

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

**APPLICATION OF B & B WATER PROJECT, )  
INC. FOR A NEW SCHEDULE OF RATES ) CAUSE NO. 46219-U  
AND CHARGES FOR WATER SERVICE )  
AND FINANCING APPROVAL )**

**PUBLIC'S EXHIBIT NO. 3**

**TESTIMONY OF SHAWN DELLINGER**

**ON BEHALF OF**

**THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR**

**August 18, 2025**

**TESTIMONY OF OUCC WITNESS SHAWN DELLINGER**  
**CAUSE NO. 46219-U**  
**B&B WATER PROJECT, INC.**

**I. INTRODUCTION**

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

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

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

5   A:   I am employed by the Indiana Office of Utility Consumer Counselor (“OUCC”) as a Senior  
6       Utility Analyst in the Water/Wastewater division. My focus is on financing and other  
7       financial matters. My educational background and experience is set forth in Appendix A.

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

9   A:   My testimony addresses financing matters in B&B Water Project, Inc.’s (“B&B” or  
10       “Applicant”) April 14, 2025 Small Utility Rate Application (“Application”).<sup>1</sup> These  
11       matters include debt authorization, debt service revenue requirement, debt service reserve  
12       revenue requirement, and appropriate true-up mechanisms. B&B proposes to borrow  
13       \$2,000,000 to fund capital improvement projects, a debt service revenue requirement of  
14       \$264,344, including \$121,305 for new debt, and a debt service reserve revenue requirement  
15       of \$24,783.<sup>2</sup>

16   **Q:   What did you do to form the opinions in your testimony?**

17   A:   I reviewed the Application, the final order from Applicant’s last rate case (Cause No.  
18       45810-U), the true-up resulting from the last case, and Applicant’s responses to discovery

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<sup>1</sup> This application was updated and resubmitted on May 13, 2025.

<sup>2</sup> The debt service reserve revenue requirement was revised \$72,857 in the initial filing. The debt service revenue requirement was also adjusted, but by a negligible amount.

in this proceeding, particularly those I have attached as OUCC Attachment SD-1.

**Q: To the extent you do not address a specific item, should that be construed to mean you or the OUCC agree with Applicant's proposal?**

A: No. The scope of my testimony is limited to the specific items addressed herein.

## **II. DEBT AUTHORIZATION**

**Q: Please describe B&B's requested debt in this cause.**

A: B&B requests authority to borrow \$2,000,000 anticipated to be for a term of 35 years at 5.08% interest with a total debt service reserve requirement of \$123,915 funded over five years. The requested revenue requirements that flow from the above assumptions are a total debt service revenue requirement for the new debt of \$121,305 and for an annual debt service reserve revenue requirement of \$24,783. The borrowing is anticipated to be through the State Revolving Fund ("SRF").

**Q: For what purpose is Applicant borrowing \$2,000,000?**

A: It is not clear from Petitioner's Application what specific capital improvement projects B&B proposes to finance with this borrowing. However, B&B has provided various explanations in response to discovery.

1) Per Discovery response 2-1-f, the financing will fund:

- i. Water Mains Line A - Bethel Lane
- ii. Water Mains Line C – North Mount Gilead
- iii. Water Mains Line E - Shilo Road
- iv. Booster Station: Portable Power at State Road 45 Booster Station, Hinkle Road Booster Station, and Office Building

2) Per Discovery response 4-1-b it is actually uncertain which of these projects will be financed moving forward, since B&B is currently working with Wessler

1 and Bynum Fanyo to identify which of these projects has the greatest potential  
2 to impact water loss.

3 3) Per Discovery response 4-1-c, it is uncertain if a project not on the PER will be  
4 identified and funded instead of the four projects listed.

5 **Q: Do you agree with the structure of this proposed debt?**

6 A: Yes. To determine a 5.08% interest rate, Applicant looked at unrelated Indiana Bond Bank  
7 borrowing programs, which is unorthodox. However, a 5.08% interest rate is in the range  
8 of reasonableness. I do not agree that the portable power project will necessarily be  
9 financed through a 35-year loan as B&B assumes. However, it is not certain B&B's  
10 financing will include that project, and even if it does, a shorter term for that project would  
11 not materially affect debt service costs.

