

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF)
GIBSON WATER AUTHORITY FOR)
AUTHORITY TO ISSUE LONG-TERM DEBT) CAUSE NO. 45535
AND ADJUST ITS RATES AND)
CHARGES)

PUBLIC'S EXHIBIT NO. 1

SETTLEMENT TESTIMONY OF CARLA F. SULLIVAN

ON BEHALF OF

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

SEPTEMBER 9, 2021

Respectfully submitted

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



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CERTIFICATE OF SERVICE

This is to certify that a copy of the *Settlement Testimony of Carla F. Sullivan* has been served upon the following counsel of record in the captioned proceeding by electronic service on September 9, 2021.

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**SETTLEMENT TESTIMONY OF
OUCC WITNESS CARLA F. SULLIVAN
CAUSE NO. 45535
GIBSON WATER AUTHORITY**

I. INTRODUCTION

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

2 A: My name is Carla F. Sullivan, and my business address is 115 West Washington
3 Street, 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
6 a Utility Analyst in the Water/Wastewater Division. My qualifications and
7 experience are described in Appendix A.

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

9 A: The purpose of my testimony is to support the Stipulation and Settlement
10 Agreement (“Settlement”) between Gibson Water Authority (“Gibson”) and the
11 OUCC (collectively the “Settling Parties”) and explain how the Settlement is in the
12 public interest.

13 **Q: What schedules are you sponsoring?**

14 A: I sponsor the following schedules:

15 Schedule 1 Comparison of Petitioner’s and Settling Parties’ Revenue
16 Requirements and Reconciliation of Net Operating Income
17 Statement Adjustments

18 Schedule 2 Comparative Balance Sheet as of September 30, 2020, December
19 31, 2019, December 31, 2018, and December 31, 2017

20 Schedule 3 Comparative Income Statements for the Years Ended September 30,
21 2020, December 31, 2019, December 31, 2018, and December 31,
22 2017.

23 Schedule 4 *Pro Forma* Net Operating Income Statement

24 Schedule 5 Expense Adjustments

1	Schedule 6	Debt Service
2	Schedule 7	Debt Service Reserve
3	Schedule 8	Revenue Adjustment

II. SETTLEMENT

A. Summary

4 **Q: Please describe the Settlement reached by the Settling Parties.**

5 A: The Settling Parties agree Gibson should be authorized to reflect an overall *pro*
6 *forma* net revenue requirement of \$2,959,994, resulting in an overall revenue
7 increase of \$477,164 and a 19.40% rate increase over Gibson's current revenues at
8 existing rates. The increase will be implemented in two phases. Phase One is broken
9 into two parts to account for a lump sum payment made by Toyota Motor
10 Manufacturing of Indiana ("TMMI") used to secure an increase in available
11 capacity to Gibson from the City of Evansville. Table CFS-1 below summarizes
12 the two-phase Settlement.

13 Table CFS-1: Settlement Summary

	Phase One Part 1	Phase One Part 2	Phase Two
Operating Expenses	\$ 2,301,746	\$ 2,301,746	\$ 2,301,746
Depreciation Expense	301,980	301,980	301,980
Debt Service	50,966	129,644	313,439
Debt Service Reserve	10,200	26,259	44,639
Total Revenue Requirements	2,664,892	2,759,629	2,961,804
Less Revenue Requirement Offsets:			
Interest Income	(601)	(601)	(601)
Other Income	(1,209)	(1,209)	(1,209)
Net Revenue Requirement	2,663,082	2,757,819	2,959,994
Less: Revenues at current rates subject to increase	(1,464,229)	(1,571,562)	(1,666,298)
Toyota Motor Manufacturing, Indiana	(994,751)	(1,067,670)	(1,067,670)
Other revenues not subject to increase	(23,850)	(23,850)	(23,850)
Recommended Increase	\$ 180,252	\$ 94,737	\$ 202,176
Recommended Percentage Increase	7.33%	6.03%	7.39%

1 **Q: Please describe the two-phase increase agreed to by the Settling Parties.**

2 A: Phase One has two parts. Phase One, Part 1 will take effect immediately upon the
3 Commission's order and increases Gibson's revenue requirement to meet average
4 annual debt service, \$50,966, and debt service reserve, \$10,200, for debt approved
5 and issued in Cause No. 45080-S1. Phase One, Part 1 will also generate revenue
6 required to meet increased costs related to depreciation and operating and
7 maintenance expenses. Current rates will increase by 7.33%, generating \$180,252.
8 The Phase One, Part 1 increase will be applicable to all customers.

