early 1900's and is a combined sanitary and storm water collection system. The second part of the collection system (the separated system) was developed after 1960 and collects only sanitary waste. Wastewater collected by the wastewater system is transported to the Belmont Advanced Wastewater Treatment Plant ("AWTP"), the Belmont Solids Handling Facilities, and the Southport AWTP for treatment.

Mr. Willman noted that portions of the CWA wastewater system are over 100 years old and require significant investment to ensure the system continues to provide safe and reliable services in the future. For example, many miles of the collection system were constructed of brick and clay tile materials, which eventually need to be replaced or more often relined to re-establish the structural integrity of the piping systems. CWA plans to invest, on average, approximately \$33 million annually to meet priority needs of the collection system during the two-year period beginning June 2016 and ending July 2018 ("Capital Investment Requirement Period").

Mr. Willman said that United provides day-to-day operation and maintenance services to CWA for the wastewater treatment plants and the collection system. The Citizens Energy Group Wastewater Operations team works closely with United to ensure United is fulfilling its contractual responsibilities and, more importantly, customers are receiving safe, reliable, and high quality wastewater utility services. The United Agreement fee structure is adjusted periodically based on significant capital additions and/or retirements that change the scope and cost of services United is required to perform. Accordingly, Mr. Willman said United's fee structure will be adjusted to reflect additional operational and maintenance costs associated with three major capital projects at the Belmont and Southport AWTPs.

Mr. Willman described Citizens Energy Group's cross-functional planning process, which is used to establish and align strategic and operational objectives with capital plans and budgets. For the Wastewater System, the capital planning process is focused on providing safe, reliable, and efficient service for customers and ensuring that the collection, treatment, and discharge systems are in compliance with all applicable laws, regulations, and permits. Mr. Willman said that the proposed E&R investment requirement is approximately \$217 million per year (on average) during

the Capital Investment Requirement Period, which includes approximately \$147 million per year (on average) for Consent Decree projects and approximately \$70 million per year (on average) for non-Consent Decree projects. Mr. Willman noted that approximately \$89 million was invested in non-Consent Decree projects during the test year. Mr. Willman then described major non-Consent Decree projects in the Collection System and Treatment Plant categories that would be completed during the Capital Investment Requirement Period.

Mr. Willman indicated that CWA provides wholesale wastewater treatment services to seven satellite communities located within the Central Indiana region, including Beech Grove, Lawrence, Ben Davis Conservancy District, Whitestown, Tri-County Conservancy District, Greenwood, and Hamilton Southeastern Sewer Works (collectively, the “Satellite Customers”). In Cause No. 44305, Mr. Willman referred to the Commission’s finding that: “[w]e are troubled by the \$11.5 million dollar subsidy that is being imposed on the retail customer classes because the contracted revenues from the Satellite customers do not cover the cost to serve those customers.” Accordingly, the Commission directed CWA to pursue all possible means to renegotiate the Satellite Customer contracts to provide for the recovery of the cost of service from those customers.” Mr. Willman said that “[t]o date, CWA has not reached agreement with any of the Satellite Customers and we continue to provide service to them under their current Satellite Agreements.” Accordingly, CWA proposed a subdocket be established to further review this matter.

**D. Mr. Jacob.** Mr. Jacob testified regarding CWA’s capital investment levels during the test year, as well as upcoming years, including the period that the rates approved in this proceeding are assumed to be in effect (*i.e.*, the Capital Investment Requirement Period). Mr. Jacob said that CWA’s major infrastructure elements are: (1) Consent Decree projects; (2) STEP projects, (3) Collection System improvement projects; and (4) Treatment Plant projects. CWA also has capital needs relating to fleet and facilities replacements, environmental support, technology replacements, and Corporate CSS projects. For fiscal years 2013, 2014, and 2015, Mr. Jacob said the average annual budget for capital projects was approximately \$219 million and the average amount invested during the same period was approximately \$190 million per year.

Mr. Jacob testified that the Consent Decree projects are the largest driver of the capital needs of CWA. Mr. Jacob said that Consent Decree described the major CSO control measures to be constructed during this period. In addition, Mr. Jacob indicated CWA would spend approximately \$12 million annually on STEP projects. Mr. Jacob sponsored Petitioner’s Attachment MCJ-7, which was a map showing the priority STEP areas CWA intends to address during the Capital Investment Requirements Period. Mr. Jacob noted that as CWA focuses on those priority areas, CWA also may address pocketed areas that might be considered non-priority areas, but are encountered en route to a priority area. Mr. Jacob indicated it can be significantly more cost-effective to address these pocketed non-priority areas at the same time as the surrounding priority areas are addressed.

In addition, Mr. Jacob said CWA needs to invest, on average, approximately \$19 million annually to meet priority needs of CWA’s treatment plants, which is lower than the approximately \$39 million invested during the test year. The projects to be completed during the Capital Improvement Requirements Period include internal site drainage controls, odor control, instrumentation and control upgrades, pump repairs, equipment replacements, projects addressing sludge production, and chemical process improvements.



Mr. Jacob said that CWA also plans to invest, on average, approximately \$33 million annually to meet priority needs of its collection system. The majority of the activity in the Collection System category involves improvements to the overall collection network, including planning, design, and construction of new interceptors, relocation, replacement, and reinforcement of older pipes with higher failure rates or priority ratings. He noted that the Sanitary Sewer Master Plan identifies approximately \$74 million of priority expansion needs in the collection system in the next five years with approximately \$23 million of that being required during the Capital Investment Requirements Period. In a recent evaluation of collection system rehabilitation needs, Mr. Jacob noted that it was estimated that approximately \$90 million of priority rehabilitation projects exist, just at known locations.

Mr. Jacob testified that as we approach fiscal years 2019 and 2020, capital requirements will increase because CWA will be entering its largest construction requirements period under the Consent Decree due to concurrent construction of various tunnels. The capital investment levels for fiscal years 2019 and 2020 are currently anticipated to average approximately \$249 million annually.

Mr. Jacob also described savings that have been achieved in completing capital improvement projects. He said the project that has resulted in the most savings to date is the Deep Rock Tunnel Connector (“DRTC”). In 2011, nine bids for the DRTC project were received. The Engineer’s Estimate for the project (including the levee construction) was \$286,067,775. However, the actual award price to the low bidder was \$179,323,115. In addition, Mr. Jacob indicated significant improvements are being made to STEP projects. Mr. Jacob indicated that STEP projects are very similar and repetitive in nature. Accordingly, materials, design, and construction can be synergized.

**E. Ms. Prentice.** Ms. Prentice described the financial impact of CWA’s decreasing billed volumes and CWA’s proposal to increase revenues from its fixed charges. Ms. Prentice said that the billed wastewater volume for fiscal years 2013 and 2014 were 10.2% and 5.4% less, respectively, than the 48.0 million hundred cubic feet (“CCF”) approved in Cause No. 44305. Ms. Prentice said that the test year in this case, calendar year 2014, is 5.1% lower and the pro forma at present rates volume before factoring in the “lower of” adjustment is 5.5% lower than the billed wastewater volume approved in Cause No. 44305. The pro forma at present rates volume, after factoring in the “lower of” adjustment, is 13.3% less than the volume approved in Cause No. 44305.

Ms. Prentice said that the “lower of” adjustment results from a determination to bill customers the lower of their actual usage or their Base Average Usage during the Summer Billing Months. Currently, customers’ summer usage is estimated using their Base Average Usage—even if their actual usage is lower. Ms. Prentice said that using CWA’s test year, the change from billing Base Average Usage to the “lower of” Base Average Usage or actual usage results in the removal of 3.7 million CCF from the billed wastewater volume. This results in a pro forma at present rates billed wastewater volume that is 13.3% less than the Cause No. 44305 approved volume.

Ms. Prentice noted that overall, 26.6% of CWA’s current revenue is generated through fixed charges (“Base Charges”). CWA recommended an increase in the overall level of Base Charge revenue from 26.6% in today’s rates to 30% in this rate case, while limiting the increase to non-industrial, low-billed-volume customers to approximately 42% to mitigate significant bill increases to these customers. Ms. Prentice testified that CWA has made (and continues to make) significant

investments and incurs substantial debt and operating costs in order to be prepared to serve each customer and each rate class, without regard to the billed volume each month for each customer and each rate class. Ms. Prentice noted that because CWA's costs are highly fixed in nature, very little (if any) costs are reduced as a result of lower billed volume.

Ms. Prentice described CWA's proposal for a discounted rate that will be available to eligible low-income customers. In addition, Ms. Prentice said that Citizens will begin contributing additional money available from Utility Shield commissions to create a special fund that will be available exclusively to assist low-income water and wastewater utility customers and help them weather crises that might otherwise result in them being disconnected from the water/wastewater system. The fund will be administered by customer contact center employees using the same guidelines for the crisis funding that is available to low-income gas customers through Citizens Gas's Universal Service Program.

**F. Ms. Karner.** Ms. Karner sponsored CWA's test year financial statements. Ms. Karner also sponsored pro forma adjustments related to certain operating expenses, the test year allocation of Shared Services costs to CWA, and the amount of other income. In Cause No. 43936, "the Settling Parties [agreed] the Commission should approve Citizens Energy Group's proposal to allocate ten (10) percent of shared corporate support services ('CSS') costs to [CWA]." The purpose of this cap was the expectation that "the wastewater system will not experience savings in excess of additional debt service with a CSS allocation percentage at or above approximately 14%. . . ." Ms. Karner conducted a review of the CSS allocation methodology and said she believes it is appropriate to discontinue the redistribution of allocations to CWA in excess of the fixed 10%. Ms. Karner said that her review showed that the wastewater capital savings were enough to suggest that the redistribution of costs is no longer necessary from the standpoint of equitable savings accruing to all units.

Ms. Karner said that CWA will experience a significant increase in its operating expenses, as all the costs that were previously redistributed to other units will now remain in CWA. All units currently receiving redistributed costs will experience a material reduction in O&M costs. If the proposed discontinuation of the CSS redistribution is accepted by the Commission, it necessarily would be applied to all of Citizens Energy Group's business units that receive CSS allocation and that are currently included in the redistribution calculation.

**G. Mr. Vincent.** Mr. Vincent sponsored the actuarial study used to determine the funding amount for the Citizens Energy Group Retirement Plan.

**H. Mr. Kilpatrick.** Mr. Kilpatrick sponsored CWA's overall revenue requirements, including several of the underlying adjustments to the financial results for the test year ended December 31, 2014. Mr. Kilpatrick also sponsored CWA's proposed Terms and Conditions for Wastewater Service, rate schedules, and appendices. Mr. Kilpatrick described in his testimony each of the proposed changes to CWA's Terms and Conditions for Wastewater Service and rate schedules, including CWA's proposed low-income rate.