12 **Q: Does Applicant have any existing debt?**

13 A: Yes. In 2024 Applicant entered into a lease that financed the replacement of 1,080 meters  
14 (the HELP lease) that was initially in the amount of \$600,000. The lease is fundamentally  
15 a loan, and it will be paid off on January 1, 2029, which is approximately three years after  
16 the expected issuance of the order in this cause. The annual cost of this existing debt is  
17 \$143,039, which I do not dispute. This existing debt will be addressed in the true-up  
18 section of my testimony.

19 **Q: Why is the requested amount of financing \$2 million?**

20 A: It appears to be so because \$2 million was the cost estimate prior to engaging an engineer  
21 to prepare a PER. Debt authority of \$2 million was requested in the last cause, but this  
22 borrowing was not based on a PER, which was not made available to the OUCC until  
23 discovery in this case. B&B has chosen not to update this amount of financing for actual  
24 costs or actual projects contemplated but is instead keeping with an amount of borrowing

1 based on a preliminary cost estimate prior to the filing of Cause No. 45810-U in October  
2 of 2022.

3 **Q: Do you know the timing of the borrowing?**

4 A: No. According to Applicant's response to OUCC DR Q 4-2, included in its entirety below,  
5 there is considerable uncertainty as to when this debt will be incurred. According to that  
6 response, borrowing may be in spring of 2026, fall of 2026, spring of 2027 or by December  
7 31, 2027.

**Q-4-2:** B&B stated the borrowing is estimated to close no later than 12/31/27 in response  
to DR-2-1-g.

- a. Please confirm whether 12/31/27 is the anticipated date of borrowing, or the date B&B is requesting its borrowing authority would expire.

Response: Correct. The only exception would be if the financing is in the final stages and B&B needs some additional time to complete the financing.

- b. If 12/31/27 is not the anticipated date of the borrowing, please state the approximate date B&B expects to close on this borrowing.

Response: B&B is requesting a closing date no later than 12/31/2027. The timing will be predicated on when the rates are finalized, and then when we can get into an SRF pool program. If we are aggressive, maybe spring 2026, but most likely it will be either Fall 2026 or spring 2027.

1 **Q: What are the costs for the projects discussed in relation to the financing request?**

2 **A:** The costs are detailed in the PER, table B-18, which is reproduced below.

Table B-18: Proposed Project

I. Phase II Engineer's Preliminary Opinion of Probable Construction Costs

Item	Description	Total Price
1	Water Mains Alternative 3 (WM3): Line A - Bethel Lane	\$ 660,000
2	Water Mains Alternative 3 (WM3): Line C - North Mount Gilead Road	\$ 2,872,000
3	Water Mains Alternative 3 (WM3): Line E - Shilo Road	\$ 1,280,000
4	Booster Station Alternative 3 (BS3): Portable Power at State Road 45 Booster Station, Hinkle Road Booster Station, and Office Building	\$ 207,000
<b>Subtotal</b>		<b>\$ 5,019,000</b>
10% Contingency		\$ 502,000
<b>Probable Construction Costs</b>		<b>\$ 5,521,000</b>
<b>Probable Non-Construction Costs (25%)</b>		<b>\$ 1,380,000</b>
<b>Total Probable Overall Project Cost</b>		<b>\$ 6,901,000</b>
<b>Total Anticipated SRF Loan Amount</b>		<b>\$ 6,901,000</b>

Notes:

- 1 All probable construction costs are based upon 2023 dollars, and estimated project costs will likely increase with time. Construction costs are volatile and have increased significantly in recent years. In providing these cost estimates, Wessler Engineering has no control over the costs of labor, equipment, and materials, or the contractors' methods of pricing. The cost estimates were made without the benefit of design plans and specifications and are provided on the basis of the Engineer's qualifications and experience. Wessler Engineering makes no warranty, expressed or implied, as to the accuracy of such cost estimates as compared to bids or actual costs.
- 2 The cost estimates are based on past similar projects and were made without the benefit of field survey, design plans and specifications. These estimates are provided on the basis of the Engineer's qualifications and experience. Wessler Engineering makes no warranty, expressed or implied, as to the accuracy of such cost estimates as compared to bids or actual costs.