9 Phase One, Part 2, a \$94,737 or 6.03% increase, will meet Gibson's revenue
10 requirement for average annual debt service, \$78,678, and debt service reserve,
11 \$16,059, on proposed SRF borrowing. Proceeds from the SRF borrowing will be
12 used to pay the City of Evansville \$1,049,909 for additional capacity. Phase One,
13 Part 2 will also take effect immediately upon the Commission's order to allow
14 Gibson to show that it has sufficient funds for the issuance of the SRF debt. TMMI
15 will make a \$2,131,632 lump sum payment to the City of Evansville, covering
16 approximately two-thirds of the charge for additional capacity acquired from
17 Evansville Municipal Water. Because TMMI will make an up-front payment, the
18 Phase One, Part 2 increase will not apply to it.

19 The Phase Two increase of \$202,176 or 7.39% will meet Gibson's revenue
20 requirement for average annual debt serve, \$183,795, and debt service reserve,
21 \$18,380, for debt approved in Cause No. 45080. The approved debt has yet to be
22 issued and rates were not previously increased. All customers are subject to the
23 Phase Two increase which will take effect 60 days prior to the estimated closing of

1 financing obtained through the U.S. Department of Agriculture's Rural
2 Development Program.

B. Revenue Normalization Adjustments

3 **Q: To what revenue normalization adjustments did the Settling Parties agree?**

4 A: The Settling Parties agreed to a \$224,947 revenue normalization adjustment. The
5 adjustment includes two components -- a test year normalization adjustment of
6 \$4,749 and a \$220,198 increase approved in 30-day filing No. 50399. To illustrate
7 this adjustment, I created Settlement Schedule 8, Adjustment No. 1.

8 **Q: How is the revenue normalization adjustment in the public interest?**

9 A: The revenue normalization adjustment recognizes additional revenues that will be
10 realized because of customer growth and the increased rates from the recently
11 approved 30-day filing. The recognition of these additional revenues protects
12 customers from paying a higher rate than necessary.

C. Operating Expense Adjustments

13 **Q: To what operating expense adjustments did the Settling Parties agree?**

14 A: Gibson proposed, and OUCC accepts adjustments to salaries and wages, employee
15 benefits, purchased water, insurance, contractual services, and periodic
16 maintenance. The OUCC recommended a reduction to miscellaneous expense to
17 remove non-recurring and non-allowed expenses identified during the voucher
18 review, which Gibson accepted. The Settlement increases test-year operating and
19 maintenance expense from \$2,059,898 to *pro forma* operating expense of

1 \$2,301,746, an increase of \$241,848 (\$2,301,746 - \$2,059,898 = \$241,848). (See
2 Settlement Schedule 5, Nos. 1-7.)

3 **Q: How are the expense adjustments in the public interest?**

4 A: The increase is necessary to ensure Gibson’s financial, technical, and managerial
5 ability to produce safe, reliable drinking water.

D. Depreciation

6 **Q: To what depreciation expense did the Settling Parties agree?**

7 A: The Settling Parties agreed to depreciation expense of \$301,980. To calculate
8 depreciation expense, the Settling Parties used the IURC’s composite depreciation
9 rate of 1.70% and \$18,717,359 as Utility Plant in Service (“UPIS”) as of September
10 30, 2020. Land and Land Rights, equaling \$953,854, were removed from UPIS as
11 non-depreciable. The remaining UPIS, \$17,763,505 was multiplied by the
12 depreciation rate of 1.70% resulting in depreciation expenses of \$301,980. Table
13 CFS-2 displays the depreciation expense calculation.

Table CFS-2: Deprecation Calculation

Utility Plant in Service as of 09/30/2020		\$ 18,717,359
Land and Land rights/SoS/Pumping Plant	\$ 26,881	
Land and Land rights/Water Treatment Plant	202,521	
Land and Land rights/Trans/Distrib Plant	606,484	
Land and Land rights/General Plant	<u>117,968</u>	
Less: Total Land and Land rights		<u>953,854</u>
Depreciable UPIS		17,763,505
Times IURC approved depreciation rate for purchasing Utility		1.70%
Depreciation Expense Revenue Requirement		<u><u>\$ 301,980.0</u></u>

1 **Q: How are the adjustments in the public interest?**

2 A: Gibson elected to recover depreciation expense instead of a revenue requirement
3 for extensions and replacements. Gibson will nonetheless use the revenue generated
4 from depreciation to make extensions and replacements of current UPIS as needed.

