

BEFORE THE INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE PETITION OF
FLOYD KNOBS WATER COMPANY, INC.
FOR A NEW SCHEDULE OF RATES
AND CHARGES

CASE NO. 45112-U

(AMENDED)
OUC / PETITIONER AGREEMENT
CONCERNING PENDING SMALL UTILITY RATE APPLICATION

The purpose of this document is to set forth an amended agreement reached between Floyds Knobs Water Company, Inc. (the Petitioner) and the Indiana Office of the Utility Consumer Counselor (OUCC) concerning the Small Utility Rate Application pending in the above-referenced case.

Background:

The Petitioner filed its Small Utility Rate Application (the Application) on June 20, 2018.

The OUCC filed its response to the Application, by way of Public's Exhibit No. 1 (Testimony of Richard J. Corey) and Public's Exhibit No. 2 (Testimony of Carl N. Seals), on October 9, 2018.

The Petitioner filed its Response to OUCC's Public's Exhibits Nos. 1 and 2, and a Revised Schedule 1, on November 7, 2018.

Following discussions concerning the present status of the Application, the parties have reached an agreement concerning all pending issues.

On 1/15/2019 the parties submitted an Agreement to the Commission. Thereafter, it was brought to the parties' attention, by the Commission, that the Agreement and Settlement Schedules submitted with the Agreement filed 1/15/2019 reflect an incorrect Water Tracker Rate. This Amended Agreement, and the Settlement Schedules submitted with this Amended Agreement, reflect the correct Water Tracker Rate.

Agreement:

Concerning the adjustment to normalize pro forma annual revenues:

Petitioner's Schedule 5 sets forth a revenue adjustment of \$5,312. OUCC says the proper revenue adjustment should be a total of \$30,579. Petitioner agrees that the OUCC total revenue adjustment figure of \$30,579 should be used in the rate calculation. This adjustment results in the

Schedule 1, Revenues at current rates subject to increase number being \$1,473,033, instead of \$1,477,766.

Concerning operating expense and taxes-other-than-income adjustments:

In its original October 9, 2019 filing the OUCC recommended cutting the operating expenses and taxes-other-than-income set forth in FKWC's application by \$60,386. (Reference the "O&M Expense" section of Schedule 1, page 2 of 2, of Public's Exhibit No. 1) FKWC has no objection to the \$20,636 of those cuts for Capital and Non-recurring items, the \$7 increase in purchased water, or for the \$189 reduction for the IURC Fee. The remainder of OUCC recommended operating expense reduction, namely \$39,569, corresponds to expenses that will be incurred if, as the Petitioner has indicated it needs to do, a new full-time employee is hired.

OUCC is in agreement with including the (new employee related) \$39,569 in the Total Operating Expenses figure, contingent upon the Petitioner actually hiring the new fulltime employee, within four months of the new rate being approved, and providing clear documentation that it has done so. In the event the position is not filled as indicated, the Petitioner will file an appropriate revised schedule of rates and charges.

This agreement concerning the capital and non-recurring items, purchase water increase and the IURC fee (as adjusted for the normalization of seven months of Petitioner's tracker) adjustments (adjusting by \$20,796 of the \$60,386 recommended by OUCC, but contingent upon the Petitioner actually hiring a new employee) results in the Schedule 1, operating expenses number being \$1,267,516.

Concerning the Revenue Requirement for Extensions and Replacement (Schedule 7):

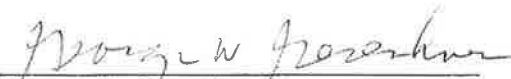
In consideration of several pertinent factors, the parties agree to a revenue requirement for Extensions and Replacements (Schedule 1, Line 4) of \$179,984.

Petitioner agrees that revenues corresponding to the approved Extensions and Replacements figure are to be kept in a restricted account, for the limited purpose of funding extensions and replacements.

Being submitted together with this Amended Agreement are Amended Settlement Schedules which reflect the adjustments (to the rate application schedules submitted by the Petitioner) referenced above in this document. The Petitioner and OUCC are in agreement that a rate increase as identified in the submitted Settlement Schedules is appropriate, and they request that an Order approving the "Settlement" rate be entered.

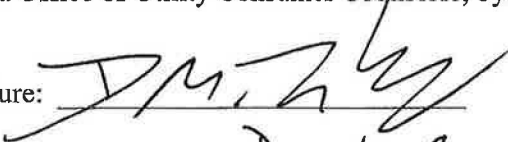
In confirmation of what is set forth above, the parties sign their names:

Floyds Knobs Water Company, Inc., by:


George W. Gesenhues, Attorney for
Floyds Knobs Water Company, Inc.

