

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF)
EVANSVILLE, INDIANA, FOR)
AUTHORITY TO ISSUE BONDS, NOTES,) CAUSE NO. 45545
OR OTHER OBLIGATIONS, FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR WATER SERVICE,)
AND FOR APPROVAL OF NEW)
SCHEDULES OF WATER RATES AND)
CHARGES.)

PETITION FOR GENERAL RATE INCREASE AND ASSOCIATED RELIEF
UNDER IND. CODE § 8-1-2-42.7

Petitioner, the City of Evansville, Indiana (“Petitioner”), respectfully petitions the Indiana Utility Regulatory Commission (“Commission”) for approval and authorization to issue bonds, notes or other evidence of indebtedness, to increase Petitioner’s rates and charges for water service, and for all other relief described in the above caption and below. In support of its Petition, Petitioner states:

1. Petitioner is a municipality that owns and operates a municipal water works and related facilities providing water sales and service to customers in and near the City of Evansville, Indiana. Petitioner also sells water at wholesale to certain other water utilities. Petitioner’s principal office is located at 104 Civic Center Complex, 1 N.W. Martin Luther King Jr. Boulevard, Evansville, Indiana 47708, and it engages in its business solely within Indiana and is subject to the jurisdiction of this Commission to the extent provided by the Public Service Commission Act, as amended, and other laws.

2. Petitioner, by its Department of Waterworks, operates, manages, and controls plants, property, pipelines, equipment, and facilities which are used and useful in the production, treatment, distribution, and sale of water and provision of water service to residential, commercial, industrial,

and other consumers in the southwestern portion of Indiana. Petitioner's water utility properties are used and useful in its public service and operated and maintained so as to provide adequate, dependable, and efficient water sales and service to its customers.

3. Petitioner's current rates and charges for water utility service were approved by the Commission in Cause No. 45073. Since its basic rates and charges for utility service were last established, Petitioner has continued and will continue to make significant capital expenditures for additions, replacements and improvements to its waterworks system. Consequently, Petitioner's revenues provided by its current rates are inadequate to meet the carrying cost and expense of operating either its present or planned future additional plant and facilities, as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements.

4. Petitioner must continue to make necessary additions, extensions, replacements, and improvements to its waterworks system. Petitioner proposes to obtain the necessary funds for these from revenues and from the issuance of new waterworks revenue bonds. The proposed bonds will be in principal amount not to exceed \$260.0 million. The principal and interest of the new waterworks revenue bonds will be payable solely from future revenues of Petitioner's waterworks. Petitioner anticipates the term of these bonds will not exceed thirty-five (35) years and that they may be issued in multiple series. They will be either sold on the open market or placed with the Environmental Protection Agency (the "EPA"), as part of its loan program established pursuant to the Water Infrastructure Finance and Innovation Act of 2014 (the "WIFIA Program"), or with the Indiana Drinking Water State Revolving Fund ("SRF").

5. With Petitioner's necessary additions, extensions, replacements, and improvements and after the issuance of the proposed revenue bonds, the existing rates and charges for water service

rendered by Petitioner will not produce sufficient revenue to pay all the legal and other necessary expenses incident to the operation of the utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; and provide money for the payment of any taxes that may be assessed against the utility or payments in lieu of taxes. The existing rates and charges are therefore insufficient, confiscatory, and unlawful.

6. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner's waterworks and maintain the utility property in a sound physical and financial condition, and to meet all environmental and other water services requirements to enable Petitioner to continue rendering adequate and efficient utility service.

7. Petitioner's Water and Sewer Utility Board acts as the City's legislative body for purposes of rate and bond ordinances pursuant to Ind. Code §§ 8-1.5-5-1.5. At its meeting on May 4, 2021, the Board approved the filing of this Petition with this Commission seeking authority for a general water rate increase and bond issue.

8. The extensions, replacements, and improvements for which authority to issue the bonds, notes, or other obligations is sought are reasonably necessary for Petitioner to provide adequate and efficient utility service. The revenue bonds which Petitioner seeks authority to issue are a reasonable method of financing such extensions, replacements, and improvements. The new schedule of rates and charges will represent rates and charges which are lawful, nondiscriminatory,

necessary, reasonable, and just. Therefore, the issuance of the proposed revenue bonds and the establishment of the new schedule of rates and charges should be approved by the Commission.