E. Debt True-up

5 **Q: Have the Settling Parties agreed to a debt true-up process?**

6 A: Yes. The Settling Parties agreed that within 30 days after closing on the issuance
7 of debt, Gibson Water shall file in this Cause, and serve on the OUCC, a true-up
8 report describing the final terms of the debt, the amount of debt service reserve, and
9 the amortization schedule for the bonds. The OUCC will have 14 days from the
10 date of service to object to the true-up report. If there is no objection and the annual
11 debt service and debt service reserve differs from the originally estimated total of
12 \$313,439 and \$44,639, respectively, then Gibson Water will file a revised tariff
13 adjusting its rates to include the final amount of annual principal and interest on the
14 debt and the debt service reserve. Further, if the cost of the debt is more than
15 \$313,439 per year, Gibson Water may, in its sole discretion, elect not to file a
16 revised tariff reflecting a higher principal and interest payment for the debt.

17 **Q: How does the Settlement address a true-up that results in lower debt service
18 and debt service reserve revenue requirements?**

19 A: The Settling Parties agreed that if the actual terms of the financing are such that the
20 debt payment is less than \$313,439 per year, Gibson Water need not file a revised
21 tariff if the Settling Parties agree the difference is immaterial for purposes of
22 determining whether Gibson Water's rates should be revised. In lieu of a revised

1 tariff, in that case, Gibson Water will file a notice of that consensus, which shall
2 include a written statement by the OUCC to that effect.

F. Cost-of-Service Study

3 **Q: Did the Settling Parties address any cost-of-service issues?**

4 A: Yes. Gibson is not required to perform a cost-of-service study before its next rate
5 case. However, if Gibson does perform one, Gibson agreed to provide the OUCC
6 with the results of any such study no later than three months in advance of the filing
7 of a rate case.

III. CONCLUSION

8 **Q: Why is this Settlement in the public interest?**

9 A: This Settlement is a reasonable compromise between the positions of the Settling
10 Parties and should be approved. The Settlement provides Gibson the ability to raise
11 sufficient revenue to pay all lawful expenses incident to the day-to-day operation
12 of the utility. Also, ratepayers will receive the benefit of lower than requested rates.
13 This Settlement was reached with the understanding and specific provision that it
14 is not intended to create precedent. Such agreements permit parties to reach
15 reasonable agreements that lower costs and produce good results without fear that
16 they will be impairing their ability to assert rights or argue positions in other cases.

17 This Settlement provides bargained-for benefits that are important to each
18 of the Settling Parties while balancing each party's interests and promoting the
19 public interest. The Settlement resolves all issues in this case and avoids the
20 expense of litigation. The Settlement is a result of concessions on individual issues

1 to which the Settling Parties would not be willing to agree but for the overall result
2 produced by the Settlement Agreement. For all these reasons, I consider the terms
3 of the Settlement Agreement to be in the public interest, and I recommend the
4 Commission approve and implement the Settlement.

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

6 **A: Yes**

GIBSON WATER AUTHORITY
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**Comparison of Petitioner's and Settling Parties'
Revenue Requirements**

	Overall			
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	313,327	313,439	6	112
Debt Service Reserve	44,639	44,639	7	-
Total Revenue Requirements	2,986,280	2,961,804		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)		-
Other Income	-	(1,209)		(1,209)
Net Revenue Requirement	2,985,679	2,959,994		(25,685)
Less: Revenues at current rates subject to increase	(1,550,517)	(1,464,229)	4	86,288
Toyota Motor Manufacturing, Indiana	(902,686)	(994,751)	4	(92,065)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	\$ 502,849	\$ 477,164		\$ (25,685)
Recommended Percentage Increase	20.50%	19.40%		-1.09%

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**Comparison of Petitioner's and Settling Parties'
Revenue Requirements**

Phase One				
Part 1 - All Users				
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	50,966	50,966	6	-
Debt Service Reserve	10,200	10,200	7	-
Total Revenue Requirements	2,689,480	2,664,892		(24,588)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)		-
Other Income	-	(1,209)		(1,209)
Net Revenue Requirement	2,688,879	2,663,082		(25,797)
Less: Revenues at current rates subject to increase	(2,453,203)	(1,464,229)	4	988,974
Toyota Motor Manufacturing, Indiana	-	(994,751)	4	(994,751)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	\$ 206,049	\$ 180,252		\$ (25,797)
Recommended Percentage Increase	8.40%	7.33%		-1.07%