Date: 3/7/2019

Indiana Office of Utility Consumer Counselor, by:

Signature: 

Date: 3/7/19

Printed name and title: Deputy Consumer Counselor

FLOYDS KNOBS WATER COMPANY, INC.
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**Comparison of Petitioner's and OUCC's
Revenue Requirements**

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Sch Ref</u>	<u>Settlement More (Less)</u>
Operating Expenses	\$ 1,288,312	\$ 1,267,516	4	\$ (20,796)
Taxes other than Income	12,928	12,928	4	-
Extensions and Replacements	155,277	179,984	PET	24,707
Debt Service	293,127	293,127	PET	-
Debt Service Reserve	57,158	57,158	PET	-
Total Revenue Requirements	1,806,802	1,810,713		3,911
Less: Interest Income	(1,752)	(1,752)	PET	-
Net Revenue Requirements	1,805,050	1,808,961		3,911
Less: Revenues at current rates subject to increase	(1,447,766)	(1,473,033)	4	(25,267)
Other revenues at current rates	(5,051)	(5,051)	4	-
Net Revenue Increase Required	352,233	330,877		(21,356)
Add: Additional IURC Fee	472	398		(74)
				-
Recommended Increase	<u>\$ 352,705</u>	<u>\$ 331,275</u>		<u>\$ (21,430)</u>
Recommended Percentage Increase	<u>24.36%</u>	<u>22.49%</u>		<u>-1.87%</u>

<u>Current Rate for 5,000 Gallons</u>	<u>Proposed</u>		<u>Settlement More (Less)</u>
	<u>Petitioner</u>	<u>Settlement</u>	
Current Rate = \$41.30	\$ 51.37	\$ 50.57	\$ (0.80)

FLOYDS KNOBS WATER COMPANY, INC.
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Reconciliation of Net Operating Income Statement Adjustments
Pro-forma Present Rates

	<u>Per Petitioner</u>	<u>Per Settlement</u>	<u>Settlement More (Less)</u>
Operating Revenues			
Residential Metered Sales	\$ 5,312	\$ 5,335 (1,500) 10,927 (2,102) 17,919	\$ 23 (1,500) 10,927 (2,102) 12,607
Total Operating Revenues	<u>5,312</u>	<u>30,579</u>	<u>19,955</u>
O&M Expense			
Salaries and Wages	35,104	35,104	(0)
Employee Benefits	5,602	5,602	-
PERF Expense	2,664	2,664	0
Periodic Maintenance	38,933	38,933	-
Rate Case Expense	1,167	1,167	-
Miscellaneous Expense	51	51	-
IURC Fee	340	173	(168)
Purchased Water	48	48	-
Purchased Water	3,417	3,424	7
Purchased Power	63	63	0
Capital and Non-recurring Items		(20,636)	(20,636)
			-
Taxes Other than Income	2,685	2,685	(0)
Total Operating Expenses	<u>90,074</u>	<u>69,278</u>	<u>(20,796)</u>
Net Operating Income	<u>\$ (84,762)</u>	<u>\$ (38,699)</u>	<u>\$ 40,751</u>

FLOYDS KNOBS WATER COMPANY, INC.
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COMPARATIVE BALANCE SHEET
As of December 31,

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility Plant:			
Utility Plant in Service	\$ 11,375,426	\$ 10,408,077	\$ 9,419,027
Less: Accumulated Depreciation	(2,479,130)	(2,270,533)	(2,101,828)
Net Utility Plant in Service	<u>8,896,296</u>	<u>8,137,544</u>	<u>7,317,199</u>
Restricted Assets:			
Special Funds	<u>273,082</u>	<u>215,503</u>	<u>48,915</u>
Total Restricted Assets	<u>273,082</u>	<u>215,503</u>	<u>48,915</u>
Current Assets:			
Cash and Cash Equivalents	200	200	200
Other Special Deposits	167,613	107,915	49,000
Working Funds	221,023	337,716	333,296
Accounts Receivable	113,396	112,095	105,130
Materials and Supplies	49,557	62,978	44,034
Prepays	8,867	8,770	7,130
Total Current Assets	<u>560,656</u>	<u>629,674</u>	<u>538,790</u>
Total Assets	<u>\$ 9,730,034</u>	<u>\$ 8,982,721</u>	<u>\$ 7,904,904</u>

FLOYDS KNOBS WATER COMPANY, INC.
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COMPARATIVE BALANCE SHEET
As of December 31,