Mr. Kilpatrick also described the proposed changes to the balanced billing mechanism, which provides consistency during the summer months by excluding seasonal watering demands for irrigation and other uses that are not discharged into the wastewater system. Mr. Kilpatrick noted



that in the summer months, CWA is proposing to bill customers the “lower of” their actual usage or their Base Average Usage. Mr. Kilpatrick testified that customers have expressed concerns to both CWA and the Commission that their Base Average Usage may be set higher than what they believe to be their true usage. These customers believe the average has been influenced by holiday entertaining, visits from family and friends and occasional leaks during the winter months. Mr. Kilpatrick said that the result of this change is a decrease of approximately \$15 million in revenue using present rates. Accordingly, Mr. Kilpatrick testified that while there are benefits to some customers from this change, it will have an upward impact on the proposed revenue requirements and resulting rates in this proceeding due to the loss of billed volumes in the amount of 3 million CCF.

Mr. Kilpatrick also described certain operation synergies that have been achieved by Citizens Energy Group since the acquisition of the water and wastewater systems. Finally, Mr. Kilpatrick described the proposed true-up process for the debt service costs in the event the principal amount of the bonds, the financing term or the actual interest rate on the bonds vary from the estimated terms used in developing debt service costs reflected in CWA’s case-in-chief.

**I. Mr. Borchers.** Mr. Borchers presented the results of the cost of service study (“COSS”) filed in this proceeding by CWA and discussed the underlying methodology he used to conduct the COSS. Mr. Borchers also explained CWA’s proposed design of rates and charges.

Mr. Borchers testified that CWA provided Black & Veatch with several primary objectives to achieve during the rate design portion of the study. One of those objectives was to design rates to recover 30% of each class’ cost of service from revenue generated through fixed-type charges. Next, with the overall system increase for Phase 1 at approximately 37%, and cost of service showing a higher than system increase for Non-Industrial customers, CWA instructed Black & Veatch to target a bill increase for Non-Industrial small volume customers of approximately 42% to mitigate significant bill increases to these customers. CWA also directed Black & Veatch to determine a low-income Residential rate that provides a 15% bill reduction from the Residential rates and charges derived from the cost-of-service study.

**6. The Settlement Agreement.** Prior to the deadline for the OUCC and Industrial Group to file their cases-in-chief, the Parties filed a Settlement Agreement resolving all issues in this Cause. The following summarizes the terms of the Settlement Agreement:

**A. Base Rate Relief.** The Parties agreed that CWA’s total pro forma operating revenues at present rates are \$221,989,172. The Parties agreed that CWA should be authorized to increase its rates and charges in Phase 1 to generate additional revenues of \$47,816,796 to arrive at total operating revenues of \$269,805,968.

The Parties also agreed that CWA will file a notice with the Commission, and serve the OUCC, indicating that CWA has released the Official Statement (“OS”) for its 2017 bonds. Once CWA has released its OS and notified the Commission and the OUCC, the Parties agreed that CWA should be authorized to immediately increase its rates and charges to generate additional revenues in the amount of \$13,528,509 to arrive at total operating revenues of \$283,334,477.

The Parties' agreement with respect to CWA's annual revenue requirements in Phase 1 and Phase 2 is summarized below:

	<u>Phase 1</u>	<u>Phase 2</u>
Operation and Maintenance Expense	\$74,346,358	\$74,848,435
Tax Expense	\$18,373,201	\$21,153,860
Extensions and Replacements	\$57,000,000	\$57,000,000
Debt Service	<u>\$126,804,647</u>	<u>\$137,410,448</u>
Total Revenue Requirement	\$276,524,206	\$290,412,742
Less: Other Income, net	(\$189,552)	(\$189,552)
Connection Fee Offset	<u>(\$7,030,763)</u>	<u>(\$7,030,763)</u>
	(\$7,220,315)	(\$7,220,315)
Plus: Incremental Net Write Off	<u>\$502,076</u>	<u>\$142,049</u>
<b>Net Revenue Requirement</b>	<b>\$269,805,968</b>	<b>\$283,334,477</b>
Less: Revenues at Current Rates Subject to Increase	\$220,377,972	\$268,194,768
Other Operating Revenues	<u>\$1,611,200</u>	<u>\$1,611,200</u>
<b>Net Revenue Increase Required</b>	<b>\$47,816,796</b>	<b>\$13,528,509</b>
<b>Percent Increase Required</b>	<b>21.54%</b>	<b>5.01%<sup>1</sup></b>

**B. Balanced Billing.** The Parties agreed that CWA will withdraw the proposed change to its Balanced Billing Mechanism. Accordingly, the Parties agreed the Balanced Billing language included in Sewer Rate 1 should continue to read as approved by the Water/Sewer Division on November 18, 2015. The Settlement Agreement indicates that the Parties' agreement with respect to the Phase 1 and Phase 2 operating revenues and revenue requirements is expressly conditioned upon and subject to the Commission's acceptance and approval of CWA's withdrawal of the Proposed Balanced Billing Changes. The Settlement Agreement further states that "a modification to this Settlement Agreement by the Commission regarding the Proposed Balanced Billing Changes, absent a corresponding decrease of 3,728,055 CCF in pro forma billed volumes, would result in rates and charges that are insufficient by \$15,491,463 to produce revenue to meet CWA's testimonial revenue requirement."

**C. Cost-of-Service and Rate Design.** The Parties agree that the agreed annual revenue requirement in Phase 1 and Phase 2 shall be allocated between and among the customer

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<sup>1</sup> The Commission notes that the Parties did not calculate the Percentage Increase Required correctly. To calculate the Percentage Increase Required, the Parties divided the Net Revenue Increase Required by the total of Revenue at Current Rates Subject to Increase and Other Operating Revenues. However, to correctly calculate the Percent Increase Required, the Parties should have divided the Net Revenue Increase Required by Revenue at Current Rates Subject to Increase. This has no effect on the authorized increase in revenue requirement because the revenue increase is flowed through a cost of service study. As such, no correction is needed. However, in the future, Parties should use the correct methodology when calculating the Percentage Increase Required.

classes as set forth in the Settlement Agreement. The Parties acknowledge that CWA filed a COSS along with supporting testimony as part of its case-in-chief on September 28, 2015, and agree that the study was not the sole input used in reaching the agreed-upon Phase 1 and Phase 2 revenue allocations. Rather, pursuant to Paragraph 15 of the Settlement Agreement, the Parties acknowledged and agreed that the revenue allocations and resulting rates are the result of a compromise. They also agreed that, with respect to the COSS submitted by CWA with its case-in-chief, the Commission need not, and should not, make any findings approving or adopting the study either in this case or “any related subdocket”.

The Parties agree and acknowledge the cost of service, cost allocation, and rate design proposals contained in their respective testimony do or would utilize methodologies that the Commission has previously considered, may properly consider, and can properly adopt. The Parties also agree that their testimony on cost of service, cost allocation, and rate design issues could support a range of possible outcomes, and that the agreed-upon revenue allocations and rate designs are consistent with the range of potential determinations that the Commission could make in the event of a contested hearing based on the evidence the Parties filed or would have filed in the absence of the Settlement Agreement.

The Parties further agreed to reserve their respective rights to present evidence and advocate positions with respect to cost of service, cost allocation and rate design that differ from those contained in the Settlement Agreement in future proceedings, including CWA proceedings. In addition, the Parties agreed that in future proceedings, including the subdocket, there should be movement towards cost of service rates for all rate classes. The Parties, however, expressly reserved their rights to take differing positions as to what constitutes cost of service rates and how much movement should be made towards such rates.

The Parties further agree that the monthly base charge for the Non-Industrial rate class will be set at \$18.75 for Phase 1 and Phase 2, and will not change as a result of any subsidy reductions that may occur in Cause No. 44685 S1. The volume charge is designed to recover the remaining class revenue allocation, and the ratio between the Tier 1 and Tier 2 rates is the same as set forth in CWA’s case-in-chief. The rates for unmetered Non-Industrial customers are designed on the basis of CWA’s case-in-chief, modified as necessary to reflect the reduced revenue requirement and agreed upon class allocations.

**D. Subdocket for Consideration of Satellite Customer Issues.** CWA agrees that a subsidy exists between the Satellite Customer class and the retail classes (the “Satellite Customer Subsidy”), and the retail classes are negatively affected by that subsidy. CWA acknowledges that the Satellite Customer Subsidy should be eliminated and that, accordingly, its goal consistent with the Commission’s Order in Cause No. 44305 is to “pursue all possible means to renegotiate the Satellite Customer contracts for the recovery of the cost of service from those customers.” CWA further agrees that the elimination of the Satellite Customer Subsidy and the conditions of a transition of the Satellite Customers to full cost of service, including the time period over which such a transition will occur, remain matters to be resolved in Cause No. 44685 S1. The Parties also acknowledged that no agreement has been reached with any Satellite Customer on issues related to the elimination of the subsidy and agreed that no Party would enter into an agreement with any Satellite Customer regarding the elimination of the subsidy without engaging in good faith discussion and negotiations with the other Parties to the Settlement Agreement.

The Settlement Agreement provides that any reduction to the Satellite Customer Subsidy as a result of the Final Order in Cause No. 44685 S1 should be allocated to the Nonindustrial, Self-Reporter, and Surcharge (BOD, TSS, & NH3-N) rate classes in order to reduce the agreed upon revenue allocations, and new rates should be implemented within 35 days of entry of that Final Order in the subdocket (subject to the Commission's approval of a compliance filing of CWA's rates and charges for services and all Parties reserving any rights under Ind. Code § 8-1-3-1. The reduction to each class will be based on the class's respective percentage of total revenues from the Non-Industrial, Self-Reporter, and Surcharge (BOD, TSS, & NH3-N) rate classes allocated to it at the time such reduction is ordered, as shown in the Tables set forth in paragraphs 10 and 11 of the Settlement Agreement.

**E. Information Regarding Capital Programs.** In future rate cases, CWA agreed that for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenue or debt, CWA will provide the following in its case-in-chief, in a spreadsheet format: (1) project name; (2) project number; (3) a brief description of the project; (4) a brief explanation of the need for the project; (5) a brief description of alternatives considered, if applicable; (6) estimated project start date; (7) estimated completion date; and (8) the total project cost estimate class. CWA will also be prepared to provide the following additional information for each project in discovery or otherwise upon request, in a spreadsheet format that references attachments, as applicable: (1) estimated total project cost (including soft costs), which will be provided confidentially; (2) amount of project cost included in revenue requirement; (3) a brief explanation of how the estimated total project cost was determined; and (4) an identification of the most recently completed engineering report or study related to the need for a specific project that will be provided as outlined below, to the extent such a report or study was developed for the particular projects.

The Settlement Agreement provides that due to the nature or repetitiveness of certain projects, engineering reports explaining the need for these specific projects may not have been developed. To the extent the OUCC has asked for copies or access to reports or studies that exist and are voluminous or difficult to access, CWA will communicate that fact as soon as possible so the Parties may work together to find reasonable solutions to avoid unnecessary burden to CWA, while affording reasonable access without undue delay.