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**Comparison of Petitioner's and Settling Parties'
Revenue Requirements**

Phase One				
Part 2				
No Increase for Toyota Motor Manufacturing, Indiana				
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	129,532	129,644	6	112
Debt Service Reserve	26,259	26,259	7	-
Total Revenue Requirements	2,784,105	2,759,629		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)		-
Other Income	-	(1,209)		(1,209)
Net Revenue Requirement	2,783,504	2,757,819		(25,685)
Less: Revenues at current rates subject to increase	(1,682,597)	(1,571,562)	4	111,035
Toyota Motor Manufacturing, Indiana	(979,581)	(1,067,670)	4	(88,089)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	\$ 91,699	\$ 94,737		\$ 3,038
Recommended Percentage Increase	5.45%	6.03%		0.58%

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**Comparison of Petitioner's and Settling Parties'
Revenue Requirements**

	Phase Two			
	All Users			
	Per Petitioner	Per Settlement	Sch Ref	Settlement More (Less)
Operating Expenses	\$2,310,119	\$2,301,746	4	\$ (8,373)
Depreciation Expense	318,195	301,980	5	(16,215)
Debt Service	313,327	313,439	6	112
Debt Service Reserve	44,639	44,639	7	-
Total Revenue Requirements	2,986,280	2,961,804		(24,476)
Less Revenue Requirement Offsets:				
Interest Income	(601)	(601)		-
Other Income	-	(1,209)		(1,209)
Net Revenue Requirement	2,985,679	2,959,994		(25,685)
Less: Revenues at current rates subject to increase	(2,755,179)	(1,666,299)	4	1,088,880
Toyota Motor Manufacturing, Indiana		(1,067,670)	4	(1,067,670)
Other revenues not subject to increase	(29,627)	(23,850)	4	5,777
Recommended Increase	\$ 200,873	\$ 202,175		\$ 1,302
Recommended Percentage Increase	7.29%	7.39%		0.10%

GIBSON WATER AUTORITY
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Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	Per Petitioner	Per Settlement	Settlement More (Less)
Operating Revenues			
Metered Sales	\$ 224,947	\$ 132,882	\$ (92,065)
Toyota Motor Manufacturing, Ind.	-	-	-
Fire Protection Service Charge	-	92,065	92,065
Miscellaneous Income	-	-	-
Total Operating Revenues	<u>224,947</u>	<u>224,947</u>	<u>-</u>
O&M Expense			
Salaries and Wages	50,613	50,613	-
Employee Benefits	19,545	19,545	-
Purchased Water	116,768	116,768	-
Insurance	339	339	-
Contractual Services	(24,798)	(24,798)	-
Periodic Maintenance	87,754	87,754	-
Miscellaneous Expense	-	(8,373)	(8,373)
Total O&M	<u>250,221</u>	<u>241,848</u>	<u>(8,373)</u>
Depreciation Expense	205,135	188,920	(16,215)
Total Operating Expenses	<u>455,356</u>	<u>430,768</u>	<u>(24,588)</u>
Net Operating Income	<u>\$ (230,409)</u>	<u>\$ (205,821)</u>	<u>\$ 24,588</u>

GIBSON WATER AUTORITY
CAUSE NUMBER 45535

COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	As of	As of December 31st		
	September 30, 2020	2019	2018	2017
Utility Plant:				
Utility Plant in Service	\$ 18,717,359	\$ 18,608,726	\$ 17,113,030	\$ 16,907,079
Construction Work in Progress	828,601	826,819	449,182	45,860
Less: Accumulated Depreciation	(6,702,779)	(6,465,485)	(6,149,095)	(5,858,174)
Net Utility Plant in Service	<u>12,843,181</u>	<u>12,970,060</u>	<u>11,413,117</u>	<u>11,094,765</u>
Current Assets:				
Cash and Cash Equivalents	621,232	692,523	670,256	616,494
Restricted Cash				
Bond and Interest	81,180	42,480	-	-
Debt Service Reserve	17,936	10,286	-	-
Customer Deposits	100	700	100	100
Accounts Receivable Customer (net)	142,076	128,558	161,069	132,108
Accounts Receivable - Other	-	-	28	-
Inventory - Materials and Supplies	40,698	38,107	32,580	12,893
Prepays	9,566	22,474	19,460	16,978
Total Current Assets	<u>912,788</u>	<u>935,128</u>	<u>883,493</u>	<u>778,573</u>
Deferred Debits				
Deferred Tank Painting Net of Amortization	<u>924,066</u>	<u>924,066</u>	<u>1,009,262</u>	<u>1,106,100</u>
Total Assets	<u>\$ 14,680,035</u>	<u>\$ 14,829,254</u>	<u>\$ 13,305,872</u>	<u>\$ 12,979,438</u>