<u>LIABILITIES</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Equity			
Retained Earnings	\$ 1,780,533	\$ 1,822,338	\$ 1,632,556
Paid in Capital	193,965	191,665	187,465
Total Equity	<u>1,974,498</u>	<u>2,014,003</u>	<u>1,820,021</u>
Contributions in Aid of Construction	3,006,533	2,788,103	2,729,572
Long-term Debt			
Bonds Payable - Series A	<u>4,439,109</u>	<u>3,768,398</u>	<u>2,486,246</u>
Total Long-term Debt	<u>4,439,109</u>	<u>3,768,398</u>	<u>2,486,246</u>
Current Liabilities			
Accounts Payable	256,964	366,618	849,166
Accrued Interest	46,787	39,223	13,907
Accrued Taxes	<u>6,143</u>	<u>6,376</u>	<u>5,992</u>
Other Current Liabilities	<u>309,894</u>	<u>412,217</u>	<u>869,065</u>
Total Liabilities	<u>\$ 9,730,034</u>	<u>\$ 8,982,721</u>	<u>\$ 7,904,904</u>

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**FLOYDS KNOBS WATER COMPANY, INC.
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**COMPARATIVE INCOME STATEMENT
Twelve Months Ended December 31,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Residential Metered Sales	\$ 1,277,346	\$ 1,248,969	\$ 1,199,244
Sales For Resale	165,108	136,479	126,527
Penalties			
Other	5,051	10,465	2,320
Total Operating Revenues	<u>1,447,505</u>	<u>1,395,913</u>	<u>1,328,091</u>
Operating Expenses			
Salaries and Wages - Employees	128,050	112,864	108,505
Salaries and Wages - Officers and Directors	13,600	15,650	16,000
Employee Benefits	3,124	3,543	5,540
Purchased Water	821,569	741,031	711,248
Purchased Power	15,224	14,625	15,500
Materials and Supplies	76,600	19,255	32,741
Contractual Services - Accounting	27,670	28,654	12,120
Contractual Services - Legal	9,775	13,846	5,468
Contractual Services - Repairs	55,632	38,353	22,490
Rental	10,706	10,554	10,355
Transportation Expense	11,246	9,157	11,465
Insurance - General Liability	13,203	11,274	8,326
Insurance - Other	3,759	458	2,818
Bad Debt Expense		3,219	572
Miscellaneous Expense	10,765	6,400	12,067
Total O&M Expense	<u>1,200,923</u>	<u>1,028,883</u>	<u>975,215</u>
Depreciation Expense	208,597	168,705	
Taxes Other than Income	10,243	8,993	
Total Operating Expenses	<u>1,419,763</u>	<u>1,206,581</u>	<u>975,215</u>
Net Operating Income	27,742	189,332	352,876
Other Income (Expense)			
Interest Income	1,752	529	
Gain (Loss) on Sale of Assets	500		
Interest Expense	(71,799)	(79)	
Total Other Income (Expense)	<u>(69,547)</u>	<u>450</u>	<u>-</u>
Net Income	<u>\$ (41,805)</u>	<u>\$ 189,782</u>	<u>\$ 352,876</u>

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FLOYDS KNOBS WATER COMPANY, INC.
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Pro-forma Net Operating Income Statement

	Year Ended 12/31/2017	Adjustments	Sch Ref	<i>Pro-forma</i> Present Rates	Adjustments	Sch Ref	<i>Pro-Forma</i> Proposed Rates
Operating Revenues							
Residential Metered Sales	\$ 1,277,346	\$ 5,335 (1,500) 10,927 (2,102) 17,919	5-1 5-2 5-3 5-4 5-5	\$ 1,307,925	\$ 294,143	1	\$ 1,602,068
Sales For Resale	165,108			165,108	37,132	1	202,240
Other	5,051			5,051			5,051
Total Operating Revenues	<u>1,447,505</u>	<u>30,579</u>		<u>1,478,084</u>	<u>331,275</u>		<u>1,809,359</u>
O&M Expense	1,200,923			1,267,516			1,267,516
Salaries and Wages		35,104	6-1				
Employee Benefits		5,602	6-2				
PERF Expense		2,664	6-3				
Periodic Maintenance		38,933	PET				
Rate Case Expense		1,167	6-5				
Miscellaneous Expense		51	PET				
IURC Fee		173	6-6				
Purchased Water		48	PET				
Purchased Water		3,424	6-7				
Purchased Power		63	PET				
Capital and Non-recurring Items		(20,636)	6-8				
Depreciation Expense	208,597			208,597			208,597
Taxes Other than Income	10,243	2,685	6-5	12,928	398	1	13,326
Total Operating Expenses	<u>1,419,763</u>	<u>69,278</u>		<u>1,489,041</u>	<u>398</u>		<u>1,489,439</u>
Net Operating Income	<u>\$ 27,742</u>	<u>\$ (38,699)</u>		<u>\$ (10,957)</u>	<u>\$ 330,877</u>		<u>\$ 319,920</u>