**F. Debt Service True-up.** CWA will file with the Commission a true-up report and revised rate schedules within 30 days of the debt issuance contemplated as a part of this rate case that provides the following details: (1) the terms of the debt issuance, including whether there is a debt service reserve; (2) the interest rate, annualized amount of debt service, and revised rate schedules; and, to the extent necessary, (3) tariffs reflecting the actual terms of the debt issuance. The Parties agree that for purposes of determining whether revised rates need not be implemented, the OUCC will determine whether a decrease is immaterial and CWA will determine whether an increase is immaterial. The Parties agree that neither party may seek to overturn the other party's determination of materiality. The Commission in its sole discretion may order CWA to implement revised rates notwithstanding a Party's determination that a prospective change is immaterial. The Parties agree that no other debt reporting requirements should be imposed on CWA.

**G. Terms and Conditions for Service.** The Parties agree that the miscellaneous revisions to CWA's General Terms and Conditions for Wastewater Service set forth in Petitioner's Attachments KLK-3 and KLK-4 and described in Mr. Kilpatrick's direct testimony are nondiscriminatory, reasonable, and just, and should be approved by the Commission subject to the following modifications: (1) the word "maintained" will not be included in Rule 1.31; and (2) Rule 21.4 will be modified to read as follows:

To the extent repairs or maintenance must be made to the portion of the Building Sewer maintained by the Customer as set forth in Rule 21.1, the Building Sewer shall be repaired, maintained or modified as specified in the Indiana Plumbing Code. It shall be of materials approved by the Utility and subject to the inspection of the Utility upon completion of the repairs, maintenance or modification.

CWA also agreed to the inclusion of certain clarifying language in Sewer Rates 2 and 5 regarding the calculation of certain charges, including the monthly Base Charges and Minimum Charges. CWA will also provide a one-time notice to all Self-Reporting Customers that do not have BOD, TSS or NH<sub>3</sub>-N, of the change to Rule 5.5.3 informing those customers they will be moved to Rate 2 (Industrial Sewage Disposal Service), if they fail to provide the reports required by Rule 5.5.2 for three (3) consecutive months.

**H. Low-Income Crisis Assistance.** In lieu of implementing the proposed low-income rate, CWA agreed to establish a special fund that will be available exclusively to help eligible low-income water utility customers (customers with gross household income of 200% of the federal poverty level or less) pay their wastewater bills and avoid being disconnected from the wastewater system. CWA will make an annual contribution of \$100,000 to this fund from non-tariff revenues that it receives. The crisis fund will be administered by CWA's customer contact center employees in the same manner crisis funding is managed and made available to low-income gas customers through Citizens Gas's Universal Service Program.

**I. Discussions Relating to Cost of Service Issues.** The Parties agreed that at least three (3) months prior to CWA's anticipated filing of its next rate case, the Parties agree to discuss, in good faith certain cost of service issues, including the capacity factor study and analysis of Inflow and Infiltration to be conducted in advance of the rate case. The Parties' agreed that their comments or positions taken during such discussions, or level of involvement in such process, may not be used against any Party in any proceeding regarding the issues discussed.

**7. Evidence Supporting Settlement Agreement.**

**A. CWA.** Mr. Kilpatrick testified that under the Settlement Agreement, the Parties agreed CWA's operating revenues from rates and charges should be increased in two phases. The agreed Phase 1 increase would authorize CWA to increase its rates and charges to generate additional revenues in the amount of \$47,816,796 to arrive at agreed total annual operating revenues at proposed rates of \$269,805,968, representing an approximate 22% increase in CWA's annual operating revenues. Mr. Kilpatrick said that the agreed to Phase 2 increase would authorize CWA to increase its rates and charges to generate additional revenues in the amount of \$13,528,509 to arrive at total operating revenues of \$283,334,477, representing an approximate 5% increase over Phase 1 rates.

Mr. Kilpatrick said that the Parties agreed to reduce CWA's proposed annual revenue requirement for operating expenses by \$4,349,818 to \$74,346,358, based on the following adjustments: (1) a \$289,000 decrease to labor expense; (2) a \$525,000 decrease to purchased power expense; (3) a \$900,000 decrease for United Water fees; (4) a \$249,251 decrease for rate case expenses; (5) a \$1,338,251 decrease for various categories within materials and supplies expense; (6) a \$182,301 decrease associated with insurance expense; (7) a \$1,049,676 decrease for miscellaneous expenses; and (8) a \$183,660 increase to bad debt due to increased pro forma at present rates operating revenues.

CWA also agreed to reduce the amount of its pro forma revenue funded E&R revenue requirement by \$5 million to \$57 million, which is below the level of CWA's pro forma test year depreciation expense. Mr. Kilpatrick said that CWA considers depreciation to be a cash revenue requirement that is recoverable through CWA's pro forma revenue requirement pursuant to Ind. Code § 8-1.5-3-8(c)(1)(E). Accordingly, CWA considers its willingness to accept a lower amount as a voluntary concession made solely for settlement purposes. Mr. Kilpatrick testified that the overall agreed increases in the revenue requirements for Phase 1 and Phase 2 are within the range of potential determinations that could have been made by the Commission regarding these issues.

In Mr. Kilpatrick's opinion, the Phase 1 and Phase 2 increases will result in operating revenues that produce reasonable and just rates and charges and will allow CWA to meet its obligation to continue to provide adequate service to its customers provided the Commission accepts and approves the Parties' proposal to withdraw CWA's proposed change to its balanced billing mechanism (the "Balanced Billing Changes"). The Proposed Balanced Billing Changes would have an upward impact on the proposed revenue requirements increase and resulting rates due to the loss of 3,728,055 CCF in billed volumes, which is the equivalent of \$15,491,463 in operating revenue using present rates. Mr. Kilpatrick said that a modification to the Settlement Agreement by the Commission regarding the proposed Balanced Billing Changes, absent a corresponding decrease of 3,728,055 CCF in pro forma billed volumes, would result in rates and charges that are insufficient by \$15,491,463 to produce revenue to meet CWA's testimonial annual revenue requirement. Mr. Kilpatrick noted that due to the integral nature of the Balanced Billing Changes to the Settlement Agreement, to the extent the Commission has concerns about the withdrawal of the proposed Balanced Billing Changes, CWA and the OUCC have agreed as a part of the Settlement Agreement to participate in one or more technical conferences with Commission Staff and other interested parties to consider such concerns.

Mr. Kilpatrick believes the Parties' agreements on cost allocation and rate design are reasonable and in the public interest. Accordingly, CWA asked Mr. Borchers to use the agreed upon provisions of the cost of service and rate design section of the Settlement Agreement to determine CWA's resulting rates and charges, which are included as Attachment B in the Settlement Agreement.

Mr. Borchers testified that the Parties' agreed allocation of the revenue requirement and rate design issues was structured to reach a mutually acceptable resolution of the cost of service issues and avoid the risk, expense, and administrative burden of further litigating those issues. Mr. Borchers said that the Parties agreed on a resolution of the cost of service issues that avoids litigation, and falls within the range of potential outcomes that were, or could have been, advocated

by the Parties in testimony, if the case had not been settled.

Mr. Borchers described the terms of the Settlement Agreement regarding cost allocation and rate design. In addition, Mr. Borchers sponsored proof of revenue schedules for the Phase 1 and Phase 2 rates and charges as agreed to among the Parties (Attachment MCB-S1 and MCB-S3). Mr. Borchers also sponsored a comparison of the Phase 1 Settlement revenue allocation to the revenue under proposed rates and charges (Attachment MCB-S2).

Under the Settlement Agreement, the Parties have agreed to discuss certain cost of service issues prior to the filing of CWA's next rate case. The issues to discuss include the wastewater capacity factor study and analysis of Inflow and Infiltration to be conducted in advance of the next rate case. Mr. Borchers testified that both of these issues impact the allocation of costs between CWA's wastewater classes.

Mr. Borchers concluded that, in his opinion, Commission approval of the agreed-upon changes to the revenue allocations among the customer classes and rate design are in the public interest. Mr. Borchers testified that he believes the Settlement Agreement represents a reasonable resolution of all issues that were raised, or could have been raised, regarding revenue allocations among customer classes and rate design issues.

**B. OUCC.** Ms. Stull testified that the Settlement Agreement represents a fair, just, and reasonable compromise of all issues in Cause No. 44685 and is in the public interest. Ms. Stull explained that CWA, the Industrial Group, and the OUCC had significant differences of opinion on revenue requirements, cost of service, and rate design, which are resolved by the Settlement Agreement. She testified that the Settlement Agreement provides for an increase in the Non-Industrial monthly base charge, but at a lower level than CWA proposed in its case-in-chief. Accordingly, Ms. Stull said that the OUCC recommends the Commission approve the Settlement Agreement in its entirety and find that the settlement is in the public interest.

Ms. Stull testified that the Parties agreed to Phase 1 operation and maintenance expenses of \$74,346,358. This represents a decrease of \$4,349,818 from CWA's Phase I pro forma operating expenses of \$78,696,176. The Parties also agreed to Phase 1 tax expense of \$18,373,201 (a \$1,390,329 reduction from CWA's proposed pro forma amount) and a Phase 2 tax expense of \$21,153,860 (a \$1,390,329 increase from CWA's proposed pro forma amount). In addition, Ms. Stull said that the Parties agreed to an annual E&R revenue requirement of \$57,000,000, a decrease of \$5,000,000 from CWA's pro forma E&R revenue requirement of \$62,000,000.

Ms. Stull said that CWA's balanced billing mechanism is a method wherein CWA's summer wastewater billings for residential and multi-family customers are based on the customer's average winter water usage in order to exclude incremental summer water usage, such as lawn watering. CWA had proposed to change the balanced billing mechanism so that during the summer billing months, CWA would bill customers the "lower of" their actual water usage or their average winter water usage. Ms. Stull said that, according to the Settlement Agreement, the revenue impact of the Balanced Billing Change is \$15,491,463, based on the elimination of 3,728,055 CCF from test year discharge volumes.

Ms. Stull said that the Parties agree CWA's proposed Balanced Billing Change should be



withdrawn. The revenue adjustment resulting from the proposed Balanced Billing Change has a large impact on CWA's operating revenues and its COSS, but only a very small proportion of CWA's customers will benefit. Ms. Stull noted that the Commission sent a letter to CWA on August 10, 2015, indicating it had received complaints from customers who claimed their actual summer water consumption was less than their average winter consumption. Ms. Stull said that it is possible that some customers may have additional consumption during the winter months for various reasons, but these issues shouldn't affect the overall average to any significant degree for the majority of customers. While it might not be apparent that the Balanced Billing Change would materially affect CWA's operating revenues, based on CWA's case-in-chief filing, the change causes a significant impact. Ms. Stull noted that the impact of the Balanced Billing Change is not limited to the residential and multi-family customers within Rate 1 that are subject to the balanced billing mechanism. The proposed rates for Commercial and all other Rate 1 customers would also increase due to the impact of this revenue adjustment. In addition, the reduction to consumption for the Rate 1 customer class means that the share of total consumption for other customer classes would increase, which would then increase the costs allocated to those customer classes, all other things being equal.

Ms. Stull further testified that the impact of the proposed Balanced Billing Change is sufficiently significant that it could have a destabilizing effect on CWA's operating revenues. Ms. Stull explained that currently, the revenues collected during the summer months (May – November) are predictable. CWA knows the minimum amount of revenues it will collect under the current balanced billing mechanism. However, if this mechanism is changed to the "lower of" actual consumption or winter average consumption, then CWA's revenues would fluctuate during the summer months. Under this scenario, it is possible that CWA could under-recover its revenue requirement necessitating a reduction in capital spending or other measures.