GIBSON WATER AUTORITY
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COMPARATIVE BALANCE SHEET

<u>LIABILITIES</u>	As of	As of December 31st		
	September 30, 2020	2019	2018	2017
Equity				
Unrestricted	\$ 13,617,239	\$ 13,454,005	\$ 12,656,395	\$ 12,507,201
Temporarily Restricted	99,216	53,466	100	100
Total Equity	<u>13,716,455</u>	<u>13,507,471</u>	<u>12,656,495</u>	<u>12,507,301</u>
Contributions in Aid of Construction				
Long-term Debt				
Current Portion of Contracts Payable	75,688	137,650	218,534	299,418
Long-term Debt	860,626	860,626	-	-
Total Long-term Debt	<u>936,314</u>	<u>998,276</u>	<u>218,534</u>	<u>299,418</u>
Current Liabilities				
Accounts Payable	-	276,133	412,265	156,763
Payroll Liabilities	1,168	10,604	9,327	7,601
Accrued Interest Payable	-	10,459	-	-
Sales Tax Payable	5,847	6,060	5,051	4,974
Customer Deposits	100	100	100	100
Unclaimed Membership Funds	4,332	4,332	4,100	3,281
Current Portion of Long-term Debt	15,819	15,819	-	-
Other Current Liabilities	<u>27,266</u>	<u>323,507</u>	<u>430,843</u>	<u>172,719</u>
Total Liabilities	<u>\$ 14,680,035</u>	<u>\$ 14,829,254</u>	<u>\$ 13,305,872</u>	<u>\$ 12,979,438</u>

GIBSON WATER AUTHORITY
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COMPARATIVE INCOME STATEMENT
Twelve Months Ended,

	September 30,	December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Revenue				
Metered Sales				
Residential	\$ 838,668	\$ 791,949	\$ 668,873	\$ 651,387
Commercial	237,280	252,556	199,090	185,562
Industrial	22,939	1,028,877	878,996	727,218
Public Authorities	14,601	8,368	8,700	13,023
Agricultural	36,141	32,510	25,096	32,537
Sales for Resale	153,261	147,470	118,810	128,659
Toyota Motor Manufacturing, Indiana	902,686	-	-	-
Fire Protection Service Charge	22,680	22,680	22,680	22,680
Late Fees	5,777	8,877	5,376	6,515
Miscellaneous Income	23,850	26,047	6,805	2,437
Total Operating Revenues	<u>2,257,883</u>	<u>2,319,334</u>	<u>1,934,426</u>	<u>1,770,018</u>
Operating Expenses				
Salaries and Wages	341,423	339,718	331,676	318,418
Employee Benefits	168,262	168,489	149,542	139,094
Purchased Water	1,282,973	1,212,727	1,063,804	828,961
Purchased Power	39,554	41,192	47,324	41,247
Insurance	31,035	28,562	35,751	27,563
Contractual Services	33,390	51,718	56,180	67,112
Materials and Supplies	26,487	24,411	24,414	30,758
Transportation Expense	8,601	14,799	14,294	14,198
Periodic Maintenance	105,416	105,416	117,057	131,390
Bad Debt Expense	1,345	1,345	1,136	2,579
Miscellaneous Expense	21,412	26,568	29,941	29,232
Total O&M Expense	<u>2,059,898</u>	<u>2,014,945</u>	<u>1,871,119</u>	<u>1,630,552</u>
Depreciation Expense	113,060	93,958	83,524	81,689
Amortization Expense	-	-	-	-
Taxes Other than Income	-	-	-	-
Total Operating Expenses	<u>2,172,958</u>	<u>2,108,903</u>	<u>1,954,643</u>	<u>1,712,241</u>
Net Operating Income	84,925	210,431	(20,217)	57,777
Non-Operating Revenues				
Non-utility Income	(60,436)	3,288	824	2,008
Interest Income	601	617	206	211
Membership Issued	3,404	2,102	12,600	14,300
Contributions in aid of Construction	107,574	870,275	373,680	77,802
Total Non-Operating Revenue	<u>51,143</u>	<u>876,282</u>	<u>387,310</u>	<u>94,321</u>
Non-Operating Expenses				
Interest Expense	2,846	13,305	-	-
Membership Redeemed	-	-	10,500	12,489
Amortization of Grants	33,333	33,333	33,333	33,333
Amortization of CIAC	189,099	189,099	174,066	172,398
Total Other Income (Expense)	<u>225,278</u>	<u>235,737</u>	<u>217,899</u>	<u>218,220</u>
Net Income	<u>\$ (89,210)</u>	<u>\$ 850,976</u>	<u>\$ 149,194</u>	<u>\$ (66,122)</u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