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CAUSE NUMBER 45112-U****Revenue Adjustments**

(1)

Test Year Residential Normalization

To adjust test year residential water sales to normalize the change in the number of customers that occurred during the test year

Months	Number of Residential Customers	Increase/ Decrease in Number of Bills	Multiplier	Additional Monthly Bills
Jan	2,175		0	
Feb	2,177	2	1	2
Mar	2,176	(1)	2	(2)
Apr	2,185	9	3	27
May	2,168	(17)	4	(68)
Jun	2,194	26	5	130
Jul	2,196	2	6	12
Aug	2,198	2	7	14
Sep	2,197	(1)	8	(8)
Oct	2,203	6	9	54
Nov	2,206	3	10	30
Dec	2,200	(6)	11	(66)
	26,275	Number of Additional Bills		125
		Times: Average Bill		\$ 42.68
		Adjustment Increase/(Decrease)		\$ 5,335

Test Year Residential Sales	\$ 1,121,373
Divided by: 12 Month Total # of Customers	26,275
Average Bill per Residential Customer	\$ 42.68

FLOYDS KNOBS WATER COMPANY, INC.
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Revenue Adjustments

(2)

Test Year Commercial Normalization

To adjust test year commercial water sales to normalize the change in the number of customers that occurred during the test year

Months	Number of Residential Customers	Increase/ Decrease in Number of Bills	Multiplier	Additional Monthly Bills
Jan	109		0	
Feb	109	0	1	0
Mar	109	0	2	0
Apr	109	0	3	0
May	108	(1)	4	(4)
Jun	110	2	5	10
Jul	110	0	6	0
Aug	112	2	7	14
Sep	112	0	8	0
Oct	112	0	9	0
Nov	109	(3)	10	(30)
Dec	109	0	11	0
	1,318	Number of Additional Bills Times: Average Bill		(10) \$ 150.02
		Adjustment Increase/(Decrease)		\$ (1,500)

Test Year Residential Sales	\$ 197,722
Divided by: 12 Month Total # of Customers	1,318
Average Bill per Residential Customer	<u>\$ 150.02</u>

FLOYDS KNOBS WATER COMPANY, INC.
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Revenue Adjustments

(3)

Post Test year Residential Revenue Normalization

To adjust operating revenues to reflect the increase in customers during the post test year period.

Number of Residential Customer as of July, 2018	\$	2,222
Number of Residential Customers at End of Test Year		<u>2,200</u>
Additional Customers		22
Times 12 Bills to annualize		<u>12</u>
Additional Monthly Bills		264
Post Test Year Residential Sales	\$	643,805
Divided by 7 months total customers		<u>15,554</u>
Average Post Test year Bill		<u>41.39</u>
Adjustment Increase (Decrease)	\$	<u><u>10,927</u></u>

(4)

Post Test year Commercial Revenue Normalization

To adjust operating revenues to reflect the increase in customers during the post test year period.

Number of Commercial Customer al of July, 2018	\$	108
Number of Commercial Customers at End of Test Year		<u>109</u>
Additional Customers		(1)
Times 12 Bills to annualize		<u>12</u>
Additional Monthly Bills		(12)
Post Test Year Residential Sales	\$	132,425
Divided by 7 months total customers		<u>756</u>
Average Post Test year Bill		<u>175.17</u>
Adjustment Increase (Decrease)	\$	<u><u>(2,102)</u></u>

FLOYDS KNOBS WATER COMPANY, INC.
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Revenue Adjustments

(5)

Water Tracker Normalization

To reflect normalized revenue due to implementation of August 2, 2017 tracker for the first seven months of the test year based on water sold to customer per page W-6 of Applicants 2017 annual report.

Water Sold to Customer (000's Omitted):

<u>Month</u>	<u>Gallons</u>
January	12,754
February	12,664
March	11,075
April	12,341
May	13,603
June	17,615
July	<u>19,498</u>
Total Gallons Sold	99,550
Times: August 2017 Tracker	<u>\$ 0.18</u>
Adjustment Increase (Decrease)	<u><u>\$ 17,919</u></u>

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**FLOYDS KNOBS WATER COMPANY, INC.
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Expense Adjustments

(1)

Salaries and Wage Expense

To adjust test year salaries and wages to reflect *pro-forma* changes.