3 Table SD-1, below, breaks this down to a cost per project, which also reflects the

4 contingency and soft costs per project rather than overall. See OUCC Attachment SD-2.

5 The costs were prepared in 2023, and the financing may not take place until December

6 2027. Therefore, I also added 15% as an inflation adjustment, which reflects approximately

7 a 3.5% annual inflation rate over four years.<sup>3</sup>

<sup>3</sup> A 3.5% annual inflation rate for 4 years is 14.75% ( $1.035^4 = 1.1472$ ).

**Table SD-1**

	Cost	10% Contingency	Including 25% Non-Construction	15% Inflation
WM-Bethel	\$ 660,000.00	\$ 726,000.00	\$ 907,500.00	\$ 1,043,625.00
WM-Gilead	\$ 2,872,000.00	\$ 3,159,200.00	\$ 3,949,000.00	\$ 4,541,350.00
WM-Shilo	\$ 1,280,000.00	\$ 1,408,000.00	\$ 1,760,000.00	\$ 2,024,000.00
Port. Power	\$ 207,000.00	\$ 227,700.00	\$ 284,625.00	\$ 327,318.75
Total	\$ 5,019,000.00	\$ 5,520,900.00	\$ 6,901,125.00	\$ 7,936,293.75

**Q: Based on the project costs in Table SD-1, what projects could be completed with \$2 million of financing?**

A: Based upon the inflation adjusted numbers above, B&B could complete both the Water Main-Bethel project and the Portable Power project. Completing either of the Gilead or the Shilo projects would not be possible at the cost estimates set forth in the table above, although completing the Shilo water main project exclusively may be possible if the engineers estimate or the inflation adjustment is high.

**Q: What is your recommendation on the debt service authorization amount?**

A: I accept the \$2 million requested by B&B in this cause and recommend the Commission approve this amount. I do not believe it is supported by a reasonable understanding of what projects will be pursued, nor do I believe that there is a considered timeline included. Further, I believe the cost estimates in the PER are old enough that they may not be good predictors of the bid prices, whenever bidding may be. Nonetheless, the only reasonable alternatives have considerable drawbacks. The most obvious is to deny approval of the amount requested due to the lack of reasonable support when the OUCC understands that the needs of this utility are significant, and delay does not assist in the shared goal of reducing the lost water issue that is the paramount engineering issue facing this utility, nor the goals of increasing reliability and resilience, which are also significant factors when

1 considering whether capital projects should be financed. I considered recommending  
2 approval only of the debt for specific projects, (for instance, \$1,375,000 for only the Bethel  
3 Lane Water Mains and the Portable Power project),<sup>4</sup> but that would imply an approval of  
4 those projects specifically when there is little evidence that those are the best projects on  
5 which to spend limited funds. The OUCC could also recommend a debt authority of closer  
6 to \$8 million to fund the anticipated cost of the projects listed in the PER. This would have  
7 the advantage of completing the projects recommended in the PER and providing a level  
8 of transparency on the future costs ratepayers may face as these necessary projects are  
9 completed, but would have the significant disadvantage of “forcing” B&B to complete  
10 more projects and charge higher rates (approximately 39% higher) than what the board  
11 desires, with no certainty that these projects would be carried out.<sup>5</sup> Based on these factors,  
12 the best course of action is to recommend approval of the debt expecting that B&B will  
13 determine the best use of these funds and proceed accordingly.

### **III. DEBT SERVICE AND DEBT SERVICE RESERVE REVENUE REQUIREMENT**

14 **Q: What is B&B's requested debt service revenue requirement?**

15 **A:** B&B requests a debt service revenue requirement for the new debt of \$121,305.