***Pro-forma* Net Operating Income Statement**

	Phase One, Part 1 - All Users						<i>Pro-Forma</i> Proposed Rates
	Year Ended 9/30/2020	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	
Operating Revenues							
Metered Sales	\$ 1,302,890	\$ 132,882	5-1	\$ 1,435,772	\$ 105,247	1	\$ 1,541,019
Toyota Motor Manufacturing, Ind.	902,686	92,065	5-1	994,751	72,919	1	1,067,670
Fire Protection Service Charge	22,680			22,680	1,663	1	24,343
Late Fees	5,777			5,777	423	1	6,200
Miscellaneous Income	23,850			23,850	-		23,850
Total Operating Revenues	<u>2,257,883</u>	<u>224,947</u>		<u>2,482,830</u>	<u>180,252</u>	1	<u>2,663,082</u>
O&M Expense							
Salaries and Wages	341,423	50,613	6-1	392,036	-		392,036
Employee Benefits	168,262	19,545	6-2	187,807	-		187,807
Purchased Water	1,282,973	116,768	6-3	1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,035	339	6-4	31,374	-		31,374
Contractual Services	33,390	(24,798)	6-5	8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	105,416	87,754	6-6	193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	21,412	(8,373)	6-7	13,039	-		13,039
Total O&M Expenses	<u>2,059,898</u>	<u>241,848</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	<u>113,060</u>	<u>188,920</u>	6-8	<u>301,980</u>	<u>-</u>		<u>301,980</u>
Total Operating Expenses	<u>2,172,958</u>	<u>430,768</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 84,925</u>	<u>\$ (205,821)</u>		<u>\$ (120,896)</u>	<u>\$ 180,252</u>		<u>\$ 59,356</u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

***Pro-forma* Net Operating Income Statement**

Phase One, Part 2 - No Increase Assigned to Toyota Motor Manufacturing, Ind.

	Year Ended 9/30/2020	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
Operating Revenues							
Metered Sales	\$ 1,541,019	\$ -		\$ 1,541,019	\$ 92,896	1	\$ 1,633,915
Toyota Motor Manufacturing, Ind.	1,067,670	-		1,067,670	-		1,067,670
Fire Protection Service Charge	24,343	-		24,343	1,467	1	25,810
Late Fees	6,200	-		6,200	374	1	6,574
Miscellaneous Income	23,850	-		23,850	-		23,850
Total Operating Revenues	<u>2,663,082</u>	<u>-</u>		<u>2,663,082</u>	<u>94,737</u>	1	<u>2,757,819</u>
O&M Expense							
Salaries and Wages	392,036	-		392,036	-		392,036
Employee Benefits	187,807	-		187,807	-		187,807
Purchased Water	1,399,741	-		1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,374	-		31,374	-		31,374
Contractual Services	8,592	-		8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	193,170	-		193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	13,039	-		13,039	-		13,039
Total O&M Expenses	<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	<u>301,980</u>	<u>-</u>		<u>301,980</u>	<u>-</u>		<u>301,980</u>
Total Operating Expenses	<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 59,356</u>	<u>\$ -</u>		<u>\$ 59,356</u>	<u>\$ 94,737</u>		<u>\$ 154,093</u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