Ms. Stull said that the Settlement Agreement resolved a range of issues that do not directly affect CWA's rates, including an agreement regarding information for capital projects to be provided with CWA's next base rate request, debt service true-up reporting, agreed changes to CWA's terms and conditions for service, and low-income crisis assistance. Ms. Stull said that the information to be filed by CWA in its next base rate case relating to capital projects will enable the OUCC and other interested parties to know what specific capital projects are proposed as a reasonable representation of the projects to be completed. This information will provide better transparency and will provide for more efficient review of the proposed capital projects.

Mr. Mierzwa testified that the allocation of the revenue increase initially proposed by CWA in this proceeding was based on the results of its class COSS. Mr. Mierzwa said that the COSS filed by CWA in this proceeding was prepared using the same general approach and methods used by CWA in the COSS it filed in Cause No. 44305. Mr. Mierzwa noted that in Cause No. 44305, the OUCC and Industrial Group both filed cases-in-chief. According to Mr. Mierzwa a primary issue of dispute in Cause No. 44305 was the allocation of the costs associated with Infiltration and Inflow ("I/I").

Mr. Mierzwa testified CWA allocated I/I costs using the same approach it used in Cause No. 44305, although in Cause No. 44305 the Industrial Group and OUCC reached a different allocation through settlement. Mr. Mierzwa said that since the COSS filed by CWA in Cause No. 44305 was very similar to the COSS study filed by CWA in this proceeding, it is relatively certain the

conflicting litigation positions of the OUCC and Industrial Group would have been present in this Cause.

In addition, Mr. Mierzwa said that in the Citizens Water rate case, Cause No. 44644, both the OUCC and Industrial Group filed their cases-in-chief. A disputed COSS issue in that proceeding was the allocation of bad debt expense. In the COSS study presented in this proceeding, Mr. Mierzwa said that CWA used the same general approach to the allocation of bad debt expense Citizens Water used in Cause No. 44644. Therefore, Mr. Mierzwa testified that it is relatively certain the OUCC and Industrial Group would have had divergent litigation positions in this proceeding concerning the allocation of bad debt expense.

Mr. Mierzwa said that the Settlement Agreement provides for an increase to present rates of 25.24% for the Non-Industrial class and 5.29% for the Self-Reporter class under Phase 1. This compares to an overall system increase of 21.54% under Phase 1. Compared to present rates, Mr. Mierzwa said that the increases to the Non-Industrial and Self-Reporter classes are 32.2% and 8.6%, respectively, and the overall system average increase is 27.6%. In Phase 2, Mr. Mierzwa said that CWA's initially proposed increases to present rates of 46.4% and 34.4% for the Non-Industrial and Self-Reporter classes, respectively, and an overall system average increase of 42.6%.

With respect to monthly base charges for the Non-Industrial rate class, the Settlement Agreement provides for a charge of \$18.75 per month under both Phase 1 and 2. CWA initially proposed Non-Industrial monthly base charges of \$23.02 under Phase 1, and \$24.63 under Phase 2.

Mr. Mierzwa concluded that the terms of the Settlement Agreement represent a reasonable resolution of the issues concerning cost of service allocations and rate design. Accordingly, Mr. Mierzwa recommended that the Commission approve the terms of the Settlement Agreement.

**C. Industrial Group.** Mr. Gorman said that the Settlement Agreement represents a fair, just, and reasonable outcome of allocation issues that would have been litigated had the Parties not reached a mutually acceptable compromise on a range of issues.

Mr. Gorman testified that although the OUCC and Industrial Group did not file direct testimony, they had the opportunity to review and analyze the class COSS presented by CWA in this proceeding. The analysis conducted by the Parties provided them the ability to advance their respective litigation positions during the course of negotiations, and helped the Parties gauge the reasonableness of particular outcomes. Mr. Gorman's own analysis of CWA's COSS produced allocations different from that proposed by CWA, and supports the conclusion that the ultimately negotiated compromise is within the range of results the Commission may have concluded are reasonable had the OUCC and Industrial Group presented direct testimony.

Mr. Gorman said that in considering the Settlement Agreement, the Commission should take into account the benefits produced by the reduced revenue requirement and agreed allocations. Mr. Gorman said that the negotiated reduction to the revenue requirement is a benefit to all ratepayers, of every customer class. Moreover, from the perspective of some of the CWA's largest industrial customers that reduction, combined with the agreed revenue allocation, is of major importance. Mr. Gorman said that many of those customers face significant competitive pressures from both inside and outside their companies. Mr. Gorman testified that utility costs, among other factors, are a key

component in a business's continued ability to operate profitably in a particular service territory, and increasing utility costs can make a particular facility less competitive, or even unprofitable. Mr. Gorman also acknowledged that CWA faces the need to make significant capital investments, and encouraged the Commission to take into account the value of minimizing rate increases to meet those needs, and the value of fairly and reasonably spreading those increases among customer classes, in deciding whether to approve the Settlement Agreement.

Mr. Gorman sponsored Exhibit MPG-1, which compared the outcome of CWA's class COSS adjusted to reflect the agreed revenue requirement and other terms of the Settlement Agreement, with the outcome of the class COSS modified to reflect a 90/10 I/I allocation and the reallocation of bad debt expense to the Customer functional cost component. Exhibit MPG-1 also shows the allocations agreed to by the Parties in the Settlement Agreement. Mr. Gorman testified that the agreed allocations represent a compromise position. In Mr. Gorman's opinion this compromise fairly balances the interests among the retail customer classes and produces outcomes that are overall more favorable to all retail customer classes than might have been achieved through litigation.

**9. Discussion and Findings.** Settlements presented to the Commission are not ordinary contracts between private parties. *United States Gypsum, Inc. v. Indiana Gas Co.*, 735 N.E.2d 790, 803 (Ind. 2000). When the Commission approves a settlement, that settlement "loses its status as a strictly private contract and takes on a public interest gloss." *Id.* (quoting *Citizens Action Coalition 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 Coalition*, 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. *United States Gypsum*, 735 N.E.2d at 795 (citing *Citizens Action Coalition of Ind., Inc. v. Public Service 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 conclusions that the Settlement Agreement is reasonable, just, and consistent with the purpose of Indiana Code ch. 8-1-2, and that such agreement serves the public interest.

**A. Base Rate Relief.** CWA offered evidence supporting its originally proposed \$76,347,983 increase in pro forma operating revenues in Phase 1 and \$10,718,344 increase in pro forma operating revenues in Phase 2. In their respective testimony in support of the Settlement Agreement, the Parties provided further evidence in support of the agreed upon \$47,816,796 increase in pro forma operating revenues in Phase 1 and \$13,528,509 increase in pro forma operating revenues in Phase 2.

The record includes evidence supporting each element of CWA's revenue requirement. In settlement testimony, CWA and the OUCC explained the agreed-upon amount of Phase 1 O&M expense of \$74,346,358 represents a decrease of \$4,349,818 from CWA's Phase 1 pro forma operating expenses of \$78,696,176. Mr. Kilpatrick and Ms. Stull described the following agreed-

upon adjustments to CWA's O&M expense: (1) a \$289,000 decrease to labor expense, (2) a \$525,000 decrease to purchased power expense, (3) a \$900,000 decrease for United Water fees, (4) a \$249,251 decrease for rate case expenses, (5) a \$1,338,251 decrease for various categories within materials and supplies expense, (6) a \$182,301 decrease associated with insurance expense, (7) a \$1,049,676 decrease to miscellaneous expenses, and (8) an overall increase of \$183,660 to bad debt expense due to increased present rate revenues. In their respective responses to the Commission's March 24, 2016 Docket Entry, CWA and the OUCC provided additional detail for the foregoing operating expense adjustments and why they believe the resulting O&M revenue requirement will sufficiently provide for adequate ongoing operations.

The Parties agreed to a Phase 1 tax expense of \$18,373,201 (a \$1,390,329 reduction from CWA's proposed pro forma amount) and a Phase 2 tax expense of \$21,153,860 (a \$1,390,329 increase from CWA's proposed pro forma amount). The adjustments are explained in detail in the Settlement Agreement. In its case-in-chief, CWA proposed a pro forma adjustment for taxes based on a two-year average of the PILOT payments CWA must make to the City of Indianapolis pursuant to Special Ordinance No. 5, 2010. In the Settlement Agreement, the Parties agreed the pro forma adjustment for PILOT payments should be broken into Phase 1 and Phase 2 components, based on the actual amount of the PILOT payments that will be made during those periods.

CWA provided evidence about the nature of capital improvement projects that must be completed in order for CWA to comply with the Consent Decree. Mr. Jacob described the specific CSO control measures that will be underway during the Capital Investment Requirement Period, which include: (1) continuation of the design and construction for elements of the Fall Creek Tunnel, Collector Pipes, and Watershed Projects (Control Measure 15); (2) continuation of the construction for the DRTC and DRTC Pump Station (Control Measure 16); (3) continuation of the design and construction elements of the Lower Pogues Run Tunnel (Control Measure 18); (4) continuation of the design and construction elements of the White River Tunnel, Collector Pipes, and Watershed Projects (Control Measure 20); (5) continuation of the construction of elements of the Southport AWTP Improvements - Secondary Treatment System Expansion (Control Measure 22); (6) continuation of the construction of elements of the Southport AWTP Improvements - Primary Clarifier Expansion (Control Measure 24); (7) continuation of the construction of elements of the Southport AWTP Improvements - Headworks (Control Measure 26); (8) continuation of the design of Pleasant Run Deep Tunnel and Overflow Collector Pipe (Control Measure 29); (9) continuation of the construction of elements of the Eagle Creek Deep Tunnel and Overflow Collector Pipe (Control Measure 30); and (10) continuation of the design of Upper Pogues Run Improvements (Control Measure 31).

In addition to the CSO control measures required under the Consent Decree, CWA's testimony indicates that the wastewater system has substantial additional capital needs. In this proceeding, CWA proposed to spend approximately \$70 million per year (on average) for non-Consent Decree projects - which is less than the \$89 million spent during the test year on non-Consent Decree projects. The evidence reflects that CWA needs to invest, on average, approximately \$19 million annually to meet priority needs of treatment plants. Mr. Willman described representative treatment plant projects that would be completed during the Capital Investment Requirement Period, which include: (1) replacement of twelve bio-solids dewatering belt filter presses with five centrifuges at the Belmont AWTP, which will more effectively dewater the bio-solids allowing the incinerators to operate at their design capacities and efficiencies; (2)

installation of two additional cake pumps at the Belmont AWTP to provide additional pump capacity to move the bio-solids from the centrifuge discharge hoppers to the incinerators; and (3) upgrading and replacement of the existing odor control system in the solids handling areas of the Belmont AWTP to mitigate odors and corrosive hydrogen sulfide associated with wastewater bio-solids.