16 **Q: Do you accept B&B's requested annual debt service of \$121,305?**

17 **A:** Yes. Based on \$2 million of borrowing and assuming a 35-year term as requested, this

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<sup>4</sup> Based on the inflation adjusted totals in Table SD-1 of \$1,043,625 for the Water Mains-Bethel Lane project and \$327,318.75 for the Portable Power project.  $\$1,043,625 + \$327,318.75 = \$1,370,943.75$  rounded to \$1,375,000.

<sup>5</sup> The inflation adjusted cost estimate for all four recommended projects in the PER is \$7,936,293.75. If we round this number to \$8,000,000, this is exactly four times the amount of debt service requested, and would result in an additional cost of \$438,264 per year, which is approximately 38.8% increase off current rates. Debt Service of \$121,305 + debt service reserve of \$24,783 = 146,088 \* 3 (increase from \$2 million to \$8 million) = \$438,264. \$1,127,185 current rates times 1.0015 gross up factor = \$1,128,875.78 current rates.  $\$438,264 / \$1,128,875.78 = .38823$ , or ~39%.



amount is appropriate as an estimate.

**Q: Should this annual revenue requirement be included in Applicant's initial rates?**

A: No. These costs will not be incurred at the time of the order. Therefore, an additional phase to reflect the debt service costs in rates is appropriate.

**Q: Did you consider recommending Applicant be allowed to collect the debt service revenue requirement in initial rates and place funds in a restricted account to offset its borrowing?**

A: Yes. However, B&B has not reliably placed funds in restricted accounts when ordered by the Commission to do so.<sup>6</sup> Therefore, the OUCC recommends that the debt service revenue requirement be more closely tied to the closing date on the loan.

**Q: What is B&B's requested debt service reserve revenue requirement?**

A: B&B requests a debt service reserve revenue requirement for the new debt of \$24,783.

**Q: Do you agree with B&B's requested annual debt service reserve revenue requirement of \$24,783?**

A: Yes. The Debt Service Reserve is a flow-through based on assumptions that are addressed above. Because the OUCC accepts the requested amount of debt, the term, and the interest rate, the OUCC also accepts the required debt service reserve revenue requirement.

#### **IV. INITIATION OF PHASE II RATES AND TRUE-UP OF DEBT COSTS**

**Q: Please state the purpose of having two Phases and explain how the implementation of Phase II rates would occur?**

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<sup>6</sup> See the various filings in the true-up for Cause 45810-U, specifically detailed in the Report in Response to Applicant's Debt True-Up Filing Required by 45810-U filed by the OUCC on August 23, 2024. The amount that was supposed to be placed in a restricted account was \$100,933.50 as of May 24, 2024, and has been increasing by \$4,985.62 per month since that time (if one considers 14 additional months, this would be an additional \$69,798.68). Apparently, no effort was made at any point to comply with the order as it related to the restricted account, even when this overage was approximately 20% of all revenues. B&B also did not comply with the order or with requests at the time of the true-up to provide the PER for review, and the OUCC did not receive this document until discovery in this case.

1 A: The first Phase will not incorporate any costs for the new debt. Since the new debt will not  
2 be implemented until a future date, there will be no cost associated with this debt initially.  
3 The date to issue this debt is not known with any certainty. The most direct method of  
4 addressing this and aligning costs with revenues is to simply not include the costs of this  
5 debt in customer rates until there is an actual cost. Therefore, I recommend that Phase II  
6 rates be implemented no more than 30 days prior to the closing of the debt. This is so that  
7 rates will be in place to cover this cost upon issuance of the debt. There will still have to  
8 be a true-up after the actual closing of the debt. Applicant should file a notification no  
9 more than 30 days prior to closing on the debt to notify the Commission and the OUCC  
10 that the debt will be issued in order to initiate Phase II rates. This filing should include a  
11 description of the projects that are being financed and bid tabulations, if available.