***Pro-forma* Net Operating Income Statement**

	<u>Phase Two - All Users</u>			<i>Pro-forma</i>		<u>Sch Ref</u>	<i>Pro-Forma</i> <u>Proposed Rates</u>
	<u>Year Ended 9/30/2020</u>	<u>Adjustments</u>	<u>Sch Ref</u>	<u>Present Rates</u>	<u>Adjustments</u>		
Operating Revenues							
Metered Sales	\$ 1,633,915	\$ -		\$ 1,633,915	\$ 120,827	1	\$ 1,754,742
Toyota Motor Manufacturing, Ind.	1,067,670	-		1,067,670	78,953	1	1,146,623
Fire Protection Service Charge	25,810	-		25,810	1,909	1	27,719
Late Fees	6,574	-		6,574	486	1	7,060
Miscellaneous Income	23,850	-		23,850	-		23,850
Total Operating Revenues	<u>2,757,819</u>	<u>-</u>		<u>2,757,819</u>	<u>202,175</u>	1	<u>2,959,994</u>
O&M Expense							
Salaries and Wages	392,036	-		392,036	-		392,036
Employee Benefits	187,807	-		187,807	-		187,807
Purchased Water	1,399,741	-		1,399,741	-		1,399,741
Purchased Power	39,554	-		39,554	-		39,554
Insurance	31,374	-		31,374	-		31,374
Contractual Services	8,592	-		8,592	-		8,592
Materials and Supplies	26,487	-		26,487	-		26,487
Transportation Expense	8,601	-		8,601	-		8,601
Periodic Maintenance	193,170	-		193,170	-		193,170
Bad Debt Expense	1,345	-		1,345	-		1,345
Miscellaneous Expense	13,039	-		13,039	-		13,039
Total O&M Expenses	<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>	<u>-</u>		<u>2,301,746</u>
Depreciation Expense	<u>301,980</u>	<u>-</u>		<u>301,980</u>	<u>-</u>		<u>301,980</u>
Total Operating Expenses	<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>	<u>-</u>		<u>2,603,726</u>
Net Operating Income	<u>\$ 154,093</u>	<u>\$ -</u>		<u>\$ 154,093</u>	<u>\$ 202,175</u>		<u>\$ 356,268</u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Expense Adjustments

(1)

Salaries and Wages

To adjust test year salaries and wages to reflect pro forma salaries and wages with an additional full-time position anticipated based on Board action.

Pro forma salaries and wages	\$390,868
Less test year amount (net of accrued wages)	<u>(340,255)</u>
Adjustment Increase (Decrease)	<u><u>\$50,613</u></u>

(2)

Employee Benefits

To adjust test year FICA to reflect pro forma salaries and wages subject to FICA.

Pro forma salaries and wages	\$366,868	
Times FICA rate	<u>7.65%</u>	
Sub-total		\$28,065

To adjust test year employee pension expense to reflect eligible pro forma salaries and wages.

Pro forma salaries and wages	366,868	
Times 5% contribution rate	<u>5.00%</u>	
Sub-total		18,343

To adjust test year employee health, life, dental and vision insurance expense to reflect pro forma expense adjusted for an assumed additional full-time position at single rates.

Current monthly health insurance premium and administrative fee	10,999	
Times 12 months	<u>12</u>	
Sub-total		<u>131,988</u>

Sub-total forward		<u><u>178,396</u></u>
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**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Expense Adjustments

Sub-total carried forward		178,396
Current monthly vision and dental insurance	519	
Times 12 months	<u>12</u>	
Sub-total		6,228
Test year medical reimbursements		<u>3,183</u>
Total		187,807
Less test year employee benefits		<u>(168,262)</u>
Adjustment Increase (Decrease)		<u><u>\$19,545</u></u>

(3)

Purchased Water

To adjust the test year purchased water expense to reflect the increase in Evansville rates.

Pro forma purchased water (From 30-Day Filing #50399)		\$1,399,741
Less test year amount		<u>(1,282,973)</u>
Adjustment Increase (Decrease)		<u><u>\$116,768</u></u>

(4)

Insurance

To adjust the test year insurance expense to reflect pro forma expense.

Pro forma insurance expense		\$31,374
Less test year amount		<u>(31,035)</u>
Adjustment Increase (Decrease)		<u><u>\$339</u></u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Expense Adjustments

(5)

Capital or Non-Recurring Items

To eliminate test year expenditures that are considered non-recurring or capital.

<u>Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
January 2020	Baker Tilly Municipal A	Professional services	(\$19,148)
February 2020	Baker Tilly Municipal A	Water rate case	(2,850)
August 2020	Bose McKinney & Evan	Investigate COVID 19 IURC	(2,800)
Adjustment Increase (Decrease)			<u>(\$24,798)</u>

(6)

Periodic Maintenance

To reflect increase in periodic maintenance.