The evidence further reflects that CWA needs to invest, on average, approximately \$33 million annually to meet priority needs of its collection system. Mr. Willman described some of the representative collection system improvement projects that would be completed during the Capital Investment Requirement Period, which include: (1) extension of the new Belmont North Relief Sewer from Lift Station No. 164 to provide additional sewer capacity in northwest Marion County; (2) upgrades to the East Marion County Regional Interceptor to resolve capacity restrictions during wet weather conditions; and (3) replacement or upgrades to 7 to 10 lift stations per year. In addition, CWA has submitted to the Commission its detailed Sanitary Sewer Master Plan, which as Mr. Jacob noted, identifies approximately \$74 million of priority expansion needs in the collection system in the next five years with approximately \$23 million of that being required during the Capital Investment Requirements Period.

CWA provided evidence supporting its proposal to continue the STEP program and spend approximately \$12 million annually for STEP projects. In CWA's last rate case, we approved the continued funding of the STEP program for 2014 and 2015, finding that although the STEP program replaces septic systems at individual locations, the cumulative effects of the program provide benefits for CWA's customers and for the residents of the City in general. In this case, Mr. Jacob testified that water quality data from the Marion County Health Department and the Indiana Department of Environmental Management show that streams and rivers impacted by neighborhoods on septic systems contain elevated levels of E. coli (the bacterial indicator for sewage). Mr. Jacob said that CWA is concerned that without the elimination of the pollution caused by failing septic systems, CWA's financial investment in the Consent Decree control measures may be insufficient to meet applicable in-stream water quality standards.

Mr. Jacob also described methods CWA is implementing to reduce the costs of STEP projects that will allow CWA to address more of the approximately 8,400 remaining priority areas in the upcoming years. Currently, Mr. Jacob expects that CWA's proposed investment of approximately \$12 million per year in STEP projects will allow CWA to connect approximately 800 homes to the wastewater system per year on average.

Based on the evidence presented, we find the provisions of the Settlement Agreement regarding the proposed increases in CWA's operating revenues are reasonable, just, and supported by the evidence presented. The Settlement Agreement provides for rate relief, which is less than that originally proposed by CWA, but which both Mr. Kilpatrick and Ms. Stull believe will result in operating revenues that will allow CWA to provide adequate service to its customers. We further find the terms of the Settlement Agreement with respect to the timing of the implementation of the Phase 1 and Phase 2 increases to be reasonable.

**B. Balanced Billing Changes.** Under the Settlement Agreement, the agreed-upon increase in CWA's operating revenues is expressly based on the Commission's approval of CWA's withdrawal of the proposed Balanced Billing Changes. CWA's case-in-chief indicates that if the proposed Balanced Billing Changes were incorporated into Sewer Rate 1, it would result in

the removal of 3,728,055 CCF from CWA's pro forma billed volumes, which is the equivalent of \$15,491,463 in operating revenue using present rates. The Settlement Agreement states that a modification to the Settlement Agreement by the Commission regarding the proposed Balanced Billing Changes, absent a corresponding decrease of 3,728,055 CCF in pro forma billed volumes, would result in rates and charges that are insufficient by \$15,491,463 to produce revenue to meet CWA's revenue requirement. Ms. Stull testified that the Balanced Billing Changes would result in a 13.66% reduction to test year revenues. In response to the Docket Entry questions, the OUCC said that the effect of the Balanced Billing Changes would be an increase to Rate 1 customers of approximately 40% in Phase 1 compared to the overall revenue increase under the Settlement Agreement of approximately 21.5%.

Based on the evidence presented, we find that CWA's revenue adjustment resulting from the proposed Balanced Billing Changes would have a large impact on CWA's operating revenues and would further increase rates for all CWA customers. Conversely, only a very small proportion of CWA's customers would potentially benefit from the Proposed Balanced Billing Changes. Given the Parties' agreement on this issue and the overall reduction of CWA's revenue requirement under the Settlement Agreement, we accept the withdrawal of the Balance Billing Changes. However, the evidence shows that under the balanced billing mechanism, CWA is billing for 3,728,055 CCF of volume that it is not treating in the summer months. This means that some customers are paying for services that they are not using. By billing the lower of a customer's actual usage or average winter usage, the Balanced Billing Changes would allow CWA to better reflect actual treated volumes in its revenues and expenses. Therefore, we order CWA to work with the OUCC and the Industrial Group to address this issue in its next base rates case.

**C. Cost-of-Service, Revenue Allocation, and Rate Design.** In the Settlement Agreement the Parties agreed to an allocation of the agreed upon revenue requirement and resulting rates and charges for each customer class. We find that the Parties' agreement with respect to the allocation of the revenue requirement and resulting rates and charges for each customer class are reasonable and in the public interest. The Parties were able to agree on allocations of the revenue increases to each class that fall within a reasonable range of increases. The allocations arising out of the Settlement Agreement are the result of compromise and do not reflect the adoption of any one Party's position with respect to the COSS or cost allocation. Therefore, while we approve the agreed-upon allocations, we make no specific findings regarding the cost of service studies provided by the Parties.

We also find the Parties' agreement with respect to the monthly base charges for each customer class to be reasonable. In its case-in-chief, CWA proposed to increase the monthly base charge for the Non-Industrial rate class to \$23.02 in Phase 1 and \$24.63 in Phase 2. In settlement, CWA agreed the monthly base charge for the Non-Industrial rate class will be \$18.75 for Phase 1 and Phase 2. Under the Settlement Agreement, the volume charge is designed to recover the remaining class revenue allocation, and the ratio between the Tier 1 and Tier 2 rates is the same as CWA's case-in-chief. The rates for unmetered Non-Industrial customers are designed on the basis of CWA's case-in-chief, modified as necessary to reflect the reduced revenue requirement and agreed upon class allocations. Therefore, we approve the monthly base charges agreed to in the Settlement Agreement, subject to any minor modification necessary based on our findings in section 9(D)(5) below.

**D. Additional Terms.**

**1. Subdocket for Consideration of Satellite Customer Issues.**

The Commission created a subdocket under Cause No. 44685 S1 to consider cost allocation issues related to the rates and terms for wastewater treatment and disposal service to the Satellite Customers. The Parties agreed in the Settlement Agreement that any reduction to the Satellite Customer Subsidy as a result of the Final Order in Cause No. 44685 S1 should be allocated to the rate classes in order to reduce the agreed-upon revenue allocations, and new rates should be implemented within 35 days of entry of that Final Order in the subdocket. While we will consider the terms of the Settlement Agreement on this issue, we will not be bound by the agreement of the Parties in making our decision in Cause No. 44685 S1. Therefore, we make no finding on this issue, and will revisit it in our final order in Cause No. 44685 S1.

**2. Required Information for Capital Projects.** CWA has agreed that in future rate cases for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenues or debt, CWA will provide certain specified information in its case-in-chief and other additional information in discovery as discussed above. We find that these provisions of the Settlement Agreement are reasonable.

**3. Debt Service True-up.** The actual cost of CWA's proposed debt service will not be known precisely until after CWA issues its proposed bond issuances. Therefore, CWA has agreed that within 30 days of closing on the debt issuance contemplated as a part of this rate case, it will file a true-up report with the Commission setting forth certain information and implement revised rates under certain terms agreed-upon by the Parties as discussed above. Under the Settlement Agreement, the Commission in its sole discretion may order CWA to implement revised rates following the filing of the true-up report. We find that the terms set forth in the Settlement Agreement with respect to debt service true-up are reasonable.

**4. Terms and Conditions for Service.** The Parties agreed that the miscellaneous revisions to CWA's General Terms and Conditions for Wastewater Service set forth in Petitioner's Attachments KLK-3 and KLK-4 and described in Mr. Kilpatrick's direct testimony are "nondiscriminatory, reasonable, and just," and should be approved by the Commission, subject to certain modifications set forth in the Settlement Agreement. Mr. Kilpatrick described the need for each of CWA's proposed changes to its Terms and Conditions for Wastewater Service. In the Settlement Agreement, the Parties agreed to certain modifications to CWA's suggested changes to promote clarity and transparency. For instance, CWA has agreed to provide a one-time notice to all Self-Reporting Customers that do not have BOD, TSS, or NH3-N, of the change to Rule 5.5.3. The notice will inform those customers that they will be moved to Rate 2 (Industrial Sewage Disposal Service) if they fail to provide the reports required by Rule 5.5.2 for three consecutive months. We find that the miscellaneous revisions to CWA's Terms and Conditions for Wastewater Service as modified by the Settlement Agreement are reasonable.

**5. Low-Income Crisis Assistance.** CWA agreed to establish a special fund that will be available exclusively to assist eligible low-income wastewater utility customers (customers with gross household income of 200% of the federal poverty level or less) in paying their wastewater bills and avoiding disconnection from the wastewater system. CWA will make an annual contribution of \$100,000 to this fund from non-tariff revenues that CWA receives.



Mr. Harrison testified that shortly after the acquisition of the water and wastewater systems, Citizens Energy Group expanded the scope of the Warm Heart Warm Home program so that it could provide assistance to water and wastewater customers. However, Mr. Harrison said that while expanding the scope of Warm Heart Warm Home has been a positive step, the needs of CWA's low-income water customers still far outweigh the assistance that it can provide. Mr. Harrison noted that unlike eligible customers of the gas utility who can take advantage of federal funding from the Low Income Home Energy Assistance Program ("LIHEAP"), there currently is no federal funding similar to LIHEAP available to low-income water customers.

The Commission has previously approved low-income customer assistance programs that are funded by voluntary contributions or other sources that are not included in the utility's revenue requirement. But the Parties did not agree to such a program. Originally, CWA proposed a special rate for low-income customers. This would result in a discriminatory rate in violation of Ind. Code § 8-1.5-3-8(b) and would require increases to the rates of other customer classes to meet Citizens Water's authorized revenue requirement.

In the Settlement Agreement, CWA agreed to instead create a low-income assistance fund using non-tariff revenues from the Cell Tower and Other Leases category. Those Cell Tower and Other Leases revenues that were originally included as an offset to CWA's revenue requirement and were removed from the revenue requirement calculation in light of the Settlement Agreement. Although the annual amount is relatively small—\$100,000, that additional revenue requirement must still be borne by CWA's customers, most of whom will not benefit from the low-income assistance fund.

While we acknowledge that low-income customers are increasingly in need of assistance to pay their utility bills, we do not believe that it is reasonable to charge captive customers for such assistance. We encourage CWA to continue to work with the Parties to develop a low-income assistance program. But such a program must be funded either through voluntary contributions or through a source of funds that does not affect CWA's revenue requirement—for example, proceeds from the Public Charitable Trust or profits from a non-regulated Citizens Energy Group entity. Therefore, we deny the request to establish a low-income assistance fund, and we have made a \$100,000 adjustment to CWA's revenue requirement to factor in the offset for non-tariff revenues. If CWA develops a low-income assistance program using an alternative source of funding, it shall notify the Commission and the OUCC of the details of the program.