12 **Q: Please explain the true-up process.**

13 A: The precise interest rates, borrowing amount and annual debt service will not be known  
14 until Applicant's debt has been issued. Therefore, Applicant's rates should be trued-up to  
15 reflect the actual cost of the debt. In this case, there is a significant likelihood that the  
16 projects financed will not be exactly \$2 million, and the ultimate borrowing amount will  
17 be less than that. A true-up report should be filed with the Commission within thirty days  
18 of closing its debt issuance explaining the terms of the new loan and the actual balance  
19 borrowed. The report should include a revised tariff, amortization schedule and a  
20 calculation of the rate impact in a form similar to the OUCC's schedules to the best of the  
21 Applicant's ability. The purpose of this report is to serve as a final true-up to calibrate the  
22 revenues collected and ensure that this amount matches the costs incurred. If there is a  
23 delay in the submission of this report, rates may have to be adjusted to address any over or

1 under collection of revenues in the interim.

2 **Q: For how long should B&B's authority to borrow be in effect?**

3 A: I recommend that the debt authorization expire if the borrowing has not taken place by  
4 December 31, 2028. In that case, Phase II rates will never be implemented.

5 **Q: The meter lease is fully paid on January 1, 2029. Are any filings required as of this**  
6 **date?**

7 A: Yes. The purpose of a true-up is to ensure that the costs match the revenues for debt  
8 service. In this case, the cost of the meter loan is removed as of January 1, 2029.<sup>7</sup> This is  
9 \$143,039 of annual cost that will be embedded in rates per the OUCC's recommendation.  
10 I recommend that, as of January 2, 2029, this cost should be removed from the customer  
11 rates, and a new tariff should be filed on this date reflecting the removal of \$143,039 of  
12 annual costs.<sup>8</sup> This should be the requirement unless there is an intervening rate order.

13 **Q: How should disputes regarding Applicant's true up report be identified?**

14 A: The OUCC should have twenty-one days to challenge Applicant's proposed true-up once  
15 Applicant has served its proposed true-up to the OUCC. Applicant should similarly have  
16 twenty-one days to file a response to the OUCC. Thereafter, the Commission should  
17 resolve any issue raised through a process it deems appropriate. Any true-up report should  
18 state the time frames for objections or responses.

19 **Q: Should there be any exceptions to the requirement for a true-up?**

20 A: Yes. The true-up need not be implemented if both parties state in writing to the Commission  
21 that the increase or decrease indicated by the report need not occur.

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<sup>7</sup> This information may be found in the True-Up for Cause 45810-U, filed on July 19, 2024, Schedule 1 Meter Financing (Final) amortization schedule.

<sup>8</sup> Since this date is known in advance, a filing should take place approximately 30 days prior to that date so that rates are adjusted as of Tuesday, January 2, 2029. I suggest no later than Friday, December 1, 2028.

**V. OUCC RECOMMENDATIONS**

1   **Q:   Please summarize your recommendations to the Commission in this Cause.**

2   A:   I recommend a debt authorization of \$2,000,000. I recommend an annual debt service  
3       revenue requirement of \$264,344, including \$121,305 for new debt and a debt service reserve  
4       revenue requirement on the new debt of \$24,783. I recommend the debt service of \$121,305  
5       on the new debt and the debt service reserve of \$24,783 be included in rates no sooner than 30  
6       days before closing on the new debt. I recommend the true-up process I described above.  
7       Finally, I recommend a filing by December 1, 2028 to remove the \$143,039 annual cost of the  
8       Meter Lease from customer rates on January 2, 2029.

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

10  A:   Yes.

**Appendix A**

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

2 A: I graduated from Indiana University with a degree in Biology, a minor in Economics and  
3 a certificate from the Liberal Arts and Management Program (LAMP) which is an honors  
4 certificate program through the Kelley School of Business and the College of Arts and  
5 Sciences. I received my MBA from Indiana University with a concentration in finance. I  
6 am a member of Phi Beta Kappa honor society for my undergraduate studies and Beta  
7 Gamma Sigma honor society for my master's program. I have a certificate from Stanford  
8 University for the Energy Innovation and Emerging Technologies Program. I am a certified  
9 rate of return analyst (CRRRA designation) from the Society of Utility Regulatory Financial  
10 Analysts. Although not specifically related to my educational background, I am a member  
11 of Mensa.