SCADA, instrumentation:			
	(\$100,000 every 10 years)		\$10,000
Pumping:			
	(128,000 every 15 years, for 3 high service pumps and VFDs)		8,533
Tank maintenance:			
	300,000 gallon elevated tank		
	(\$44,865 every year)		44,865
	300,000 gallon standpipe tank		
	(\$20,133 every year)		20,133
	Toyota tank		
	(\$103,772 every year)		103,772
Meters:			
	Turbine type flow meters		
	(\$11,000 each, every 15 years, for 5 meters)		3,667
	6" compound flow meters		
	(\$13,000 each, every 15 years, for 1 meter)		867
	8" compound flow meters		
	(\$20,000 each, every 15 years, for 1 meter)		1,333
Total			193,170
Less test year amount			<u>(105,416)</u>
Adjustment Increase (Decrease)			<u>\$87,754</u>

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Expense Adjustments

(7)

Non-recurring Expenses

To removed non-recurring and disallowed expenses.

Description

INSTALLATION MATERIALS	858.42
INSTALLATION MATERIALS	160.31
INSTALLATION MATERIALS	55.39
2018 WATER PROJECT	4,235.00
LINE EXPANSION PROJECT - OCT	270.00
LINE EXTENSION PROJECT	40.00
TO RECORD ONLINE PAYMENT	145.37
CHRISTMAS PARTY HAUBS	1,217.74
CONFERENCE EXPENSES	492.61
TO RECORD ONLINE PAYMENT	302.50
OFFICERS DINNER	452.80
TO RECORD STATE W/H TAX PAYABLE	143.28

Adjustment Increase (Decrease) \$ (8,373.42)

(8)

Depreciation Expense

To adjust annual depreciation expense.

Utility Plant in Service as of 09/30/2020		\$18,717,359
Land and Land rights/SoS/Pumping Plant	\$ 26,881	
Land and Land rights/Water Treatment Plant	202,521	
Land and Land rights/Trans/Distrib Plant	606,484	
Land and Land rights/General Plant	117,968	
Less: Total Land and Land rights		<u>953,854</u>
Depreciable UPIS		17,763,505
Times IURC approved depreciation rate for purchasing Utility		1.70%
Depreciation Expense Revenue Requirement		<u>301,980</u>
Less: Test Year Depreciation expense		<u>(113,060)</u>

Adjustment Increase (Decrease) \$ 188,920

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Debt Service

To reflect the average amount of debt service required over a five year period.

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	Average Annual Payment
Outstanding						
Taxable Secured Notes, Series 2018	\$ 50,966	\$ 50,966	\$ 50,967	\$ 50,967	\$ 50,966	\$ 50,966
Proposed						
SRF, 2021, Series A	78,556	78,250	78,916	78,541	79,125	78,678
RD, 2022, Series A	115,008	115,008	115,008	115,008	115,008	115,008
RD, 2022, Series B	68,787	68,787	68,787	68,787	68,787	68,787
	<u>\$313,317</u>	<u>\$313,011</u>	<u>\$313,678</u>	<u>\$313,303</u>	<u>\$313,886</u>	<u>\$313,439</u>

Phase I, Part One, All Users

Taxable Secured Notes, Series 2018 \$ 50,966

Phase I Part Two, Non TMMI Users

Taxable Secured Notes, Series 2018 \$ 50,966
SRF, 2021, Series A 78,678
\$129,644

Phase II, All Users

Taxable Secured Notes, Series 2018 \$ 50,966
SRF, 2021, Series A 78,678
RD, 2022, Series A 115,008
RD, 2022, Series B 68,787
\$313,439

**GIBSON WATER AUTHORITY
CAUSE NUMBER 45535**

Revenue Adjustments

(1)

To normalize water revenue and add revenue from water tracker #5399.

<u>Billing Cycle</u>	<u>Existing Customers Billed Residential</u>	<u>Increase (Decrease) in Residential Users</u>	<u>Times Additional Monthly Bills</u>	<u>Additional Monthly Bills Residential</u>
Oct-19	1,689			
Nov-19	1,689	0	1	0
Dec-19	1,691	2	2	4
Jan-20	1,693	2	3	6
Feb-20	1,695	2	4	8
Mar-20	1,697	2	5	10
Apr-20	1,698	1	6	6
May-20	1,701	3	7	21
Jun-20	1,705	4	8	32
Jul-20	1,707	2	9	18
Aug-20	1,707	0	10	0
Sep-20	1,708	1	11	11
		<u>19</u>		<u>116</u>
	Totals			
	Times residential monthly bill for 4,100 gallons at existing rates		x	<u>\$40.94</u>
	Total normalized increase in metered sales for existing customers			4,749
	Plus tracking factor increase (#50399)			<u>220,198</u>
	Normalized metered sales			<u>\$ 224,947</u>