9. As described in the following paragraphs, Petitioner is proposing a forward-looking test year and proposes to increase its rates in five phases to better align recovery of future revenues with the five-year phase-in of Petitioner's Capital Improvement Plan ("CIP") and debt service structure. Petitioner's five-year CIP primarily consists of a new water treatment plant ("WTP"), estimated to cost approximately \$176 million, and other distribution system and capital improvement projects, estimated to cost approximately \$93 million. These other distribution system and capital improvement projects consist of distribution system and replacements, line relocations and other capital plan items. Petitioner anticipates funding approximately \$220 million of its CIP with the proposed revenue bonds it seeks authority to issue in this Cause, and approximately \$49 million of the CIP through rates and charges over the five-year period.

10. Pursuant to Ind. Code § 8-1-2-42.7(d), Petitioner proposes and requests that a forward-looking test year be used in this proceeding on the basis of projected data for the twelve (12)-month period ending April 1, 2024 ("Test Year"). The historic base period utilized by Petitioner in this proceeding is the twelve (12) months ending September 30, 2020. Petitioner believes the forecasted financial and accounting data, when properly adjusted pursuant to Petitioner's evidence, including, but not limited to, the substantial additional capital requirements Petitioner must meet and finance over the next five calendar years, fairly reflect the Petitioner's annual operations. Therefore, such test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates.

11. Petitioner is proposing to increase its rates in five phases to better align recovery of future revenues with the five-year phase-in of Petitioner's CIP and debt structure. Phasing-in the rate increases over a five-year period to match the five-year construction and implementation period of Petitioner's CIP and phase-in of debt service will allow Petitioner to meet the future debt service coverage obligations required by the market, rating agencies and the SRF loan program. Further, phasing-in the rates over five years will allow Petitioner to mitigate the rate impact on customers.

12. Petitioner proposes to implement Phase 1 rates upon issuance of an order in this Cause and will include the portion of projected operations and maintenance ("O&M") expenses and revenues for the period April 1, 2022 through April 1, 2023, as well as payment in lieu of taxes ("PILT") and a portion of the CIP. Phase 2 rates will go into effect on April 1, 2023 and include forecasted O&M expenses and revenues for the Test Year period (April 1, 2023 through April 1, 2024), as well as interest payments on the proposed bond issuance, PILT and a portion of the CIP. Phase 3, 4 and 5 rates will go into effect on April 1, 2024, 2025 and 2026, respectively, and adjust for phased increases in debt service on the proposed bonds, PILT and portions on the CIP. The proposed across-the-board rate increases are 7.50% for Phase 1, 7.03% for Phase 2, 6.53% for Phase 3, 6.21% for Phase 4 and 4.31% for Phase 5. The rate increases are all across-the-board so the percentage increase to all customer classes will be the same assuming consistent usage levels. The total amount of recovery being requested is \$15,644,412. The cost recovery for each rate phase is \$3,318,702 for Phase 1, \$3,293,081 for Phase 2, \$3,273,662 for Phase 3, \$3,315,394 for Phase 4 and \$2,443,573 for Phase 5.

13. Pursuant to 170 IAC 1-1.1-9(a)(8), Petitioner has conferred with the OUCC on a proposed procedural schedule. Petitioner will file a proposed procedural schedule within thirty (30) days of filing this petition.

14. Petitioner considers Ind. Code §§ 8-1-2-42, 8-1-2-42.7, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

15. The attorneys authorized to represent Petitioner in this proceeding, who are authorized to accept service of papers in the proceeding on behalf of Petitioner, are:

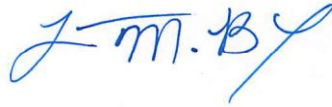
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16. Pursuant to 170 IAC 1-1.1-15, Petitioner requests that a date be promptly fixed for a preliminary hearing in this proceeding.

WHEREFORE, Petitioner respectfully prays the Commission promptly conduct a prehearing conference, determine a procedural schedule, conduct an evidentiary hearing, and take such further action as it deems appropriate, and thereafter issue a final order approving the issuance of bonds, notes, or other obligations, authorizing an increase in Petitioner's rates and charges for water service as requested by Petitioner, and approving the establishment of new schedules of water rates and charges applicable thereto, with such schedules to properly reflect and establish the proposed rate

increase. Petitioner also respectfully prays the Commission make such other and further orders as the Commission may deem appropriate and proper.

Respectfully submitted,



By: _____

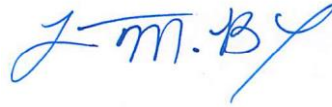
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served this 10th day of May, 2021 by electronic mail to:

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