**E. Conclusion Regarding Settlement Agreement.** Based on the evidence presented and our discussion above, we find that the Settlement Agreement is reasonable, supported by evidence, and in the public interest, and we approve the Settlement Agreement as modified above. We further find that the revised Terms and Conditions for Wastewater Service (attached to Mr. Kilpatrick's direct testimony as Attachments KLK-3 and KLK-4) as modified by the Settlement Agreement are "nondiscriminatory, reasonable, and just," and we approve the proposed Terms and Conditions.

Based on our adjustments above, CWA's authorized revenue requirement is summarized in the table below:

	<u>Phase 1</u>	<u>Phase 2</u>
Operation & Maintenance Expense	\$74,346,358	\$74,847,373
Tax Expense	18,373,201	21,153,860
Extensions & Replacements	57,000,000	57,000,000
Debt Service	126,804,647	137,410,448
Total Revenue Requirement	276,524,206	290,411,681
Less: Other Income, net	(289,552)	(289,552)
Connection Fee Offset	(7,030,763)	(7,030,763)
	(7,320,315)	(7,320,315)
Plus: Incremental Net Write Off	501,015	142,049
<b>Net Revenue Requirement</b>	<b>269,704,907</b>	<b>283,233,415</b>
Less: Revenues at Current Rates Subject to Increase	(220,377,972)	(268,093,707)
Other Operating Revenues	(1,611,200)	(1,611,200)
<b>Net Revenue Increase Required</b>	<b>\$47,715,735</b>	<b>\$13,528,508</b>
<b>Percent Increase Required</b>	<b>21.49%</b>	<b>5.02%</b>

**F. Effect of Settlement Agreements.** The Parties agree 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 finding in *Richmond Power & Light*, Cause No. 40434, 1997 WL 34880849, at \*7-8 (IURC March 19, 1997).

**G. Executive Compensation Study.** In previous cases involving the utilities of Citizens Energy Group, the Commission has repeatedly questioned the level of executive compensation, and specifically the use of a compensation study that includes both municipal and investor-owned, for-profit utilities. In the Final Order in Cause No. 44644, the Commission ordered Citizens Water to submit a compensation study of executive salaries that includes only municipal utilities. Citizens Water complied with the Order in a confidential filing made in Cause No. 44644 on June 22, 2016.

In its next rate case, CWA shall include with its case-in-chief an updated compensation study of executive salaries that includes only municipal utilities. This requirement also extends to Citizens Energy Group's other regulated utilities.

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

1. The Settlement Agreement entered into among CWA, the OUCC, and the CWA Industrial Group, a copy of which is attached to this Order, is approved as modified above.

2. CWA is authorized to increase its rates and charges for wastewater utility service so as to generate additional revenues of \$47,715,735 to arrive at total operating revenues of \$269,704,907, representing a 21.49% overall increase in its pro forma operating revenues.

3. Effective as soon as CWA has notified the Commission and OUCC, and released its Official Statement for the 2017 bond issuance described in this Cause, CWA is authorized to further increase its rates and charges for wastewater utility service to generate additional revenues in the amount of \$13,528,508 to arrive at total operating revenues of \$283,233,415, representing an additional 5.02% overall increase in its pro forma operating revenues.

4. The proposed changes to CWA's Terms and Conditions of Wastewater Service, which were filed in this Cause as Petitioner's Exhibits KLK-3 and KLK-4 are hereby approved as modified by the terms of the Settlement Agreement.

5. In its next rate case, CWA shall include with its case-in-chief an updated compensation study of executive salaries that includes only municipal utilities. This requirement also extends to Citizens Energy Group's other regulated utilities.

6. Prior to implementing any of the authorized rates, CWA shall file the applicable rate schedules under this Cause for approval by the Commission's Water and Wastewater Division.

7. CWA shall pay the following itemized charges within twenty (20) days of the date of this Order to the Secretary of this Commission:

Commission charges:	\$ 4,798.33
OUCC charges:	\$ 94,148.42
Legal Advertising Charges:	\$ <u>233.93</u>
Total:	\$ 99,180.68

CWA shall pay all charges prior to placing into effect the rates and charges approved herein.

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

**STEPHAN, HUSTON, AND ZIEGNER CONCUR; WEBER NOT PARTICIPATING:**

APPROVED: JUL 18 2016

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

  
\_\_\_\_\_  
Mary M. Becerra  
Secretary of the Commission



approval, regarding the amount of the proposed annual increase to Petitioner's *pro forma* operating revenues, as well as certain other issues. The Settling Parties requested that the Commission suspend the procedural schedule in this Cause to allow time for the Settling Parties to attempt to reach a complete settlement, reduce that settlement to writing and prepare and file supporting settlement testimony and exhibits

Thereafter, the Settling Parties had further discussions and ultimately reached a complete settlement, including agreement with respect to the manner in which the total agreed upon annual revenue requirement should be allocated among the customer classes. The Settling Parties' agreement is set forth in this Stipulation and Settlement Agreement ("Settlement Agreement").

The Settling Parties, solely for purposes of compromise and settlement and having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth in this Settlement Agreement represent a fair, just and reasonable resolution of all matters raised in this proceeding, subject to their incorporation by the Commission into a final, non-appealable order without modification or further condition that may be unacceptable to any Settling Party ("Final Order"). If the Commission does not approve this Settlement Agreement, in its entirety without change, the entire Settlement Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Settling Parties.

#### **I. Phase 1 Operating Revenues and Revenue Requirements**

1. The Settling Parties agree that CWA's total *pro forma* operating revenues at present rates are \$221,989,172. Upon the Commission's adoption of a Final Order approving the terms and conditions of this Settlement Agreement, the Settling Parties

agree CWA's *pro forma* operating revenues should be increased by \$47,816,796 in order to arrive at agreed total annual operating revenues of \$269,805,968 ("Phase 1").

2. The Settling Parties' agreement with respect to CWA's *pro forma* Phase 1 revenue requirement is reflected by line item in Attachment A, attached hereto and incorporated herein by reference.

3. In determining the agreed Phase 1 revenue requirement for CWA, the Settling Parties started with Petitioner's proposed annual revenue requirement for operating expenses of \$78,696,176 and through a compromise have agreed to decrease CWA's *pro forma* operating expenses by a total of \$4,349,818 to \$74,346,358, based on the following adjustments: (i) a \$289,000 decrease to labor expense; (ii) a \$525,000 decrease to purchased power expense; (iii) a \$900,000 decrease for United Water fees; (iv) a \$249,251 decrease for rate case expenses; (v) a \$1,338,251 decrease for various categories within materials and supplies expense; (vi) a \$182,301 decrease associated with insurance expense; (vii) a \$1,049,676 decrease for miscellaneous expenses; and (viii) a \$183,660 increase to bad debt due to increased *pro forma* at present rates operating revenues.

4. As reflected in Attachment A to this Settlement Agreement, CWA has agreed to reduce the amount of its *pro forma* revenue funded extensions and replacements ("E&R") revenue requirement by \$5 million from \$62 million, as proposed in CWA's case-in-chief, to \$57 million. While CWA has agreed to reduce the amount of its *pro forma* revenue funded E&R below the level of its *pro forma* test year depreciation expense for purposes of this Settlement Agreement, CWA considers depreciation to be a cash revenue requirement that is recoverable through CWA's *pro forma* revenue

requirement pursuant to Ind. Code § 8-1.5-3-8(c)(1)(E). To the extent rate-funded E&R expense set forth in the *pro forma* revenue requirement agreed to in a settlement agreement is less than the *pro forma* depreciation expense, CWA considers its willingness to accept the lower amount as a voluntary concession made solely for purposes of settlement of this proceeding.

5. The Settling Parties agree CWA's proposed *pro forma* adjustment for taxes, which includes a two-year average of PILOT payments will be broken into Phase 1 and Phase 2 (as defined in paragraph 6) components. The agreed upon Phase 1 revenue requirement for taxes (PILOT payments CWA must make to the City of Indianapolis pursuant to Special Ordinance No. 5, 2010) should be \$18,373,201, a reduction of \$1,390,329 from CWA's proposed *pro forma* amount of \$19,763,530. The Settling Parties' agreement regarding the Phase 1 *pro forma* revenue requirement for taxes results in a \$1,176,083 *pro forma* Phase 1 increase for PILOT payments. The Settling Parties also agree CWA's Phase 2 revenue requirement for taxes should be \$21,153,860, an increase of \$1,390,329 from CWA's proposed \$19,763,530 *pro forma* Phase 2 revenue requirement for taxes, which accounts for the remaining increase in required PILOT payments. The Settling Parties' agreement regarding Phase 2 revenue requirement for taxes results in a \$2,780,659 *pro forma* Phase 2 increase for PILOT payments.

## **II. Phase 2 Operating Revenues and Revenue Requirements**

6. The Settling Parties agree that a Final Order approving this Agreement should authorize Petitioner to increase the agreed Phase 1 operating revenue in Phase 2 to generate additional revenues in the amount of \$13,528,509 to arrive at total operating revenues of \$283,334,477 ("Phase 2"). This increase is based on Petitioner's planned



issuance of debt in 2017 described in the direct testimony of John R. Brehm, as well as the increase in PILOT payments described in paragraph 4, above. The Settling Parties' agreement with respect to CWA's *pro forma* Phase 2 revenue requirement is reflected by line item in Attachment A.

7. CWA will file a notice with the Commission, and serve the OUCC, indicating it has released the Official Statement ("OS") for its 2017 bonds. Once CWA has released its OS and notified the Commission and the OUCC, CWA will be permitted to immediately implement the above-described Phase 2 rate increase without any further action by the Commission or the OUCC, subject to potential revision as a result of a compliance filing under paragraph 17 or a true-up report filed under paragraph 23.

### **III. Balanced Billing**

8. The Settling Parties agree that CWA shall withdraw the proposed change to its Balanced Billing Mechanism described on pages 31 through 34 of the Direct Testimony of Korlon L. Kilpatrick II and included in the revised versions of Sewer Rate 1 in Attachments KLK-6 and KLK-7 (the "Proposed Balanced Billing Changes"). Therefore, the Settling Parties agree the Commission should not approve the Proposed Balanced Billing Changes. The Settling Parties agree that the Balanced Billing language included in Sewer Rate 1 should continue to read as approved by the Water/Sewer Division on November 18, 2015 pursuant to a 30-day filing made by CWA on October 2, 2015 identified by tracking number 3390. The OUCC's supplemental testimony shall set forth its opposition to CWA's Proposed Balanced Billing Changes, include an explanation of the reasons for such opposition and describe in detail why the OUCC considers Petitioner's withdrawal of the Proposed Balanced Billing Changes to be an

integral term of the Settlement Agreement. The Settling Parties agree to cooperate in the preparation of such supplemental testimony.