Employee Title	Proposed Salary	Regular Hrs Proposed for Subsequent Year	Overtime Hrs. Proposed for Subsequent Year	Proposed Regular Hr. Wag	Proposed Overtime hr. Wage Rate	Total
Super	\$ 55,619					\$ 55,619
Office Mgr		1,040		\$ 20.94	\$ 31.41	21,778
Field Staff		2,080	60	19.52	29.28	42,358
Office Staff		1,040		11.73	17.60	12,199
<i>Pro-forma</i> Payroll						\$ 131,954
Less: Test Year Expense						(128,050)
Adjustment Increase (Decrease)						\$ 35,104

(2)

Employee Benefits

To adjust test year employee benefits to reflect *pro-forma* changes.

<i>Pro forma</i> health Dental and Life Insurance Expense	\$ 5,046
Less: Test Year Expense	(4,490)
Adjustment Increase (Decrease)	\$ 5,602

(3)

PERF Expense

To adjust test year PERF Expense to reflect *pro-forma* changes.

<i>Pro forma</i> Payroll Subject to PERF.	\$ 131,954
PERF Rate	3.00%
Sub-total	3,959
Less: Test Year Expense	(2,231)
Adjustment Increase (Decrease)	\$ 2,664

(4)

Rate Case Expense

To adjust test year operating expense to include costs associated with this rate case.

Legal Fees	\$ 3,500
Divided by Expected Life of Rates	3
Adjustment Increase (Decrease)	\$ 1,167

FLOYDS KNOBS WATER COMPANY, INC.
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Expense Adjustments

(5)

Payroll Taxes

To adjust test year payroll taxes to reflect *pro forma* adjustments to salary and wage expense.

Pro forma Payroll	\$ 131,954
Times: FICA Rate	7.65%
Pro Forma FICA Expense	10,094
Less: Test Year Expense	\$ (9,796)

Adjustment Increase (Decrease) \$ 2,685

(6)

IURC Fee

To adjust test year IURC fee for *pro forma* presents rate operating revenues.

Total Operating Revenues	\$ 1,478,084
Times : Current IURC Fee	0.0012020
Sub-Total	1,777
Less: Test Year Expense	\$ (1,604)

Adjustment Increase (Decrease) \$ 173

(7)

Increase in Purchased Water Due to Normalization

To adjust water cost to reflect additional customers from normalization analysis.

Test year Purchased Water	\$ 821,569
Purchased Water Adjustment	48
Subtotal	821,617
Total number of Bills in Test Years	27,593
Cost Per Bill	29.78
Number of Additional Bills	115

Adjustment Increase (Decrease) \$ 3,424

(8)

Capital and Non-Recurring Items

To adjust for capital and non-recurring items

Date	Account	Vendor	Description	Amount
5/10/2017	630.2	Dan Cristiani	Capital Item	\$ 3,417
5/26/2017	630.2	Eager Beaver	Capital Item	2,500
5/16/2017	650.0	Asbes Tech Inc.	Non-recurring	3,780
1/9/2017	660.0	Waller's Meter	Capital Item	1,272
6/7/2017	660.0	Ferguson WW	Capital Item	2,232
10/18/2017	660.0	Ferguson WW	Capital Item	3,675
4/24/2017	660.0	Waller's Meter	Capital Item	2,709
10/4/2017	660.0	Waller's Meter	Capital Item	\$ 1,050

Adjustment Increase (Decrease) \$ (20,636)

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FLOYDS KNOBS WATER COMPANY, INC.
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Current and Proposed Rates and Charges

Metered Rates per Month	Current	Petitioner Proposed	Settlement
First 2,000 Gallons	\$ 9.88	\$ 12.29	\$ 12.10
Next 18,000 Gallons	7.18	8.93	8.79
Over 20,000 Gallons	5.92	7.36	7.25

Minimum Charge per Month

5/8" or 3/4" Meter	19.40	24.13	23.76
1" Meter	124.82	155.23	152.89
2" Meter	300.38	373.56	367.93
3" Meter	759.58	944.63	930.40
4" Meter	1,035.10	1,287.27	1,267.89
6" Meter	1,310.62	1,629.91	1,605.37

Fire Lines Charge per Month

6" Connection	39.66	49.32	48.58
8" Connection	\$ 66.19	\$ 82.32	\$ 81.08