12 **Q: Please describe your work experience.**

13 A: Upon graduating college, I moved to New York and worked at Grant's Interest Rate  
14 Observer, which is a financial newsletter and Lebenthal and Co., which was a municipal  
15 bond brokerage. I moved back to Indianapolis and worked at RCI Sales in Indianapolis,  
16 which was a manufacturer's representative/distributor in commercial and institutional  
17 construction. I became an owner and ultimately sold the company. I then worked at  
18 Amazon as a financial analyst in its fulfillment division.

19 **Q: How long have you been at the OUCC?**

20 A: I started at the OUCC in the Water/Wastewater Division in December 2019 as a Utility  
21 Analyst II and was promoted to a Senior Utility Analyst in May 2022. My focus is financial  
22 issues, such as ROEs, Capital Structures, Debt Issuances, Cost of Debt, etc.

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

2   **A:**    Yes, I have testified before the Commission regarding various aspects of finance in  
3           multiple cases.

**AFFIRMATION**

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

A handwritten signature in black ink, appearing to read 'Shawn Dellinger', written over a horizontal line.

By: Shawn Dellinger, Senior Utility Analyst

Cause No. 46219-U

Office of Utility Consumer Counselor (OUCC)

Date: August 18, 2025

## **II. Data Request**

**Q-2-1:** Please include the following information about the proposed borrowing:

- a. The principal amount
  - a. \$2M
- b. The forecasted interest rate
  - a. 5.08%
- c. The amortization table
- d. The lender
  - a. TBD – SRF and others
- e. The term (only if an amortization table is not provided)
  - a. 35 years
- f. The uses of the borrowing (estimated project costs, other costs)
  - a. Water Mains Line A - Bethel Lane, North Mount Gilead , Shilo Road, Booster Station: Portable Power at State Road 45 Booster Station, Hinkle Road Booster Station, and Office Building
- g. The estimated date of the closing of the borrowing
  - a. No later than 12/31/27
- h. Any required debt service reserve, including amount and time period to fund (e.g. SRF requires a 5 year funding of the maximum payment)
  - a. Debt service reserve fund is estimated to be \$123,690.35, which represents maximum annual debt service on the financing. It will be funded over a 5 year period after the completion of the financing.

**Q-2-2:** B&B has a loan request for \$6,901,000 in the State Revolving Fund's Project Priority List (as of the Q3 Final 2025 Drinking Water PPL). Please confirm if this borrowing is at issue in this Cause. Please also provide the PER that was submitted for this loan request.

- a. Yes, however B&B only sought approval for \$2M in funding in its last rate application. The IURC in that order approved the \$2M request. B&B is only seeking to confirm that approval with a request to extend the date to close on the debt to December 31, 2027.
- b. PER to be sent separately.



## II. Data Request

**Q-4-1:** B&B stated it is requesting \$2 million of borrowing authority in this Cause, which will be used to fund the following projects: Water Mains Line A - Bethel Lane, North Mount Gilead, Shilo Road, Booster Station: Portable Power at State Road 45 Booster Station, Hinkle Road Booster Station, and Office Building in response to DR-2-1. However, Table B-18 of the PER B&B provided in response to DR-2-2 (included below) states a Total Probable Overall Project Cost for these projects of \$6,901,000.

Table B-18: Proposed Project

I. Phase II Engineer's Preliminary Opinion of Probable Construction Costs		
Item	Description	Total Price
1	Water Mains Alternative 3 (WM3): Line A - Bethel Lane	\$ 660,000
2	Water Mains Alternative 3 (WM3): Line C - North Mount Gilead Road	\$ 2,872,000
3	Water Mains Alternative 3 (WM3): Line E - Shilo Road	\$ 1,280,000
4	Booster Station Alternative 3 (BS3): Portable Power at State Road 45 Booster Station, Hinkle Road Booster Station, and Office Building	\$ 207,000
Subtotal		\$ 5,019,000
10% Contingency		\$ 502,000
Probable Construction Costs		\$ 5,521,000
Probable Non-Construction Costs (25%)		\$ 1,380,000
Total Probable Overall Project Cost		\$ 6,901,000
Total Anticipated SRF Loan Amount		\$ 6,901,000

Notes:

- 1 All probable construction costs are based upon 2023 dollars, and estimated project costs will likely increase with time. Construction costs are volatile and have increased significantly in recent years. In providing these cost estimates, Wessler Engineering has no control over the costs of labor, equipment, and materials, or the contractors' methods of pricing. The cost estimates were made without the benefit of design plans and specifications and are provided on the basis of the Engineer's qualifications and experience. Wessler Engineering makes no warranty, expressed or implied, as to the accuracy of such cost estimates as compared to bids or actual costs.
- 2 The cost estimates are based on past similar projects and were made without the benefit of field survey, design plans and specifications. These estimates are provided on the basis of the Engineer's qualifications and experience. Wessler Engineering makes no warranty, expressed or implied, as to the accuracy of such cost estimates as compared to bids or actual costs.

- a. Please reconcile the statement that B&B will fund all four projects, which are estimated to cost \$6,901,000 in 2023 dollars, with the borrowing of \$2 million.

Response: The projects included in the PER were identified to the development of the PER. The estimated cost at that time was approximately \$2M. Between that estimate and the completion of the PER construction costs had risen significantly resulting in an increase in the estimated costs for the projects.

- b. Please specifically identify what projects will be completed with the \$2 million proposed borrowing.

Response: We are currently working with Wessler and Bynum Fanyo Utilities to identify which of these projects has the greatest potential to impact water loss.

- c. Please confirm the use of these funds will be for some combination of the projects listed in the response to DR-2-1 and table B-18 in the PER.

Response: That is currently the plan, the only thing that might impact the list would be if another area is identified with significant water loss. In that case, the PER would be amended to reflect that project. The Board however confirmed that due to the impact on rates they do not intend to request more than \$2M in funding with this application.

**Q-4-2:** B&B stated the borrowing is estimated to close no later than 12/31/27 in response to DR-2-1-g.

- a. Please confirm whether 12/31/27 is the anticipated date of borrowing, or the date B&B is requesting its borrowing authority would expire.

Response: Correct. The only exception would be if the financing is in the final stages and B&B needs some additional time to complete the financing.

- b. If 12/31/27 is not the anticipated date of the borrowing, please state the approximate date B&B expects to close on this borrowing.

Response: B&B is requesting a closing date no later than 12/31/2027. The timing will be predicated on when the rates are finalized, and then when we can get into an SRF pool program. If we are aggressive, maybe spring 2026, but most likely it will be either Fall 2026 or spring 2027.

**Q-4-3:** B&B stated that the forecasted interest rate is 5.08% in response to DR-2-1-b. Please identify the source of this estimate. Please also provide any documents that support this estimate.

Response: The estimated rate of 5.08% was a blended interest rate based on the scale from the IBB Community Funding Resource Program. This is a program that the IBB has that is similar to the SRF Pool Program. It is a good comp on what to expect from a rate, usually the SRF rate is a little bit better. The 5.08% was the NIC. It is important to remember the rate in the rate study is an estimate. It will be trued up at the time of financing. It is nothing more than a place holder right now, it will change.

**Q-4-4:** Please confirm the annual debt service amounts of \$143,039 for “People - Meter Replacement” on Schedule 9 of B&B’s Application in this Cause are for the meter lease/HELP lease that had a total financing amount of \$600,000 and annual debt service amounts of \$143,039.46 per Schedule 1 of B&B’s True Up Calculation in Cause No. 45810 U. If not confirmed, please explain why not. If confirmed, please answer the following regarding the meter lease/HELP lease:

a. How many meters were financed with this lease?

Response: 1080 meters

b. Please provide the specification sheets for the meters that were financed with this lease.

Response: Attached.

c. As of December 31, 2024 how many meters financed with this lease have been installed?

Response: 787 meters

d. As of the most recent data available, how many meters financed with this lease have been installed?

Response: 1,021 meters.

e. If not already answered above, when are all meters financed by this lease anticipated to be installed?

Response: December 31, 2025

*OUCC ATTACHMENT SD-2  
PER COSTS-INC SOFT AND INF  
IS FILED AS AN EXCEL DOCUMENT  
CAUSE NO. 46219-U*