9. The Settling Parties' agreement with respect to the Phase 1 and Phase 2 operating revenues and revenue requirements is expressly conditioned upon and subject to the Commission's acceptance and approval of CWA's withdrawal of the Proposed Balanced Billing Changes. CWA's case-in-chief indicates that if the Proposed Balanced Billing Changes were incorporated into Sewer Rate 1, it would result in the removal of 3,728,055 CCF from Petitioner's *pro forma* billed volumes, which is the equivalent of \$15,491,463 in operating revenue using present rates. Accordingly, a modification to this Settlement Agreement by the Commission regarding the Proposed Balanced Billing Changes, absent a corresponding decrease of 3,728,055 CCF in *pro forma* billed volumes, would result in rates and charges that are insufficient by \$15,491,463 to produce revenue to meet Petitioner's testimonial revenue requirement. The Settling Parties, therefore, agree that the provisions of this Settlement Agreement relating to operating revenues and revenue requirements and the withdrawal of the Proposed Balanced Billing Changes are not severable and no change should be made to one provision without a corresponding change to the other. The Settling Parties further agree that any modification in the Final Order affecting the Settling Parties' agreement regarding the Balanced Billing Mechanism will constitute a material modification to the Settlement Agreement and therefore no such modification should be made. To the extent that the Commission has concerns about the withdrawal of the Balanced Billing Mechanism, CWA and the OUCC agree to participate in one or more technical

conferences with Commission Staff and other interested parties to consider such concerns.

**IV. Revenue Allocation, Cost of Service and Rate Design**

10. The Settling Parties agree that the agreed annual revenue requirement in Phase 1 of \$269,805,968 set forth in paragraph 1 shall be allocated between and among the customer classes as set forth below and that rates designed to recover the agreed upon allocated revenues consistent with the terms of the Settlement Agreement may be implemented upon the filing and approval of Compliance rates following the Commission's issuance of a Final Order approving the Settlement Agreement in its entirety without modification unacceptable to any Settling Party. The Settling Parties agree that the agreed allocations set forth below are subject only to modification pursuant to paragraph 17 below:

CLASS	EXISTING REVENUE	AGREED ALLOCATION OF PHASE 1 SETTLEMENT REVENUES	PERCENTAGE CHANGE FROM EXISTING REVENUES	CAUSE NO. 44685-S1 SUBSIDY ALLOCATION PERCENTAGES
NON-INDUSTRIAL	\$175,668,900	\$219,999,900	25.24%	84.0%
SELF-REPORTER	\$23,761,200	\$25,017,285	5.29%	9.6%
SURCHARGES				
BOD	\$13,045,300	\$15,021,415	15.15%	5.7%
TSS	\$1,508,600	\$1,431,100	(5.14%)	0.5%
NH3-N	\$263,800	\$404,200	53.22%	0.2%
SEPTIC HAULERS	\$41,200	\$54,900	33.25%	0.0%
GREASE HAULERS	\$83,100	\$83,100	0.00%	0.0%
COMMERCIAL FOG	\$1,322,000	\$1,322,000	0.00%	0.0%

SATELLITE	\$4,683,900	\$4,860,900	3.78%	0.0%
<b>SUBTOTAL</b>	<b>\$220,378,000</b>	<b>\$268,194,800</b>	<b>21.70%</b>	<b>100.0%</b>
OTHER REVENUE	\$1,611,200	\$1,611,200	0.00%	0.0%
<b>TOTAL</b>	<b>\$221,989,200</b>	<b>\$269,806,000</b>	<b>21.54%</b>	<b>100.0%</b>

11. The Settling Parties agree that the agreed annual revenue requirement in Phase 2 of \$283,334,477 set forth in paragraph 6 shall be allocated between and among the customer classes as set forth below. The Phase 2 rates will be implemented in accordance with the requirements set forth in paragraph 7. The Settling Parties agree that the agreed allocations set forth below are subject only to modification pursuant to paragraph 17 below:

CLASS	AGREED PHASE 1 REVENUES	AGREED ALLOCATION OF PHASE 2 SETTLEMENT REVENUES	PERCENTAGE CHANGE FROM AGREED PHASE 1 REVENUES	CAUSE NO. 44685-S1 SUBSIDY ALLOCATION PERCENTAGES
NON-INDUSTRIAL	\$219,999,900	\$232,295,072	5.59%	84.4%
SELF-REPORTER	\$25,017,285	\$25,813,972	3.18%	9.4%
SURCHARGES				
BOD	\$15,021,415	\$15,366,908	2.30%	5.6%
TSS	\$1,431,100	\$1,464,151	2.31%	0.5%
NH3-N	\$404,200	\$413,497	2.30%	0.2%
SEPTIC HAULERS	\$54,900	\$57,300	4.37%	0.0%
GREASE HAULERS	\$83,100	\$83,100	0.00%	0.0%
COMMERCIAL FOG	\$1,322,000	\$1,322,000	0.00%	0.0%
SATELLITE	\$4,860,900	\$4,907,300	0.95%	0.0%

<b>SUBTOTAL</b>	<b>\$268,194,800</b>	<b>\$281,723,300</b>	<b>5.04%</b>	<b>100.0%</b>
<b>OTHER REVENUE</b>	<b>\$1,611,200</b>	<b>\$1,611,200</b>	<b>0.00%</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>\$269,806,000</b>	<b>\$283,334,500</b>	<b>5.01%</b>	<b>100.0%</b>

12. The Settling Parties acknowledge that CWA filed a cost of service study along with supporting testimony as part of its case-in-chief on September 28, 2015, and agree that the study was not the sole input used in reaching the Phase 1 and Phase 2 revenue allocations set forth above. Consistent with paragraph 15 of this Settlement Agreement, CWA will offer that study into evidence at the settlement hearing, however, the Settling Parties agree that the Commission need not and should not make any findings in its final Order in this Cause or any related subdocket approving or adopting the cost of service study filed by CWA with its case-in-chief on September 28, 2015 and offered in accordance with paragraph 15 of this Settlement Agreement.

13. The Settling Parties agree that the monthly base charge for the Non-Industrial rate class will be set at \$18.75 for Phase 1 and Phase 2, and will not change as a result of subsidy reductions that may occur in Cause No. 44685-S1. The volume charge is designed to recover the remaining class revenue allocation, and the ratio between the Tier 1 and Tier 2 rates is the same as Petitioner's case-in-chief. The rates for unmetered Non-Industrial customers will be designed on the basis of Petitioner's case-in-chief, modified as necessary to reflect the reduced revenue requirement and agreed upon class allocations. The monthly Fats, Oils, and Grease Charge (Sewer Rate No. 3) should remain at \$30.00 per month for both Phase 1 and Phase 2. The Septic and Grease Hauler charges (Sewer Rate No. 4) should be set to recover their respective revenue allocations

per paragraphs 10 and 11 above. Revised tariff sheets for Phase 1 and Phase 2 are attached hereto as Attachment B and incorporated herein by reference.

14. The Settling Parties further agree to CWA's proposed changes to the Industrial and Self-Reporter rates and their design, modified as necessary to reflect the reduced revenue requirement and agreed upon class allocation, and subject to CWA's amendment to the language in Sewer Rate Nos. 2 and 5 as reflected in Attachment B. CWA will monitor customer(s) movement between Sewer Rate No. 5 and Sewer Rate No. 2 and will present a complete set of billing determinants in its next rate case including, but not limited to, the customer mix between these two rate classes and their associated volumes.

15. The Settling Parties acknowledge and agree that the foregoing Phase 1 and Phase 2 revenue allocations and resulting rates are based on a compromise of the revenue requirements set forth in this Settlement Agreement. The Settling Parties acknowledge and agree that they either have filed, or absent approval of this Settlement Agreement are prepared to file, testimony and exhibits in this Cause on cost of service, cost allocation, and rate design issues that do or would utilize a variety of methodologies, including without limitation cost allocation by rate class. The Settling Parties agree and acknowledge the cost of service, cost allocation, and rate design proposals contained in their respective testimony do or would utilize methodologies that the Commission has previously considered, may properly consider, and can properly adopt. The Settling Parties also agree that their testimony on cost of service, cost allocation, and rate design issues could support a range of possible outcomes, and that the foregoing revenue allocations and rate designs are consistent with the range of potential determinations that

the Commission could make in the event of a contested hearing based on the evidence the parties filed or would have filed in the absence of this Settlement Agreement. Neither the OUCC nor the Industrial Group, by entering into this Settlement Agreement, has accepted the cost-of-service study prepared by CWA or its results. Except as otherwise expressly stated in this Settlement Agreement, no Settling Party, by entering into the Settlement Agreement, has acquiesced in or waived any position with respect to the appropriate methodology for determining cost of service, cost allocation, or rate design in any other proceeding, including future CWA proceedings. The Settling Parties reserve all rights to present evidence and advocate positions with respect to cost of service, cost allocation, and rate design issues different from those set forth in this Settlement Agreement in all other proceedings, including future CWA proceedings.

16. The Settling Parties agree that in the subdocket and in CWA's next general rate case, there should be movement towards cost of service rates for all rate classes. Notwithstanding this agreement, the Settling Parties further agree that such agreement shall not preclude them from arguing: a) What cost of service rates are; or b) How much movement should be made towards such rates.

17. The Settling Parties that participate in the Cause No. 44685-S1 Subdocket proceeding agree that the negotiated retail revenue allocations set forth above in paragraphs 10 and 11 should be supported in that Subdocket proceeding. The Settling Parties agree that the purpose of the Subdocket proceeding is to address the amount of the Satellite Customer Subsidy (as defined in paragraph 19 below) and the amount of the reduction to the Satellite Customer Subsidy being funded by retail customers the Commission should order. The Settling Parties agree the purpose of the Subdocket

Proceeding is not to litigate the appropriate cost of service study. The Settling Parties acknowledge that CWA will, and the other Settling Parties that participate in Cause No. 44685-S1 may, present evidence in that proceeding regarding the existence, calculation, amount and cost of service basis of the Satellite Customer Subsidy. The Settling Parties agree that, to the extent necessary, such evidence may be offered, but that it will be offered solely for those purposes. Except as it pertains to the potential reduction of revenues collected from retail customers as a result of a Final Order in the Subdocket proceeding as described below, no Settling Party shall advocate for, request, or support a modification of the Phase 1 and Phase 2 revenue allocations agreed to in this Settlement Agreement or the Commission's approval of a particular cost of service model that differs from the agreed retail revenue allocations set forth above. Nor shall the fact that a Settling Party does not participate in the Subdocket proceeding, or sponsor testimony regarding the Satellite Customer Subsidy issues in the Subdocket proceeding, constitute a waiver of that party's rights under paragraph 15 of this Settlement Agreement.

With respect to the Satellite Customer Subsidy described in paragraphs 19-20 below, the Settling Parties agree that any reduction to the Satellite Customer Subsidy as a result of the Final Order in Cause No. 44685-S1 should be allocated to the Non-Industrial, Self-Reporter, and Surcharge (BOD, TSS & NH3-N) rate classes in order to reduce the agreed upon revenue allocations set forth above, and that new rates should be implemented within thirty five days of entry of that Final Order (subject to the Commission's approval of a compliance filing of CWA's rates and charges for services and all parties reserving any rights under IC 8-1-3-1, et seq.). The reduction shall be based on each class' respective percentage of total revenues from the Non-Industrial,



Self-Reporter and Surcharge (BOD, TSS & NH3-N) rate classes allocated to it at the time such reduction is ordered (i.e. Phase 1 or Phase 2), as shown in the Tables set forth in paragraphs 10 and 11 above.

**V. Subdocket for Consideration of Satellite Customer Issues**

18. No Settling Party will oppose or challenge the Commission's jurisdiction or authority to enter an Order in Cause No. 44685-S1 relating to the rates charged for wholesale wastewater treatment services to the seven satellite communities located within the Central Indiana region, including Beech Grove, Lawrence, Ben Davis Conservancy District, Whitestown, Tri-County Conservancy District, Greenwood and Hamilton Southeastern Sewer Works (the "Satellite Customers").

19. CWA agrees a subsidy exists between the Satellite Customer class and the retail classes (the "Satellite Customer Subsidy"), and that the retail classes are negatively affected by that subsidy. CWA acknowledges that the Satellite Customer Subsidy should be eliminated and that, accordingly, its goal consistent with the Commission's Order in Cause No. 44305 is to "pursue all possible means to renegotiate the Satellite Customer contracts for the recovery of the cost of service from those customers." CWA agrees its goal has been, and will continue to be, to move Satellite Customers to full cost of service. CWA further agrees that, notwithstanding anything to the contrary in its prefiled testimony or discovery produced in this proceeding, that the elimination of the Satellite Customer Subsidy and the conditions of a transition of the Satellite Customers to full cost of service, including the time period over which such a transition will occur, remain matters to be resolved in Cause No. 44685-S1.

20. The Settling Parties acknowledge that no agreement has been reached with any Satellite Customer on issues related to the elimination of the Satellite Customer Subsidy, including without limitation, agreement to support a specific period of time for a transition to full cost of service or the rate of transition, and that no party will enter into an agreement with any Satellite Customer regarding elimination of the Satellite Customer Subsidy without first engaging in a good faith discussion and negotiation with the other parties to this Settlement Agreement regarding such agreement.

#### **VI. Additional Terms**

21. In its future rate cases, CWA agrees that for those costs that make up the capital program portion of its revenue requirement, whether funded through rate revenue or debt, CWA will provide the following in its case-in-chief, in a spreadsheet format: (a) project name; (b) project number; (c) a brief description of the project; (d) a brief explanation of the need for the project; (e) a brief description of alternatives considered, if applicable; (f) estimated project start date; (g) estimated completion date; and (h) the total project cost estimate class. In addition, Petitioner will be prepared to provide in discovery or otherwise upon request, in a spreadsheet format that references attachments, as applicable: (a) project name; (b) project number; (c) a brief description of the project; (d) estimated project start date; (e) estimated completion date; (f) the project cost estimate class; (g) estimated total project cost (including soft costs), which will be provided confidentially; (h) amount of project cost included in revenue requirement; (i) a brief explanation of how the estimated total project cost was determined; and (j) an identification of the most recently completed engineering report or study related to the

need for a specific project that will be provided as outlined below, to the extent such a report or study was developed for the particular project.

22. CWA represents that due to the nature or repetitiveness of certain projects, engineering reports explaining the need for these specific projects may not have been developed. To the extent the OUCC has asked for copies or access to reports or studies that exist and are voluminous or difficult to access, CWA will communicate that fact as soon as possible so the parties may work together to find reasonable solutions to avoid unnecessary burden to CWA, while affording reasonable access without undue delay. Nothing herein shall be construed as prohibiting the OUCC from specifically identifying and asking for more detail, documents or information other than what CWA has agreed to provide in this section, including other or historical reports previously completed.

23. Petitioner will file with the Commission a true-up report and revised rate schedules within 30 days of the debt issuance contemplated as a part of this rate case that provides the following details: the terms of the debt issuance, including whether there is a debt service reserve, the interest rate and annualized amount of debt service, as well as revised rate schedules and, to the extent necessary, tariffs reflecting the actual terms of the debt issuance. The Settling Parties agree that for purposes of determining whether revised rates need not be implemented, the OUCC will determine whether a decrease is immaterial and CWA will determine whether an increase is immaterial. The Settling Parties agree that neither party may seek to overturn the other party's determination of materiality. The Commission in its sole discretion may order CWA to implement revised rates notwithstanding either Settling Party's determination that a prospective change is

immaterial. The Settling Parties agree that no other debt reporting requirements should be imposed.

24. The Parties agree that the miscellaneous revisions to CWA's General Terms and Conditions for Wastewater Service set forth in Petitioner's Attachments KLK-3 and KLK-4 and described in the direct testimony of Korlon L. Kilpatrick are "nondiscriminatory, reasonable, and just," and should be approved by the Commission subject to the following modifications: (i) the word "maintained" will not be included in Rule 1.31; and (ii) Rule 21.4 will be modified to read as follows:

To the extent repairs or maintenance must be made to the portion of the Building Sewer maintained by the Customer as set forth in Rule 21.1, the Building Sewer shall be repaired, maintained or modified as specified in the Indiana Plumbing Code. It shall be of materials approved by the Utility and subject to the inspection of the Utility upon completion of the repairs, maintenance or modification.

CWA will also provide a one-time notice to all Self-Reporting Customers that do not have BOD, TSS or NH<sub>3</sub>-N, of the change to Rule 5.5.3 informing those customers they will be moved to Rate 2 (Industrial Sewage Disposal Service) if they fail to provide the reports required by Rule 5.5.2 for three (3) consecutive months.

25. The Settling Parties agree that in lieu of CWA's proposed low-income rate, CWA will establish a special fund that will be available exclusively to assist eligible low-income wastewater utility customers (*i.e.*, customers with gross household income of up to 200% of the federal poverty level) and help them pay their wastewater bills and assist those customers to avoid being disconnected from the wastewater system. CWA will make an annual contribution of \$100,000 to this fund from non-tariff revenues CWA receives. The crisis fund will be administered by Petitioner's customer contact center

employees in the same manner crisis funding is managed and made available to low-income gas customers through Citizens Gas's Universal Service Program.

26. At least three (3) months prior to CWA's anticipated filing of its next rate case, the Settling Parties agree to discuss, in good faith certain cost of service issues, including the capacity factor study and analysis of Inflow and Infiltration to be conducted in advance of the rate case. The Settling Parties' comments or positions taken during such discussions, or level of involvement in such process, may not be used against any Settling Party in any proceeding regarding the issues discussed.

#### **VII. Settlement Agreement -- Scope and Approval**

27. Neither the making of this Settlement Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Settlement Agreement, nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Settlement Agreement, shall establish any principles or legal precedent applicable to Commission proceedings other than those resolved herein.

28. This Settlement Agreement shall not constitute nor be cited as precedent by any person or deemed an admission by any Settling Party in any other proceeding except as necessary to enforce its terms before the Commission, or any tribunal of competent jurisdiction. This Settlement Agreement is solely the result of compromise in the settlement process and, except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the issues resolved herein in any future regulatory or other proceedings.

29. The undersigned have represented and agreed that they are fully authorized to execute this Settlement Agreement on behalf of their designated clients, and their successors and assigns, who will be bound thereby, subject to the agreement of the Parties on the provisions contained herein and in the attached exhibits.

30. The communications and discussions during the negotiations and conferences have been conducted based on the explicit understanding that said communications and discussions are or relate to offers of settlement and therefore are privileged. All prior drafts of this Settlement Agreement and any settlement proposals and counterproposals also are or relate to offers of settlement and are privileged.

31. This Settlement Agreement is conditioned upon and subject to Commission acceptance and approval of its terms in their entirety, without any change or condition that is unacceptable to any Settling Party.

32. CWA and the OUCC shall, and the other Settling Parties may, offer supplemental testimony supporting the Commission's approval of this Settlement Agreement and will request that the Commission issue a Final Order incorporating the agreed proposed language of the Settling Parties and accepting and approving the same in accordance with its terms without any modification. Such supportive testimony will be agreed-upon by the Settling Parties and offered into evidence without objection by any Settling Party and the Settling Parties hereby waive cross-examination of each other's witnesses.

33. The Settling Parties will support this Settlement Agreement before the Commission and request that the Commission accept and approve the Settlement Agreement. This Settlement Agreement is a complete, interrelated package and is not

severable, and shall be accepted or rejected in its entirety without modification or further condition(s) that may be unacceptable to any Settling Party. The Settling Parties propose to submit this Settlement Agreement and evidence conditionally, and if the Commission fails to approve this Settlement Agreement in its entirety without any change or imposes condition(s) unacceptable to any adversely affected Settling Party, the Settlement Agreement and supporting evidence may be withdrawn and the Commission will continue to proceed to a decision in the affected proceeding, without regard to the filing of this Settlement Agreement.

34. The Settling Parties acknowledge the OUCC and Intervenors have not filed their respective cases-in-chief and cross-answering testimony, nor has CWA filed its rebuttal case. Therefore, provision shall be made for the filing of the remainder of the parties' cases-in-chief, cross-answering testimony, and rebuttal case in the event the Settlement Agreement is not approved by the Commission without modification or further conditions acceptable to the Settling Parties. In such event, the Settling Parties will cooperate in order to develop a schedule under which the OUCC and Intervenors would file their respective cases-in-chief within two weeks following the Commission's issuance of such an Order, and Petitioner would file its rebuttal within a reasonable time thereafter.

35. The Settling Parties will work together to prepare an agreed upon proposed order to be submitted in this Cause. The Settling Parties will request Commission acceptance and approval of this Settlement Agreement in its entirety, without any change or condition that is unacceptable to any party to this Settlement Agreement.

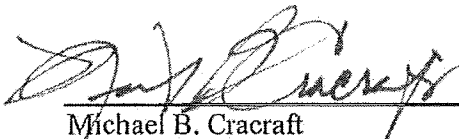
36. The Settling Parties will request that the Commission issue a Final Order promptly accepting and approving this Settlement Agreement in accordance with its terms. The Settling Parties also will work cooperatively on news releases or other announcements to the public about this Settlement Agreement.

37. The Settling Parties shall not appeal or seek rehearing, reconsideration or a stay of any Final Order entered by the Commission approving the Settlement Agreement in its entirety without changes or condition(s) unacceptable to any Party (or related orders to the extent such orders are specifically and exclusively implementing the provisions hereof) and shall not oppose this Settlement Agreement in the event of any appeal or a request for rehearing, reconsideration or a stay by any person not a party hereto.

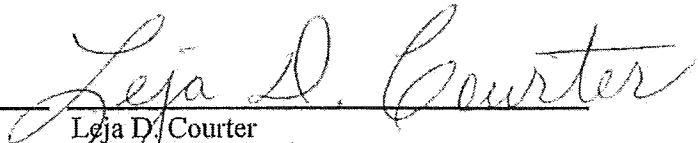
Accepted and Agreed on this 8th day of March, 2016.

CWA Authority, Inc.

Indiana Office of Utility Consumer  
Counselor



Michael B. Cracraft  
An Attorney for CWA Authority, Inc.



Leja D. Courter  
An Attorney for the Indiana Office of  
Utility Consumer Counselor

CWA Authority Industrial Group

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Joseph P. Rompala  
An Attorney for the CWA Authority  
Industrial Group



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Accepted and Agreed on this 8<sup>th</sup> day of March, 2016.

CWA Authority, Inc.

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Counselor

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Michael B. Cracraft  
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